RCNi
Annual Report 2020

RCN Publishing Company Limited
Annual Report and Financial Statements
For the Year Ended 31 December 2020
Company Registration No 02119155

Contents

Rachel Armitage
The report of the Managing Director

RCN Publishing Company Limited (RCNi) supports the professional development and learning needs of the nursing profession worldwide, and is an integral part of the Royal College of Nursing Group.

As a publisher of health information reliant on subscription, sponsorship and advertising income, 2020 was an uncertain but rewarding year for RCNi. COVID-19, changing consumer trends in the publishing industry, and the need to rapidly pivot to virtual events meant that RCNi had to adapt quickly to continue to thrive.

RCNi focused on supporting the nursing profession throughout the pandemic, making resources free to read through the COVID-19 hub and Well-Being Centre. Record numbers of members, subscribers and customers engaged with our information, events and resources throughout the year.

On behalf of the Royal College of Nursing, we celebrated the very best of nursing excellence at the RCNi Nurse Awards by virtual engagement and delivered exceptional value to attendees. During this challenging year, it was more important than ever to celebrate outstanding innovation and commitment to patient care. Our awards recognised the exceptional contribution of the whole nursing team, including those who lost their lives.

RCNi Virtual Nursing Careers and Jobs Fairs proved popular with exhibitors and delegates, extending the reach of these events to many more thousands of students, apprentices, nursing support workers and nursing staff across the UK. Virtual events will continue to be a key component of RCNi's offer in 2021.

In addition to transforming our digital product and service portfolio, we strived to ensure that our operations were as efficient and effective as possible. This focus on tight cost control resulted in a better than expected profit performance in 2020, despite a drop in income due to the impact of COVID-19.

As an organisation, RCNi excelled during this time of adversity. Employees quickly adapted to new ways of working and continued to deliver high quality products and services to members, subscribers and customers. I would like to pay tribute to the resilience and tenacity of RCNi staff during 2020, and I look forward to working with our RCN and RCN Foundation colleagues in 2021 to deliver our shared goals in support of the nursing profession.

Rachel Armitage

Rachel Armitage
Managing Director

Date: 13 April 2021

BACK TO CONTENTS

Strategic report
for the year ended 31 December 2020

Review of the business

Business overview

RCNi (trading name for RCN Publishing Company Limited) is a digital health information company with a portfolio of nursing journals, learning and decision support tools, career services and events to support the nursing profession to deliver best practice and achieve their potential.

In line with our strategic aims, 2020 saw an increase in replacing our traditional revenue streams with digital channels and transforming products and services. We also focused on content management and enhanced customer engagement. However, the COVID-19 pandemic impacted our events and advertising income streams, and the overall revenue decreased to £11,583,098 during the financial year. Nevertheless, the improved cost controls and transformed technology helped increase the profits before tax for the period.

Financial review

In 2020 the business achieved revenue of £11,583,098 and achieved profits before tax of £602,396 (2019: £442,324). However, revenue included the receipt of £326,000 compensation from the landlord after exiting the Harrow office lease. Excluding this one-off payment the sales revenue was £11,257,098 (2019: £12,351,940).

Total cost for 2020 were £10,988,535, which included the one-off charge of £1,010,771 for historic VAT liability. Excluding the historic VAT liability, the total costs were £9,977,764 (2019: £11,925,720) achieving operational savings in year of £1,947,956.

The 2020 results demonstrate the business focus on transformation through sustainable growth: stemming the rate of decline in personal subscriptions and other traditional revenue streams while growing digital income from B2B and international markets. RCNi's focus on digital content engagement, virtual events, and growth in online advertising, led to increased profits despite the decline in income due to the impact of COVID-19 on business.

The directors recommend the payment of £413,848 in dividend (2019: £353,000, paid in 2020). Net assets at 31 December 2020 were £4,322,375 compared to £4,158,064 in 2019. Short-term deposits were increased by £1,039,200 compared to 2019, as a mitigation measure against the historical VAT liability. Total cash and cash on deposit increased by £84,507 against 2019 to £363,563 in 2020.

