

Registration number 3599896

# Emerald Global Publishing Group Limited

Annual Report and Consolidated Financial Statements

for the year ended 31 December 2015

Parent company accounts of  
Research Media Limited  
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**Emerald Global Publishing Group Limited**  
**COMPANY INFORMATION**  
for the year ended 31 December 2015

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**DIRECTORS**

Dr K Howard  
R L Bevan  
T H Ratcliffe  
V Williams  
P G Meredith  
S G Cox

**COMPANY SECRETARY**

K Robinson

**REGISTERED OFFICE**

Howard House  
Wagon Lane  
Bingley  
BD16 1WA

**SOLICITORS**

DLA Piper UK LLP  
Princes Exchange  
Princes Square  
Leeds  
LS1 4BY

Gordons LLP  
Riverside West  
Whitehall Road East  
Leeds  
LS1 4AW

**BANKERS**

Barclays Bank plc  
PO Box 224  
Market Street  
Bradford  
BD1 1NR

**INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
Benson House  
33 Wellington Street  
Leeds  
LS1 4JP

**Emerald Global Publishing Group Limited**  
**DIRECTORS' REPORT**  
for the year ended 31 December 2015

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The directors present their report and the audited consolidated financial statements for the year ended 31 December 2015

**PRINCIPAL ACTIVITIES**

The principal activity of the group remains the publication of academic journals, books and databases, which are distributed globally both in print and electronic format. As the authors, editors and customers are spread throughout the world, there are no significant strategic dependencies or relationships.

The group includes the subsidiaries Research Media Limited "RML" and Good Practice Limited "GPL". RML provides a dissemination service for researchers and a media agency service. While its activity is based in the UK, customers are spread globally. GPL develops and sells a range of leadership and management learning materials for delivery over the internet and on mobile devices.

The group operates under UK law and legislation. The group takes all measures to ensure that it meets health, safety and environmental requirements and there have been no instances of breach in the period under review.

**REVIEW OF THE BUSINESS**

The review of the business is included in the Strategic Report on page 4.

**THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS**

Qualifying third party indemnity provision insurance is in place for the benefit of all the directors of the group.

**DIRECTORS AND THEIR INTERESTS**

The directors who held office during the year and up to the date of the signing of the financial statements were as follows:

Dr K Howard  
R L Bevan  
V Williams (appointed 26 June 2015)  
T H Ratchiffe  
P G Meredith  
S G Cox (appointed 1 January 2016)

In accordance with the articles of association, no directors retire by rotation.


**DISCLOSURE OF INFORMATION TO THE AUDITORS**

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors has confirmed that they 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 it has been communicated to the auditors.

**REAPPOINTMENT OF AUDITORS**

The auditors, PricewaterhouseCoopers LLP, will be proposed for re-appointment in accordance with section 487 of the Companies Act 2006.

Approved by the Board on 1 April 2016 and signed on its behalf by

  
S G Cox  
Director

**Emerald Global Publishing Group Limited**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**  
**for the year ended 31 December 2015**

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, 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 Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102)

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 of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements,
- notify it's shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

**Emerald Global Publishing Group Limited**  
**STRATEGIC REPORT**  
for the year ended 31 December 2015

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**BUSINESS REVIEW**

The group's turnover increased by 6.5% to £41,816,452. This reflects both the acquisition in June 2015 of Good Practice Limited (GPL) and the growth of Emerald's core journal business.

Adjusted earnings before interest, tax, depreciation & amortisation ("EBITDA") margin is 22.4% compared to 23.7% in the prior year which reflects the continued investment in infrastructure and technology that the group has made in recent years, and the challenging trading conditions of Research Media Limited. During the year the group charged an impairment loss of £2,502,852 in relation to RML. This is detailed in note 9.

The group continues to launch innovative products and expand market share in all global territories. The group has invested in additional staff to develop its digital capabilities and product offerings and continues to provide excellent customer service.

The group's key financial and other performance indicators during the year were as follows:

	2015	2014
	£	£
Turnover	41,816,452	39,252,601
Adjusted earnings before interest, tax, depreciation & amortisation	9,362,729	9,312,486
Operating profit	4,743,370	4,873,521
Net asset/(liabilities)	1,659,717	(824,963)

**TRANSITION TO FRS102**

This is the first year that the company has presented its results under FRS 102. The last financial statements under UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Note 31 sets out the key transitional adjustments applied.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The group operates in the UK and overseas. The diverse nature of the group's customers helps to mitigate risk and the effect of any adverse political and economic conditions. The group is not strategically dependent on any one customer. Additionally, the recent acquisitions of Good Practice help to ensure that the group offers a diverse range of products to customers in multiple markets.

The group seeks to mitigate exposure to all forms of risk, both internal and external. All principal risks are identified on a risk register which is reviewed by the relevant board quarterly. Each identified risk assigned to an owner who must then report quarterly on progress on mitigation strategies.

The principal risks and uncertainties facing the group include:

1. Technological infrastructure: the needs of the businesses and their customers mean that the infrastructure requires regular investment. The infrastructure is regularly reviewed in line with the group's long term plan and the areas of the most strategic importance prioritised for investment.
2. Business disruption due to key supplier failure: This is mitigated by using multiple suppliers where possible and practical. Where only one supplier is feasible, all new suppliers are subjected to credit reviews to ensure no high-risk suppliers are utilised. The group is not strategically dependent on any one supplier.

**PRICE RISK, CREDIT RISK, LIQUIDITY RISK AND CASH FLOW RISK**

The group finances its operations by a combination of bank loans, shareholders' funds and cash. Major expenditure on fixed and intangible assets is financed by bank loans at both fixed and variable rates of interest. Working capital requirements are funded out of the group's commercial operations. The group is not heavily geared and net debt has reduced by £646,614 to £4,271,391 during the year.

The group receives income in sterling, US dollars, euros and other currencies and endeavours to offset currency risk through the use of forward exchange contracts.

**Emerald Global Publishing Group Limited**  
**STRATEGIC REPORT (continued)**  
**for the year ended 31 December 2015**

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The group does not have a significant credit risk as most products are sold on subscription and invoiced in advance, which means that the customer does not receive access to the product until payment has been received

**CHARITABLE DONATIONS**

During the year the group made charitable donations of £1,542,950 (2014 £1,197,013)

**EMPLOYEE INVOLVEMENT**

The group employed 370 people across its global operations. The group takes its health and safety and environmental responsibilities seriously and is proud of its record in this regard. The group places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on various factors affecting the performance of the group.

The group provides employees with information on matters of concern to them, consulting with them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employees' involvement in the group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the group.

The group's policy is to provide equal opportunities for employment. In employment related decisions the group complies with anti-discrimination requirements concerning matters of race, colour, national origin, marital status, sexual orientation, religious belief, age or physical or mental ability. Disabled people are given full consideration for employment and their development is assisted and encouraged.

**LAWS AND REGULATIONS**

Regulations and documentary requirements frequently change both in the UK and overseas jurisdictions. However, the group does not believe it is exposed to a greater degree than any of its competitors and receives professional advice to comply with any revised regulations as they come into effect.

Approved by the Board on 1 April 2016 and signed on its behalf by



S G Cox  
Director

**Emerald Global Publishing Group Limited**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EMERALD GLOBAL**  
**PUBLISHING GROUP LIMITED**  
**for the year ended 31 December 2015**

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**Report on the financial statements**

**Our opinion**

In our opinion, Emerald Global Publishing Group Limited's group financial statements and company financial statements (the "financial statements")

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2015 and of the group's profit and cash flows 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

**What we have audited**

The financial statements, included within the Annual Report and Financial Statements ("Annual Report"), comprise,

- the consolidated and company balance sheets as at 31 December 2015,
- the consolidated profit and loss account for the year then ended,
- the consolidated statement of comprehensive income for the year then ended,
- the consolidated statement of cash flows for the year then ended,
- the group and parent company statements of changes in equity for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice)

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, 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.

**Other matters on which we are required to report by exception:**

**Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit, or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility.

**Emerald Global Publishing Group Limited**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EMERALD GLOBAL**  
**PUBLISHING GROUP LIMITED**  
**for the year ended 31 December 2015**

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**Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

**Responsibilities for the financial statements and the audit**

**Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' Responsibilities 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Nicholas Cook (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Leeds

22 April 2016

**Emerald Global Publishing Group Limited**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 2015

	Note	2015 £	2014 £
TURNOVER	6	41,816,452	39,252,601
Cost of sales		<u>(10,119,665)</u>	<u>(9,934,586)</u>
GROSS PROFIT		31,696,787	29,318,015
Distribution costs		(9,999,699)	(8,660,777)
Administrative expenses		(16,539,664)	(14,739,775)
Other operating expense		(414,054)	(1,043,942)
<b>*EBITDA – ADJUSTED FOR EXCEPTIONAL ITEMS</b>		<b>9,362,729</b>	<b>9,312,486</b>
Exceptional items	9	(2,621,030)	(2,620,902)
Depreciation (included in cost of sales, distribution & administrative expenses)		(460,825)	(456,019)
Amortisation (included in administrative expenses)		(1,537,504)	(1,362,044)
OPERATING PROFIT	7	<u>4,743,370</u>	<u>4,873,521</u>
Interest receivable and similar income	10	6,822	5,322
Interest payable and similar charges	11	<u>(261,422)</u>	<u>(232,276)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,488,770	4,646,567
Tax on profit on ordinary activities	12	(1,225,899)	(1,530,803)
PROFIT FOR THE FINANCIAL YEAR		<u>3,262,871</u>	<u>3,115,764</u>
Profit attributable to Owners of the parent		3,262,146	3,115,997
Non-controlling interests		<u>725</u>	<u>(233)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>3,262,871</u>	<u>3,115,764</u>

Turnover and operating profit derive wholly from continuing operations

\*EBITDA = Adjusted earnings before exceptional items, interest, tax, depreciation and amortisation

Emerald Global Publishing Group Limited  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
for the year ended 31 December 2015

	2015 £	2014 £
Profit for the financial year	3,262,871	3,115,764
Other comprehensive income		
Currency translation differences	23,171	45,321
Total comprehensive income for the year	3,286,042	3,161,085
Total comprehensive income attributable to		
- Owners of the parent	3,262,146	3,115,997
- Non-controlling interest	725	233
Total	3,262,871	3,116,230

**Emerald Global Publishing Group Limited**  
**CONSOLIDATED BALANCE SHEET**  
as at 31 December 2015

Registration Number 3599896

	Note	2015	2014
		£	£
<b>FIXED ASSETS</b>			
Intangible assets	13	8,097,870	7,193,644
Tangible assets	15	9,840,181	9,723,762
Investments	16	260,800	60,800
		<u>18,198,851</u>	<u>16,978,206</u>
<b>CURRENT ASSETS</b>			
Debtors	17	9,055,933	8,933,092
Cash at bank and in hand		<u>4,728,609</u>	<u>81,995</u>
		13,784,542	9,015,087
Creditors Amounts falling due within one year	18	<u>(28,516,417)</u>	<u>(23,384,452)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(14,731,875)</u>	<u>(14,369,365)</u>
<b>Total assets less current liabilities</b>		<b>3,466,976</b>	<b>2,608,841</b>
Creditors Amounts falling due after more than one year	19	(1,746,830)	(3,433,804)
Provisions for liabilities	21	<u>(60,429)</u>	<u>-</u>
<b>NET ASSETS/ (LIABILITIES)</b>		<u><b>1,659,717</b></u>	<u><b>(824,963)</b></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	22	479,619	479,169
Share premium account		31,087,625	31,087,625
Capital redemption reserve		667,940	667,940
Translation reserve		4,908	(18,263)
Profit and loss account		(30,580,107)	(33,041,891)
Minority interests		<u>(268)</u>	<u>457</u>
<b>SHAREHOLDERS' FUNDS</b>		<u><b>1,659,717</b></u>	<u><b>(824,963)</b></u>

The financial statements on pages 8 to 35 were approved by the board of directors and authorised for issue on 1 April 2016 and signed on its behalf by