Directors

T Brooks (Chair)

C McNamara (Deputy Chair)

R Armitage

J Bell

A Davies (appointed 1 January 2020)

R Grant

C Shuldham

S Sinclair (appointed 15 May 2020)

P Smithers

S Wybrew-Bond

A Holloway (resigned 30 March 2020)

M Richardson (resigned 30 March 2020)

Registered office

20 Cavendish Square,
London
W1G 0RN

Company number

02119155

Statutory auditor

Deloitte LLP,
1 New Street Square,
London
EC4A 3HQ

Objectives

Our vision is to inspire the nursing profession to achieve its potential and deliver best clinical practice to improve patient care and outcomes.
To achieve this vision, our focus is on providing education, learning and decision support content, driving digital engagement and using data analytics to provide insight into what works for our readers and customers. Strategic partnerships will continue to be important to expand our reach and impact worldwide. Working closely with the RCN in 2021, RCNi will continue to inform and address the education, learning and development needs of the nursing profession to provide support for every step of their career.

Principal risks and uncertainties

As in 2020, the major risks to the business in 2021 are the impact of COVID-19 on events and print advertising income, and ensuring products and services meet the expectations of the digital consumer, customer and partner. In response, RCNi will continue to transform its digital portfolio to meet market needs, and will allocate resources accordingly.

Due to the reduced frequency of print publications, the manufacturing and distribution of print products in 2021 accounts for a lower proportion of costs, as more titles have moved online. The consolidation of the print market may reduce the options the company has in terms of printers. Due to Brexit the terms of trade between the UK and Europe may result in future increased paper costs.

RCNi sells digital publications subject to standard rate Value Added Tax (VAT), but a long-running case between News Corp versus HMRC is now finalised and concluded in favour of HMRC at the Court of Appeal. This is in contrast to the previously held judgement at the Upper-Level Tribunal. Therefore, there are still uncertainties surrounding the case.

RCNi has sought independent tax advice from an accounting firm, and in their view, the taxpayer will have to be granted permission to appeal (by either the Court of Appeal or the Supreme Court itself). If consent is not given, the Court of Appeal's decision will be final, and if the Supreme Court does hear it, its decision will be final. There is uncertainty as to whether RCNI stands to be able to claim back any of this in future but this option has not been accounted for in these financial statements. The full liability has been accrued and subsequently paid but it may be possible to claim back those funds in the future.

Financial risk management

The following statements summarise the company's policy in managing identified forms of financial risk:

Price risk

The company is profitable and has sufficient reserves to finance its planned activities. Salary rises are negotiated and agreed locally with staff. Prices of raw materials, such as paper, are purchased subject to contracts with suppliers based on current market prices. RCNi's risk register is reviewed and updated on a monthly basis by the RCNi Executive Team and with the Non-Executive Directors at each board meeting. RCNi risks are also reviewed by the RCN Group Audit Committee. This proactive approach to risk ensures that risk management is a fundamental part of our day-to-day business.

Credit risk

RCNi has a diverse customer base. The range of customers includes government bodies, NHS bodies, further education institutions, universities, private companies, and individuals.

RCNi manages credit risk by deploying several internal controls, including assessing the creditworthiness while performing onboarding processes, regular monitoring of the outstanding debtors, and liaising with customers to understanding any change in their financial position.

Liquidity risk

The company has no long-term borrowings. The facility of a short-term overdraft is available when required.

Interest rate cash flow risk

The company does not have any borrowings and therefore the risk from an interest rate hike is minimal. The company does have surplus funds which it is able to place in a increase short-term deposit account with the company's bankers, however it does not depend on interest income and therefore the risk from interest rate changes is minimal.

COVID-19 pandemic

COVID-19 had significant implications for RCNi operations in 2020, which are expected to continue into 2021. Most notably, face-to-face nursing careers and jobs fairs, study days and events were replaced with virtual events. The vacation of the Harrow offices and the physical move of office equipment into Cavendish Square was brought forward due to the closure of the building and completed as scheduled. All RCNi staff were enabled to work remotely from home. RCNi staff have adapted well to this significant change in ways of working, and it is envisaged home working will remain in place for the foreseeable future. Management has a robust business continuity plan in place which is regularly reviewed and updated. Income is expected to remain relatively flat in comparison to 2020, though profitable. It is reasonable to expect that RCNi will remain a going concern, as it has strong cash reserves and is expected to return a profit the financial year of 2021 after accounting for the disruption of COVID-19. The entity is expected to remain a going concern through the going concern period which is 12 months from the date of signing the financial statements.