S G Cox  
Director

The notes on pages 15 to 35 form an integral part of these financial statements

**Emerald Global Publishing Group Limited**  
**COMPANY BALANCE SHEET**  
as at 31 December 2015

Registration Number 3599896

	Note	2015 £	2014 £
<b>FIXED ASSETS</b>			
Investments	16	46,809,297	44,447,987
<b>CURRENT ASSETS</b>			
Cash at bank and in hand		67,562	-
Debtors amounts falling due within one year	17	2,026,956	2,000,000
Debtors amounts falling due after more than one year	17	1,000,000	3,000,000
		<u>3,094,518</u>	<u>5,000,000</u>
Creditors Amounts falling due within one year	18	<u>(15,737,507)</u>	<u>(10,624,467)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(12,642,989)</u>	<u>(5,624,467)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		34,166,308	38,823,520
Creditors Amounts falling due after more than one year	19	<u>(1,466,500)</u>	<u>(3,037,473)</u>
<b>NET ASSETS</b>		<u>32,699,808</u>	<u>35,786,047</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	22	479,619	479,169
Share premium account		31,087,625	31,087,625
Capital redemption reserve		667,940	667,940
Profit and loss account		<u>464,624</u>	<u>3,551,313</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>32,699,808</u>	<u>35,786,047</u>

The financial statements on pages 8 to 35 were approved by the board of directors and authorised for issue on 1 April 2016 and signed on its behalf by



S G Cox  
Director

The notes on pages 15 to 35 form an integral part of these financial statements

Emerald Global Publishing Group Limited  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
for the year ended 31 December 2015

	Called up share capital	Share premium	Capital Redemption Reserve	Translation reserve	Profit and loss account	Minority Interest	Total
	£	£	£	£	£	£	£
At 1 January 2014	483,145	31,087,625	661,350	(63,584)	(34,968,490)	224	(2,799,730)
Profit for the year	-	-	-	-	3,115,531	-	3,115,531
Dividends	-	-	-	-	(816,178)	-	(816,178)
Issue of new shares	(3,976)	-	-	-	-	-	(3,976)
Repurchase of shares	-	-	6,590	-	(613,464)	-	(606,874)
Share based payment	-	-	-	-	240,710	-	240,710
Movement in translation reserve	-	-	-	45,321	-	-	45,321
Minority Interest	-	-	-	-	-	233	233
At 31 December 2014	479,169	31,087,625	667,940	(18,263)	(33,041,891)	457	(824,963)
Profit for the year	-	-	-	-	3,262,871	-	3,262,871
Dividends	-	-	-	-	(814,587)	-	(814,587)
Issue of new shares	450	-	-	-	-	-	450
Movement in translation reserve	-	-	-	23,171	-	-	23,171
B-share issue	-	-	-	-	13,500	-	13,500
Allocation of loss to minority interest	-	-	-	-	-	(725)	(725)
At 31 December 2015	479,619	31,087,625	667,940	4,908	(30,580,107)	(268)	1,659,717

The notes on pages 15 to 35 form an integral part of these financial statements

**Emerald Global Publishing Group Limited**  
**COMPANY STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2015

	Called up share capital	Share premium	Capital redemption reserve	Profit and loss account	Total
	£	£	£	£	£
At 1 January 2014	476,555	31,087,625	661,350	6,249,659	38,481,779
Loss for the year	-	-	-	(1,509,414)	(1,509,414)
Dividends	-	-	-	(816,178)	(816,178)
Issue of new shares	2,614	-	-	-	2,614
Repurchase of shares	-	-	6,590	(613,464)	(606,874)
Share based payment	-	-	-	240,710	240,710
At 31 December 2014	479,169	31,087,625	667,940	3,551,313	35,786,047
Loss for the year	-	-	-	(2,285,602)	(2,285,602)
Dividends	-	-	-	(814,587)	(814,587)
Issue of new shares	450	-	-	-	450
B-share issue	-	-	-	13,500	13,500
At 31 December 2015	479,619	31,087,625	667,940	464,624	32,699,808

The notes on pages 15 to 35 form an integral part of these financial statements

**Emerald Global Publishing Group Limited**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the year ended 31 December 2015

	Note	2015 £	2014 £
Net cash from operating activities	24	8,136,756	6,785,238
Taxation paid		(1,771,634)	(1,846,860)
Net cash generated from operating activities		<u>6,365,122</u>	<u>4,938,378</u>
 Cash flow from investing activities			
Payments to acquire intangible fixed assets		(538,657)	(213,418)
Payments to acquire tangible fixed assets		(537,517)	(399,674)
Payments to acquire subsidiary undertaking (net of cash acquired)		(3,626,157)	(1,094,718)
Working capital receipt upon acquisition of subsidiary undertaking		29,389	-
Net cash used in investing activities		<u>(4,672,942)</u>	<u>(1,707,810)</u>
 Cash flow from financing activities			
Repayment of bank borrowings		(2,000,000)	(2,000,000)
Proceeds from drawdown of revolving credit facility		6,000,000	-
Interest paid		(254,600)	(226,954)
Finance lease repayment		-	(436)
Issue of shares		450	-
Dividends paid to owners of parent		(814,587)	(816,178)
Purchase of shares		-	(306,732)
Net cash generated/(used) in financing activities		<u>2,931,263</u>	<u>(3,350,300)</u>
 Net increase/(decrease) in cash and cash equivalents		4,623,443	(119,732)
Cash and cash equivalents at the beginning of the year		81,995	156,406
Exchange gains on cash and cash equivalents		23,171	45,321
Cash and cash equivalents at the end of the year		<u>4,728,609</u>	<u>81,995</u>
 Cash and cash equivalents consists of			
Cash at bank and in hand		4,728,609	81,995
Cash and cash equivalents		<u>4,728,609</u>	<u>81,995</u>

The notes on pages 15 to 35 form an integral part of these financial statements

**Emerald Global Publishing Group Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2015**

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**1. GENERAL INFORMATION**

Emerald Global Publishing Group Limited publishes academic journals, books and databases, which are distributed globally in both print and electronic format

The company is a private company limited by shares and is incorporated in England. The address of its registered office is Howard House, Wagon Lane, Bingley, BD16 1WA.

**2. STATEMENT OF COMPLIANCE**

The Group and individual financial statements of Emerald Global Publishing Group Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The company transitioned to FRS 102 from the previous UK GAAP as at 1 January 2014.

The principal accounting policies applied in the preparation of these financial statements are set out below. They have been consistently applied to all years presented unless otherwise stated. Details of the transition to FRS 102 are disclosed in note 31.

**Basis of preparation**

The financial statements have been prepared under the historical cost convention as modified by the recognition of certain financial assets and liabilities measured at fair value and the going concern basis and in accordance with applicable accounting standards.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account. Its loss after tax for the financial year was £2,285,602 (2014: loss of £1,509,414). This is driven by an exceptional impairment of £3,354,826.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2015. The acquisitions method of accounting has been adopted. Under this method, the results of the subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

**Going concern**

The financial statements have been prepared on a going concern basis.

Having carried out a detailed review of the group's budgets and available resources, and of the challenges presented by the current economic climate, the directors are satisfied that the group has sufficient cash flows to meet its liabilities as they fall due at least one year from the date of approval of the financial statements.

The group relies on bank finance and customer payments to fund its activities and had net current liabilities of £14,731,875, of which £15,324,412 related to deferred income, as at 31 December 2015.

The directors have taken into account a number of key factors when assessing future performance, in particular:

- The stable turnover and profitability generated by the group's principal activity and the continued positive cash flows arising from the principal activity, and
- agreed banking facilities.

**Exemptions for qualifying entities under FRS102**

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders. The Company has taken advantage of the following exemptions:

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- (i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows,
- (ii) from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures,
- (iii) from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7

**Revenue recognition and deferred income**

Revenue relating to subscriptions for issues and articles in magazines and access to electronic databases is recognised as issues are despatched and access to databases is made available to customers

Income in respect of the following year is credited in the balance sheet to deferred income and released to turnover in line with the policy above

**Business combinations**

Business combinations are accounted for by applying the purchase method. The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measureable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash-generating units ('CGU's') that are expected to benefit from the combination.

**Goodwill**

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

**Intangible Assets**

The group capitalises several classes of intangible assets, which includes acquired journal titles and databases, software costs, and, on acquisition, intangible assets identified separately to goodwill such as content. Journal titles and databases acquired separately from a business are measured at cost less accumulated amortisation and any accumulated impairment losses. Journal titles and other content acquired as part of an acquisition of a business are capitalised separately from goodwill as the directors believe that the fair value of the titles and databases can be measured reliably on initial recognition. Journal titles and databases created within the business are not capitalised.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

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<b>Asset class</b>	<b>Amortisation rate</b>
Software and software development	3 to 5 years
Journal and book titles	15 years

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations

**Tangible fixed assets**

Tangible fixed assets are shown at cost, less any impairment

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows

<b>Asset class</b>	<b>Depreciation method and rate</b>
Long leasehold land and buildings	20 to 50 years
Fixtures and equipment	3 to 10 years
Motor vehicles	25% reducing balance
Assets under construction	Nil

**Impairment of assets**

At each reporting date, fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**Fixed asset investments**

Fixed asset investments are stated at historical cost less provision for any diminution in value.

**Deferred tax**

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax.

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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**Foreign currency**

Profit and loss account transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the closing rates at the balance sheet date and the exchange differences are included in the profit and loss account.

The financial statements of overseas subsidiary undertakings are translated at the rate ruling at the balance sheet date. The exchange differences arising on the retranslation of opening net assets are taken directly to reserves. All other translation differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against group equity investments in foreign enterprises, which are taken to reserves together with the exchange difference on the net investment in these enterprises. Tax charges and credits attributable to exchange differences on those borrowings are also taken to reserves.

**Financial instruments**

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

**(i) Financial assets**

Basic financial assets, including trade and other receivables, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment. Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**(ii) Financial liabilities**

Basic financial liabilities, including trade and other payables, bank loans, and loans from fellow Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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.

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**(iii) Derivative financial instruments**

The company uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

During 2015 (2014: same) forward currency contracts have not been designated as hedging instruments.

If the derivative is not designated as a hedge it will be held at fair value through the profit and loss account.

**Hire purchase and leasing**

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, are capitalised in the balance sheet as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future obligations under the leases are included as liabilities in the balance sheet. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Assets held under hire purchase agreements are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital element of future finance payments is included within creditors. Finance charges are allocated to accounting periods over the length of the contract and represent a constant proportion of the balance of capital repayments outstanding.

**4 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**a) Critical accounting estimates and assumptions**

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**i) Useful economic lives of tangible assets**

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 15 for the net carrying amount of the tangible assets.

**ii) Useful economic lives of intangible assets**

The annual amortisation charge for intangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates. See note 13 for the net carrying amount of the intangible assets.

**iii) Impairment of debtors**

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the aging profile of debtors and historical experience. See note 17 for the net carrying amount of the debtors and associated impairment provision.

**iv) Impairment of intangible assets and goodwill**

At each reporting date, intangible assets and goodwill are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the

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recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

## **5. FINANCIAL ASSETS AND LIABILITIES**

The group has the following financial instruments:

	2015 £	2014 £
Financial liabilities at fair value through profit or loss		
- Derivative financial instruments	(430,581)	(312,403)
Financial assets that are debt instruments measured at amortised cost		
- Trade debtors	7,731,275	8,313,027
- Other debtors	244,666	141,732
	<u>7,975,941</u>	<u>8,454,759</u>
Financial liabilities measured at amortised cost		
- Trade creditors	(704,059)	(1,460,307)
- Bank loans and overdrafts	(9,000,000)	(5,000,000)
- Other creditors	(934,855)	(519,225)
	<u>(10,638,914)</u>	<u>(6,979,523)</u>

### **Derivative financial instruments**

The group enters into forward foreign currency contracts to mitigate the exchange rate risk for its US Dollar and Euro cash flows. At 31 December 2015, the outstanding contracts all mature within 12 months (2014: 12 months) of the year end. The group is only committed to sell US Dollars or Euros should the exchange rate fall below a certain rate specified in the forward contract. At 31 December 2015 the group's maximum commitment is to sell US \$12,250,000 and €1,900,000 (2014: US \$12,500,000 & €1,800,000).

The group has entered into an interest rate swap to receive interest at LIBOR and pay interest at a fixed 1.75%. The instrument is used to hedge the Group's exposure to interest rates movement on the Group's fixed term loan of £3,000,000 (2014: £5,000,000) and is due to expire in June 2017.

The derivative financial instruments are measured at fair value, which is determined using mark to market valuation techniques by the lenders that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for GBP/USD and GBP/EUR for the forward currency contracts and interest rates for the interest rate swap.