Future developments

We will continue to improve operational effectiveness through the automation of business processes and procedures, rationalisation of digital platforms and ensuring that our workforce has the skills required to support RCNi as it continues to pursue its transformation agenda. RCNi's relocation from Harrow to RCN's head office in central London has reduced group costs and will in future improve cross-group working.

Approval

Approved by the board on 13 April 2021 and signed on its behalf by:

Rachel Armitage

Rachel Armitage
Managing Director

Report of the Directors
for the year ended 31 December 2020

The directors present their report together with the audited financial statements for the year ended 31 December 2020. Comparative figures are for the year ended 31 December 2019.

Results and dividends

The company made a pre-tax profit of £602,396 (2019: £442,324). The directors propose a dividend of £413,848 (2019: £353,000, paid in 2020).

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

T Brooks (Chair)
C McNamara (Deputy Chair)
R Armitage
J Bell
A Davies (appointed 01 January 2020)
R Grant
C Shuldham
S Sinclair (appointed 15 May 2020)
P Smithers
S Wybrew-Bond
Dr A Holloway (resigned 30 March 2020)
M Richardson (resigned 30 March 2020)

No director had any interest in the ordinary shares of the company.

Significant change to VAT ruling from May 2020

Since 1 May 2020, digital magazines and journals became zero rated, VAT was previously charged at 20% on digital publications. The change is welcomed by consumers as well as the publishing industry.

Going concern

The COVID-19 outbreak had significant impact on business activity and economic conditions for RCNi in 2020 and continues into 2021. Scenario planning has been carried out by the management team to understand the financial impact of COVID-19 in 2021. The worst case scenario includes declines in:

i. events revenues if we are unable to run the planned programme of face-to-face events

ii. agency commission if RCN face-to-face events do not go ahead

iii. a higher cancellation rate for personal subscriptions due to household budget pressures on the nursing workforce.

The intent is to re-start the face-to-face events when the UK government confirms it is safe to do so and nurses are not occupied with frontline COVID-19 activities. The launch of RCNi+ in the second half of 2021 is specifically designed to address the issue of decline in personal subscriptions revenue.

BACK TO CONTENTS

All RCNi staff are enabled to work remotely from home for the foreseeable future.

Efforts continue to be made to avoid discretionary spend, negotiate favourable payment terms with suppliers and ensure that customers pay in a timely manner. A strong cost control ethic remains in place across the business.

Therefore, it is reasonable to consider the business a going concern.

The directors confirm that they have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Financial risk management

Matters required for disclosure on financial risk management are included within the Strategic Report and forms part of this report by cross reference.

Events after the balance sheet date

RCNi sells digital publications subject to standard rate Value Added Tax (VAT), but a long-running case between News Corp versus HMRC is now decided in favour of HMRC at the Court of Appeal.

Litigation has not yet completed, and we know that News Corp is seeking to appeal to the Supreme Court, in order for the case to be heard the taxpayer will have to be granted permission to appeal (by either the Court of Appeal or the Supreme Court itself). If permission is not granted, the Court of Appeal's decision will be final, and if the Supreme Court does hear it, its decision will be final. Our tax advisors are expecting that the chances of the Supreme Court overturning the case are less than 50%, but the taxpayer's position is not hopeless either. There is uncertainty as to whether RCNi stands to be able to claim back any of this in future but this option has not been accounted for in these financial statements. The full liability has been accrued and subsequently paid but it may be possible to claim back those funds in the future.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP were re-appointed as auditor to the Company in accordance with section 485 of the Companies Act 2006.

Rachel Armitage

Rachel Armitage
Managing Director
Date: 13 April 2021

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 of the company and of the 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 judgments and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the board and signed on its behalf by:

Rachel Armitage

Rachel Armitage
Managing Director

Date: 13 April 2021

Independent auditor's report to the members of RCN Publishing Company Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of RCN Publishing Company Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of income and retained earnings;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 18.