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The company has the following financial instruments

	2015 £	2014 £
Financial liabilities at fair value through profit or loss		
- Derivative financial instruments	(70,265)	-
Financial assets that are debt instruments measured at amortised cost		
- Other debtors	14,053	-
	<u>14,053</u>	<u>-</u>
Financial liabilities measured at amortised cost		
- Bank loans and overdrafts	(9,000,000)	(5,000,000)
- Other creditors	(307,738)	(344,205)
	<u>(9,307,738)</u>	<u>(5,344,205)</u>

**Derivative financial instruments**

The company enters into forward foreign currency contracts to mitigate the group's exchange rate risk for its US Dollar and Euro cash flows. At 31 December 2015, the outstanding contracts all mature within 12 months (2014 N/A) of the year end. The group is only committed to sell US Dollars or Euros should the exchange rate fall below a certain rate, specified in the forward contract. At 31 December 2015 the company's maximum commitment is to sell US \$3,000,000 and €1,900,000 (2014 N/A).

The derivative financial instruments are measured at fair value, which is determined using mark to market valuation techniques by the lenders that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for GBP USD and GBP EUR for the forward currency contracts and Interest rates for the interest rate swap.

**6 TURNOVER**

An analysis of turnover by geographical location is given below

	2015 £	2014 £
United Kingdom	6,854,649	4,613,078
Europe	6,831,822	7,146,643
America	11,491,645	12,488,340
Far East	9,433,778	8,576,380
Australasia/South Pacific	2,506,679	2,393,727
Rest of the World	4,697,879	4,034,433
	<u>41,816,452</u>	<u>39,252,601</u>

**7. OPERATING PROFIT**

Operating profit is stated after charging/(crediting)

	2015 £	2014 £
Wages and salaries	14,759,432	13,956,872
Social security costs	1,441,135	1,295,679
Other pension costs	685,074	699,450
	<u>16,885,641</u>	<u>15,952,001</u>
<b>Staff Costs</b>	<b>16,885,641</b>	<b>15,952,001</b>

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Auditor's remuneration		
Fees payable to the group's auditor for the audit of the annual accounts	39,500	34,000
Fees payable to the group's auditor for the audit of overseas subsidiaries	24,300	-
Fees payable to the company's auditor for tax compliance services	10,000	17,000
Reorganisation expense	385,178	131,914
Impairment of trade debtors	96,374	(158,281)
Impairment of goodwill	2,502,852	1,750,000
Changes in the fair value of derivatives	118,178	870,902
Foreign currency (gains)/losses	295,876	173,040
Operating leases – land	345,666	106,820
Operating leases – plant & machinery	481,961	211,726
Depreciation of owned assets	460,825	445,099
Depreciation of assets held under finance lease and hire purchase contracts	-	10,920
Amortisation of goodwill	282,750	164,267
Amortisation of intangible assets	1,254,754	1,197,777

**8 DIRECTORS AND EMPLOYEES**

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £685,074 (2014 £699,450).

Contributions totalling £89,536 (2014 £1,632) were payable to the scheme at the end of the year and are included in creditors.

The monthly average number of persons employed by the group (including directors) during the year was

	2015 No	2014 No
Administration	244	267
Production	126	83
	<u>370</u>	<u>350</u>

The directors' remuneration for the year was as follows

	2015 £	2014 £
Remuneration	1,919,400	2,023,652
Group contributions paid to defined contribution schemes	20,000	2,867
	<u>1,939,400</u>	<u>2,026,519</u>

There were 3 (2014 2) directors eligible for the defined contribution pension scheme.

The amounts set out above include remuneration in respect of the highest paid director as follows

	2015 £	2014 £
Remuneration	1,071,000	1,114,919
Company contributions to defined contribution pension schemes	-	2,867
	<u>1,071,000</u>	<u>1,117,786</u>

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**9 EXCEPTIONAL ITEMS**

	2015 £	2014 £
Loss on revaluation of financial instruments	118,178	870,902
Impairment of goodwill relating to RML	<u>2,502,852</u>	<u>1,750,000</u>
	<u>2,621,030</u>	<u>2,620,902</u>

**10 INTEREST RECEIVABLE AND SIMILAR INCOME**

	2015 £	2014 £
Bank interest receivable	<u>6,822</u>	<u>5,322</u>
	<u>6,822</u>	<u>5,322</u>

**11. INTEREST PAYABLE AND SIMILAR CHARGES**

	2015 £	2014 £
Interest on bank borrowings	261,422	232,176
Finance charges	<u>-</u>	<u>100</u>
	<u>261,422</u>	<u>232,276</u>

**12. TAXATION**

<b>Tax on profit on ordinary activities</b>	2015 £	2014 £
<b>Current tax</b>		
UK corporation tax charge	1,513,083	1,612,548
Foreign tax	<u>153,388</u>	<u>101,936</u>
Adjustments in respect of prior years		
UK corporation tax	(624,373)	18,280
Foreign tax	<u>37,166</u>	<u>(324)</u>
<b>Total current tax</b>	<u>1,079,264</u>	<u>1,732,440</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	<u>146,635</u>	<u>(201,637)</u>
<b>Total tax on profit on ordinary activities</b>	<u>1,225,899</u>	<u>1,530,803</u>

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

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**Factors affecting current tax charge for the year**

Tax on profit on ordinary activities for the year is higher than (2014 higher than) the standard rate of corporation tax in the UK of 20.25% (2014 21.5%)

The differences are reconciled below

	2015 £	2014 £
Profit on ordinary activities before taxation	4,488,770	4,646,567
Corporation tax at standard rate of 20.25% (2014 21.5%)	908,976	999,012
Capital allowances in excess of depreciation	120,394	117,413
Short term timing differences	33,485	154,492
Permanent differences	558,589	456,794
Adjustments in respect of prior years	(587,208)	17,956
Double taxation relief	(9,422)	(33,855)
Other differences	54,450	20,628
Total current tax	1,079,264	1,732,440

**13. INTANGIBLE ASSETS**

Group Cost	Titles, content and databases £	Goodwill £	Software £	Total £
At 1 January 2015	72,174,864	5,487,363	4,919,063	82,581,290
Contingent consideration adjustment	-	(29,389)	-	(29,389)
Acquisition	1,270,876	2,945,980	809,989	5,026,845
Additions	51,000	-	487,657	538,657
At 31 December 2015	73,496,740	8,403,954	6,216,709	88,117,403
Accumulated Amortisation				
At 1 January 2015	68,482,312	2,777,165	4,128,169	75,387,646
Acquisition	-	-	591,531	591,531
Charge for the year	604,504	282,750	650,250	1,537,504
Impairment charge for the year	-	2,502,852	-	2,502,852
At 31 December 2015	69,086,816	5,562,767	5,369,950	80,019,533
Net book value				
At 31 December 2014	3,692,552	2,710,198	790,894	7,193,644
At 31 December 2015	4,409,924	2,841,187	846,759	8,097,870

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The directors have performed a review of the carrying value of the goodwill of RML. As a result of the review, the directors consider that the remaining book value of goodwill (£2,502,852) has been fully impaired.