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).

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 Financial Reporting Council's (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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 FRC's website at: frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, pensions and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- Cut off in relation to subscription income: subscriptions to publications can either be paid on a monthly or annual basis. Where payment is made on an annual basis an element of subscription income received may need to be deferred. There is a risk that the deferral could be manipulated to recognise income in an incorrect period. On a sample basis, we have substantively tested a selection of customers paying annually checking the date paid, the period covered and any linked deferral. We have assessed the calculation made by management to support the recognition and deferral of annually received subscription income.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

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.

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.

Jonathan Gooding

Jonathan Gooding FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
St Albans, United Kingdom

Date: 21 April 2021

Financial statements

Statement of income and retained earnings for year ended 31 December 2020

	Note	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Turnover	3	11,583,098	12,351,940
Cost of sales		(4,588,274)	(5,258,340)
Gross profit		**6,994,824**	**7,093,600**
Distribution costs		(3,291,238)	(4,275,182)
Administrative expenses		(2,098,252)	(2,392,198)
Historic VAT liability	**7**	(1,010,771)	–
Operating profit	**6**	**594,563**	**426,220**
Interest receivable and similar income		7,833	16,104
Interest payable		–	–
Profit before taxation		**602,396**	**442,324**
Taxation on profit	8	(85,085)	(86,533)
Profit for the financial year		**517,311**	**355,790**
Retained profit at 1 January 2020		**3,658,064**	**3,302,274**
Profit for the financial year		517,311	355,790
Dividends paid		(353,000)	–
Retained profit at 31 December 2020		**3,822,375**	**3,658,064**

All amounts relate to continuing activities.

There are no other comprehensive income or expenses in the current financial year and preceding financial year other than the profit after tax of £517,311 (2019: £355,790) shown above. Accordingly no statement of comprehensive income has been presented.

The notes on pages 17 to 32 form part of these financial statements.

Statement of financial position at 31 December 2020

	Note	31 December 2020 £	31 December 2019 £
Fixed assets			
Tangible assets	9	110,452	200,912
Intangible assets	9	–	–
Total fixed assets		**110,452**	**200,912**
Current assets			
Debtors	10	1,669,265	1,738,726
Short-term deposits		4,800,950	3,761,750
Cash at bank and in hand		363,563	279,056
Total current assets		**6,833,778**	**5,779,532**
Creditors: amount falling due within one year	11	(2,616,228)	(1,715,566)
Net current assets		**4,217,550**	**4,063,966**
Total assets less current liabilities		**4,328,002**	**4,264,878**
Provision for liabilities	12	(5,627)	(106,813)
Net assets		**4,322,375**	**4,158,064**
Capital and reserves			
Called up share capital	14	500,000	500,000
Profit and loss account		3,822,375	3,658,064
Total shareholders' funds		**4,322,375**	**4,158,064**

The financial statements of RCN Publishing Company Limited registered number 02119155 were approved and authorised to be issued by the Board of Directors on and signed on its behalf by:

Rachel Armitage

Rachel Armitage
Managing Director

Date: 13 April 2021

The notes on pages 17 to 32 form part of these financial statements

Statement of changes in equity for the year ended 31 December 2020

	Note	Share Capital £	Profit and loss £	Total £
Balance at 1 January 2019		**500,000**	**3,302,274**	**3,802,274**
Profit for the year being total comprehensive income		–	355,790	355,790
Dividends paid		–	–	–
Balance at 31 December 2019		**500,000**	**3,658,064**	**4,158,064**
Profit for the year being total comprehensive income		–	517,311	517,311
Dividends paid		–	(353,000)	(353,000)
Balance at 31 December 2020		**500,000**	**3,822,375**	**4,322,375**

The dividends paid in 2020 refer to the dividends proposed in 2019.

During the year, RCNi paid a dividend amounting to £353,000 (31 December 2019: £nil). RCNi management proposed and later paid an amount that was greater than the amount expected from the subsidiary. Based on RCNi 2019 profits, the subsidiary should have paid £284,000. The excess paid, £69,000 will be adjusted against the 2020 dividends payment.

Notes forming part of the financial statements for the year ended 31 December 2020

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

General information and basis of accounting

RCN Publishing Company Limited is a private company limited by shares and incorporated in the UK and registered in England and Wales under the Companies Act. The address of the registered office is 20 Cavendish Square, London, W1G 0RN. The nature of the group's operations and its principal activities are set out in the strategic report on pages 3 to 5.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of RCN Publishing Company Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates. The financial statements are also presented in pounds sterling.

RCN Publishing Company Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in relation to financial instruments, key management personnel and presentation of a cash flow statement.

Turnover

Turnover, less VAT, represents sales to customers at invoiced amounts and, for subscription income, the money received from subscribers for the issues published in the year. Royalty income is recognised on receipt unless it is for a future in which case it is deferred. Most of the turnover is generated in the United Kingdom. Income received in advance is deferred based on the actual price per publication multiplied by the number of months paid in advance by subscribers.

Expenditure

Expenditure is recognised on an accruals basis.

Fixed assets

Fixed assets including software, with a value of less than £500 are expensed at acquisition. Fixed assets including software with a value of £500 or above have depreciation provided to write-off the cost, less estimated residual values, evenly over their expected useful lives. It is calculated at the following rates:

Leasehold improvements	**Over the period of the lease**
Computer hardware	**3 years**
Computer software	**3 to 5 years**
Fixtures, fittings and office equipment	**3 to 5 years**

Assets in the course of construction are not depreciated till they come into use.

Intangible assets

Intangible assets are amortised on a straight-line basis over three years.

Going concern

The company's activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The company's cash position remains strong which is set out in the statement of Financial Position. Short-term deposits were higher than 2019 by £1,039,200, and cash deposits plus cash at bank have increased compared to those at 31 December 2019 by £84,507. The company undertakes a formalised process of budgeting, reporting and review. The Board of Directors has reviewed budgets and forecasts for 2020 and a three year strategic plan.

It is reasonable to consider the business a going concern. Please see Report of the Directors on page 6 for further information.

The directors confirm that they have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Related party transactions

The company has taken advantage of the exemption in FRS 102 from disclosing transactions with The Royal College of Nursing of the United Kingdom and other wholly-owned companies within the group.

Pension costs

A number of the company's employees belong to The Royal College of Nursing of the United Kingdom's (RCN UK) defined benefit pension scheme. As it is not possible to identify the company's share of the underlying assets and liabilities in the scheme, contributions are charged to the profit and loss account as they become payable.

Since 1 November 2013 the RCN UK has set up a defined contribution pension scheme and a number of the company's employees belong to the scheme. The scheme has three levels of employee and employer contribution. This scheme is used to fulfil the auto enrolment obligations. All new employees and those not in the deferred benefit scheme are automatically enrolled into the lowest contribution level. Once in the scheme employees can opt to move to a higher level of contribution. Please see note 18.1 for more information. All employer contributions made to the scheme are charged to the profit and loss account as they become payable.

Where a liability arises on the pension scheme, RCN UK will notify RCN Publishing Company Limited of their share of the liability on an annual basis. This is accrued upon notification. Note 4 outlines the charge for the year.

Joint arrangements

RCNi has a jointly controlled operation with BMJ, publishing *Evidence-Based Nursing*. The company accounts for its portion of the turnover and costs relating to this arrangement which is detailed in note 17 related party.

Operating leases

The company classifies its lease of a franking machine as an operating lease; the title to the equipment remains with the lessor. Rental charges are expensed on a straight-line basis over the term of the lease. The lease on the franking machine was terminated during 2020.

Tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments and are different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Provisions

Provisions for future liabilities are recognised when there is a legal or constructive financial obligation that can be reliably estimated and for which there is an expectation that payment will be made.

Dividend

Dividend distribution to the company's shareholders is recognised as a liability in the companies financial statements in the year in which the dividends are approved by the Board.

Financial instruments

Financial assets and liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at transaction price (including transaction costs). The company only has financial assets and liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value. Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due. Creditors and provisions are recognised where the company has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions in applying the Company's accounting policies to determine the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis, with revisions to accounting estimates applied prospectively.