**Company**

The company had no intangible assets at 31 December 2015 (2014: £nil).

**14 BUSINESS COMBINATIONS**

**Purchase of subsidiary undertaking**

On 12 June 2015, Emerald Global Publishing Group Limited purchased the entire share capital of Good Practice Limited ("GPL"). GPL provides toolkits, e-learning and development assessments for a wide range of different organisations. These can be utilised as standalone resources or seamlessly integrated into a blended learning solution.

Prior to the acquisition, the Group had minimal presence in GPL's market. As a result of the acquisition, the Group expects to increase its sales to customers in this market, and benefit from diversifying its product portfolio. On acquisition, the directors' assessed the value of the online training content acquired as £1,270,876. The remaining value of £2,945,980 in excess of the net assets of £1,328,669 arising from the acquisition has been attributed to goodwill due to the synergies expected to arise from integrating the operations into the Group and leveraging the Group's global sales network to take GPL's core products to new global markets.

Management have estimated the useful life of both the acquired content and the goodwill to be 15 years. The content has been deemed to have this useful life as it is believed it will still be delivering income post year 15. This is in line with industry practices, where content is given a life span of up to 20 years. A 15 year life for goodwill has been chosen as it is believed the benefits of the synergies will be long lasting to permanent.

The following table summarises the consideration paid by the Group, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

Consideration at 12 June 2015	£
Cash	4,658,325
Contingent consideration	666,500
Directly attributable costs	220,700
<b>Total consideration</b>	<b>5,545,525</b>
 <b>For cash flow disclosure purposes the amounts are disclosed as follows:</b>	
Cash consideration	4,658,325
Directly attributable costs	220,700
	4,879,025
Less	
Cash and cash equivalents acquired	(1,252,868)
<b>Net cash outflow</b>	<b>3,626,157</b>

Contingent consideration is payable based on 50% of EBITDA for the 12 months to 31 March 2016 and 31 March 2017. The amount recognised in the business combination is based on management's forecasts, updated in January 2016. The amount has not been discounted, as discounting is not material.

The revenue from GPL included in the consolidated income statement for 2015 was £1,268,220. GPL also contributed profit of £130,401 over the same period.

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**15 TANGIBLE ASSETS**

**Group**

	Long leasehold land and buildings £	Assets under construction £	Fixtures and equipment £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 January 2015	9,625,182	-	4,299,645	8,025	13,932,852
Additions	27,164	55,396	454,957	-	537,517
Acquisition	-	-	125,347	-	125,347
At 31 December 2015	9,652,346	55,396	4,879,949	8,025	14,595,716
<b>Accumulated Depreciation</b>					
At 1 January 2015	873,243	-	3,327,822	8,025	4,209,090
Charge for the year	169,908	-	290,917	-	460,825
Acquisition	-	-	85,620	-	85,620
At 31 December 2015	1,043,151	-	3,704,359	8,025	4,755,535
<b>Net book value</b>					
At 31 December 2014	8,751,939	-	971,823	-	9,723,762
At 31 December 2015	8,609,195	55,396	1,175,590	-	9,840,181

Included within the net book value of tangible fixed assets is £nil (2014 £nil) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £nil (2014 £10,920).

All assets are valued at their historical cost and there has been no adjustment to the carrying values of the assets due to the adoption of FRS 102.

**Company**

The company had no tangible assets at 31 December 2015 (2014 £nil).

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**16 INVESTMENTS**

**Group**

<b>Other investments</b>	<b>Other investments £</b>	<b>Total £</b>
<b>Cost</b>		
At 1 January 2015	260,800	260,800
	<hr/>	<hr/>
At 31 December 2015	260,800	260,800
<b>Provision for impairment</b>		
At 1 January 2015	200,000	200,000
Release of provision during year	(200,000)	(200,000)
At 31 December 2015	-	-
	<hr/>	<hr/>
<b>Net book value</b>		
At 31 December 2014	60,800	60,800
	<hr/>	<hr/>
At 31 December 2015	260,800	260,800
	<hr/>	<hr/>

**Company**

	<b>Other Investments £</b>	<b>Subsidiary undertakings £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 January 2015	260,800	46,137,187	46,397,987
Adjustment to consideration payable	-	(29,389)	(29,389)
Acquisition of subsidiary	-	5,545,525	5,545,525
	<hr/>	<hr/>	<hr/>
At 31 December 2015	260,800	51,653,323	51,914,123
	<hr/>	<hr/>	<hr/>
<b>Provision for impairment</b>			
At 1 January 2015	200,000	1,750,000	1,950,000
Charge for the year	-	3,354,826	3,354,826
Released in the year	(200,000)	-	(200,000)
	<hr/>	<hr/>	<hr/>
At 31 December 2015	-	5,104,826	5,104,826
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 2014	60,800	44,387,187	44,447,987
	<hr/>	<hr/>	<hr/>
At 31 December 2015	260,800	46,548,497	46,809,297
	<hr/>	<hr/>	<hr/>

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**Details of undertakings**

Details of the investments in which the Group holds 20% or more of the nominal value of any class of share capital are as follows

Subsidiary undertakings	Holding	Proportion of voting rights and shares held	Country of incorporation	Principal activity
Anbar Publications Limited*	Ordinary	100%	UK	Dormant
ManagementFirst com Limited*	Ordinary	100%	UK	Dormant
MCB University Press Limited*	Ordinary	100%	UK	Dormant
Pier Professional Limited*	Ordinary	100%	UK	Dormant
ASLIB Information Limited	Ordinary	100%	UK	Dormant
Aure Valley Management Company Limited *	Ordinary	73%	UK	Property management company
Emerald (Beijing) Business Services Company Limited	Ordinary	100%	China	Publishing Support
Emerald Group Publishing Inc*	Ordinary	100%	USA	Publishing Support
Emerald Group Publishing (India) Private Limited*	Ordinary	100%	India	Publishing Support
Emerald Group Publishing Limited	Ordinary	100%	UK	Academic Publisher
Emerald Group Publishing (PTY) Limited*	Ordinary	100%	Australia	Publishing Support
Emerald GP (South Africa) (PTY) Limited*	Ordinary	100%	South Africa	Publishing Support
Emerald Group Publishing Sdn Bhd*	Ordinary	100%	Malaysia	Publishing Support
Good Practice Limited #	Ordinary	100%	UK	Disseminator of management learning materials
Research Media Limited #	Ordinary	100%	UK	Disseminator of academic research
<b>Other investments</b>				
Virtual College Group Plc	Ordinary	22%	UK	Multi media learning systems

\* denotes shares held by a subsidiary undertaking

# denotes subsidiary is exempt from audit by virtue of s479A of Companies Act 2006

Whilst the interest in Virtual College Group plc is more than 20% it has not been treated as an associated company because the directors have no significant influence over its operating and financial policies

The group's share of Virtual College Group Plc's net assets amounted to £213,560 at the 31 March 2015 year end (2014 £322,525) and its share of profits for the year ended 31 March 2015 was £171,008 (2014 £1,694)

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**17 DEBTORS**

	2015 £	Group 2014 £	2015 £	Company 2014 £
Due within one year				
Trade debtors	7,731,275	8,313,027	-	-
Amounts owed by group undertakings	-	-	2,000,000	2,000,000
Other debtors	244,666	141,732	14,053	-
Prepayments and accrued income	689,199	469,434	12,903	-
Deferred tax asset	-	8,899	-	-
Corporation tax asset	390,793	-	-	-
	<u>9,055,933</u>	<u>8,933,092</u>	<u>2,026,956</u>	<u>2,000,000</u>
	2015 £	Group 2014 £	2015 £	Company 2014 £
Due after one year				
Amounts owed by group undertakings	-	-	1,000,000	3,000,000
	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>3,000,000</u>

Trade debtors are stated after provisions for impairment of £75,603 (2014 £171,267)

Amounts owed by group undertakings are unsecured, interest free, have a fixed date of repayment and are repayable on demand

**18 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2015 £	Group 2014 £	2015 £	Company 2014 £
Bank loans and overdrafts (note 20)	8,000,000	2,000,000	8,000,000	5,240,529
Other loans	-	306,732	307,738	306,732
Trade creditors	704,059	1,460,307	-	-
Amounts owed to group undertakings	-	-	7,132,304	4,990,206
Corporation tax	339,159	808,068	289,638	45,527
Other taxation and social security	1,293,223	1,063,942	-	-
Other creditors	934,855	519,225	-	37,473
Accruals	1,920,709	1,584,761	7,827	4,000
Deferred income	15,324,412	15,641,417	-	-
	<u>28,516,417</u>	<u>23,384,452</u>	<u>15,737,507</u>	<u>10,624,467</u>

The margin charged on the term loan is 1.95% above LIBOR

Amounts owed to group undertakings are unsecured, interest free, have a fixed date of repayment and are repayable on demand

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**19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2015 £	Group 2014 £	2015 £	Company 2014 £
Bank loans and overdrafts (note 20)	1,000,000	3,000,000	1,000,000	3,000,000
Accruals and deferred income	746,830	433,804	466,500	37,473
	<u>1,746,830</u>	<u>3,433,804</u>	<u>1,466,500</u>	<u>3,037,473</u>

**20. LOANS AND OTHER BORROWINGS**

	2015 £	Group 2014 £	2015 £	Company 2014 £
Revolving loan facility	6,000,000	-	6,000,000	-
Term loan	3,000,000	5,000,000	3,000,000	5,000,000
	<u>9,000,000</u>	<u>5,000,000</u>	<u>9,000,000</u>	<u>5,000,000</u>

The group's finance facility includes a fixed term loan, repayable £500,000 a quarter along with interest for the period. The term loan accrues interest on a basis of LIBOR + 1.95%.

The group's financing facility also includes a revolving credit facility of £6,000,000 to cover working capital requirements and to fund investments and acquisitions. Interest is charged at LIBOR plus 1.95% on the drawn down amount. A fee of 0.75% is payable on the unutilised amount.

**21. PROVISIONS FOR LIABILITIES**

**Group**

	Deferred tax liability £
At 1 January 2015	8,899
Acquired	99,633
Charge for the year	(146,635)
Disclosed as short term asset	(22,326)
At 31 December 2015	<u>(60,429)</u>

**Analysis of deferred tax liabilities**

	2015 £	2014 £
Accelerated capital allowances	(340,125)	(182,960)
Other timing differences	207,633	129,378
Derivative financial liabilities	72,063	62,481
	<u>(60,429)</u>	<u>8,899</u>

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**Company**

	<b>Deferred tax liability £</b>
At 1 January 2015	-
Charge for the year	14,053
	<hr/>
At 31 December 2015	14,053
	<hr/>

**Analysis of deferred tax liabilities**

	<b>2015 £</b>	<b>2014 £</b>
Derivative financial liabilities	14,053	-
	<hr/>	<hr/>
	14,053	-
	<hr/>	<hr/>

**22 CALLED UP SHARE CAPITAL**

**Allotted, called up and fully paid shares**

**Group and company**

	<b>2015 No</b>	<b>£</b>	<b>2014 No</b>	<b>£</b>
Ordinary shares of £1 each	372,825	372,825	372,825	372,825
Non-voting Ordinary shares of £1 each	106,344	106,344	106,344	106,344
Non-voting Ordinary Class B shares of £0.01 each	45,000	450	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	524,169	479,619	479,169	479,169
	<hr/>	<hr/>	<hr/>	<hr/>

On 24 June 2015, the company issued 45,000 non-voting class B shares with a nominal value of £0.01 per share which are issued with conditions attached to the future growth of the company's EBITDA

**23. DIVIDENDS**

	<b>2015 £</b>	<b>2014 £</b>
<b>Dividends paid</b>		
Interim dividend paid 85p per share (2014: 40p)	407,293	193,258
Interim dividend paid nil per share (2014: 45p)	-	215,626
Final dividend paid 85p (2014: 85p per share)	407,294	407,294
	<hr/>	<hr/>
	814,587	816,178
	<hr/>	<hr/>

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**24 NOTES TO THE CASH FLOW STATEMENT**

	2015 £'000	2014 £'000
Profit for the financial year	3,262,871	3,115,531
Tax on profit on ordinary activities	1,225,899	1,530,803
Net interest expense	254,600	226,954
Minority interest	(725)	233
Operating Profit	4,743,370	4,873,521
Amortisation of		
a) Goodwill	282,750	164,267
b) Other intangible assets	1,254,754	1,197,777
Depreciation	460,825	456,019
Share-based payments	-	243,325
B-share issue	13,500	-
Impairment of intangible assets	2,302,852	1,750,000
Working capital movements		
a) (Increase)/decrease in debtors	76,403	(2,502,886)
b) (Decrease)/increase in payables	(997,698)	603,215
Net cash from operating activities	8,136,756	6,785,238

**25 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	2015 £'000	2014 £'000
Increase/(decrease) in cash in the year	4,646,614	(74,411)
Cash (inflow)/outflow from loans	(4,000,000)	2,000,000
Cash outflow from finance lease obligations	-	436
Movement in net debt in the year	646,614	1,926,025
Net debt at 1 January	(4,918,005)	(6,844,030)
Net debt at 31 December	(4,271,391)	(4,918,005)

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**26. ANALYSIS OF NET DEBT**

	As at 1 January 2015 £	Cash Flow £	As at 31 December 2015 £
Cash at bank	81,995	4,646,614	4,728,609
Bank loans	(5,000,000)	(4,000,000)	(9,000,000)
Net debt as at 31 December	<u>(4,918,005)</u>	<u>646,614</u>	<u>(4,271,391)</u>

**27. CONTINGENT LIABILITIES**

The company is a party to a cross guarantee guaranteeing the bank borrowings of other companies within the group amounting to £107,182 (2014 £Nil) at the balance sheet date. The maximum exposure to the company of the associated borrowings is £6,000,000 (2014 £6,000,000).

**28. COMMITMENTS**

**Operating lease commitments**

**Group**

As at 31 December 2015 the group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2015 £	2014 £'
<b>Land and buildings</b>		
Within one year	368,054	233,457
Within two and five years	<u>897,315</u>	<u>526,714</u>
	<u>1,265,369</u>	<u>760,171</u>
<b>Other</b>		
Within one year	457,718	470,565
Within two and five years	<u>1,290,620</u>	<u>1,517,631</u>
	<u>1,748,338</u>	<u>1,988,196</u>

**29. RELATED PARTY TRANSACTIONS**

During the year the company has made charitable payments of £1,500,000 to the Emerald Foundation. The Emerald Foundation is a charity on which a number of directors of the company serve as trustees.

The company paid dividends of £814,587 during the year, of which £361,510 was paid to directors of the company.

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the group.

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**30 CONTROL**

The company is controlled by the Trustees of the K Howard 1987 Discretionary Settlement Trust by virtue of the Trust holding a majority of the voting share capital. A number of the directors of the company also act as Trustees for the Trust.

**31 TRANSITION TO FRS 102**

This is the first year that the company has presented its results under FRS 102. The last financial statements under UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.

	Note	2014 £
Profit for the financial year		
Profit for the year as previously reported under UK GAAP		4,361,110
Amortisation of journal titles	A	(603,777)
Revaluation of derivative financial instruments	B	(870,902)
Deferred tax adjustments	C	229,100
Profit for the financial year as reported under FRS 102		3,115,764

	1 January 2014 £	31 December 2014 £
Total shareholders' funds as previously reported under UK GAAP	64,248,018	67,468,364
Amortisation of journal titles	(67,878,535)	(68,482,312)
Revaluation of derivative financial instruments	558,499	(312,403)
Deferred tax adjustments		
Derivative financial instruments	(117,285)	62,481
Intangible fixed assets	389,573	438,907
Total shareholders' funds as reported under FRS 102	(2,799,730)	(824,963)

**A Amortisation of journal titles**

Previously under UK GAAP, the group held acquired journal titles at acquisition cost, and did not amortise them. Under FRS 102, the group has adopted a useful economic life of 15 years for all titles and content. Amortisation of £603,777 has been recognised in the year to 31 December 2014.

**B Revaluation of derivative financial instruments**

FRS 102 requires derivative financial instruments to be recognised at fair value. Previously under UK GAAP, the group did not recognise these instruments in the financial statements. Accordingly, at 31 December 2014, current liabilities of £312,403 were recognised, with an equal charge to the profit and loss account being recognised for the year ended 31 December 2014.

**C Deferred tax adjustments**

The group has accounted for deferred taxation on transition as follows:

- Amortisation of intangible fixed assets. The amortisation of the intangible fixed assets has created a deferred tax asset, whereby the tax base cost is now higher than the carrying value of the derivatives. An asset was been recognised of £389,573 on transition at 1 January 2014. In the year ended 31 December 2014, the company has recognised a credit of £49,334 in the profit and loss account relating to the timing differences arising in 2014.
- Derivative financial instruments. The movement in the value of the derivative financial instruments is unlikely to be tax neutral for the purposes of the UK corporation tax computations and it is only when the derivatives

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crystallise will a taxable event be created. On transition, a deferred tax liability of £117,285 was recognised in relation to the value of the intangibles. In the year ended 31 December 2014, the company recognised a credit to the profit and loss account of £179,766, representing the movement in the value of the derivatives.

**D Other adjustments arising on transition to FRS 102**

In addition to the transition adjustments identified above which affect profit for the financial year, the following adjustment has arisen which have had no effect on net equity or profit and loss account but which have affected the presentation of these items on the balance sheet. The main item is computer software, with a net book value of £4,919,062 at 1 January 2014, which has been reclassified from tangible to intangible assets as required under FRS 102. This has no effect on the company's net assets nor on the profit for the year, except that the previous depreciation charge is now described as amortisation.

**E Statement of cash flows**

The company's cash flow statement reflects the presentation requirements of FRS 102, which is different to that prepared under FRS 1. In addition the cash flow statement reconciles to cash and cash equivalents whereas under previous UK GAAP the cash flow statement reconciled to cash. Cash and cash equivalents are defined in FRS 102 as 'cash on hand and demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value' whereas cash is defined in FRS 1 as 'cash in hand and deposits repayable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand'. The FRS 1 definition is more restrictive.

**Company**

There were no adjustments to the Company's balance sheet at 1 January 2014 or 31 December 2014 on transition to FRS 102.