Critical accounting judgements

Critical judgements, apart from those involving estimations, that are applied in the preparation of the financial statements are discussed below:

Pensions

Determining the amount of the company's retirement benefit obligations and the net costs of providing such benefits requires assumptions to be made concerning long-term interest rates, inflation, salary and pension increases, investment returns and longevity of current and future pensioners. Changes in these assumptions could significantly impact the amount of the obligations or the cost of providing such benefits. The company makes assumptions concerning these matters with the assistance of advice from independent qualified actuaries. Details of the assumptions made are set out in note 18.

3. Turnover

Turnover, which is stated net of value added tax, represents the net amounts invoiced during the year, and is derived from the following activities:

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Journals	9,220,050	9,804,857
Exhibitions	891,830	1,494,119
Other communication	1,124,173	1,052,964
Other income	347,045	–
Total	**11,583,098**	**12,351,940**

An analysis of the company's turnover by geographical market is set out below:

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Turnover:		
UK	11,225,802	11,695,087
Overseas	357,296	656,853
Total	**11,583,098**	**12,351,940**

4. Employee costs

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Staff costs consist of:		
Wages and salaries	4,056,668	4,499,987
Social security costs	460,695	469,671
Other pension costs	664,326	680,349
Total	**5,181,689**	**5,650,007**

For the year ended 31 December 2020 a charge of £363,638 (2019: £383,428) has also been included in other pension costs, which is the company's regular contributions made into the defined benefit scheme. The company is also contributing to the defined contribution scheme.

The movement between 2019 and 2020 employee costs is due to a combination of outsourcing the finance function to the RCN and restructuring a number of posts.

The average monthly number of employees, including executive directors, employed by the company during the year was:

	Year ended 31 December 2020 Number	Year ended 31 December 2019 Number
Editorial and production	48	47
Distribution and sales	33	36
Administration	15	12
Total	**96**	**95**

5. Directors

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Directors' emoluments consist of:		
Remuneration for management services	455,575	474,557
Pension contributions	24,734	36,153
Total	**480,309**	**510,710**

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Highest paid director		
Remuneration for management services	179,451	154,932
Pension contributions	–	12,901
Total	**179,451**	**167,833**

6. Operating profit

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
This has been arrived at after charging:		
Depreciation and amortisation	139,298	156,946
Auditor's remuneration	17,850	14,450
Foreign exchange loss	5,987	7,948
Rent under operating leases:		
Land and buildings	172,527	164,516

7. Historic VAT liability

RCNi has recognised that it may have been incorrectly accounting for VAT in relation to its sales of digital publications. Work has been carried out to ensure that these errors were identified, quantified, and corrected.

Digital publications should have been subject to the standard rate of VAT, RCNi have under-declared £ 1,010,771 in output tax in the periods from January 2016 to June 2020. £965,011 of VAT and £45,760 of interest was paid to HMRC on 11 February 2021 and 25 February 2021 respectively.

A long-running case between News Corp and HMRC has been decided in favour of HMRC at the Court of Appeal. News Corp argued that supplies of its digital newspaper editions made between 2010 and 2016 should be given the same treatment as printed newspapers and therefore zero-rated for VAT. The Court of Appeal found in HMRC's favour, concluding that electronic versions of newspapers should be standard rated.

Litigation is not yet complete, and News Corp is seeking to appeal to the Supreme Court. In order for the case to be heard News Corp will have to be granted permission to appeal (by either the Court of Appeal or the Supreme Court itself). If permission is not granted, the Court of Appeal's decision will be final, and if the Supreme Court does hear it, its decision will be final. Based on independent tax advice the chances of the Court overturning the case are less than 50%.

From 1 May 2020 a zero-rate of VAT applies to e-publications to ensure that e-books, e-newspapers, e-magazines, and academic e-journals are entitled to the same VAT treatment as printed materials.

8. Taxation on profit

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
UK corporation tax		
Current tax on profit of the year	119,314	100,363
Adjustments in respect of prior years	(30,303)	–
Total current tax charge	**89,011**	**100,363**
Deferred taxation movement in the year		
Origination and reversal of timing differences in current year	(21,552)	(12,141)
Adjustments in respect of prior years - deferred tax	(1,774)	–
Short term timing difference	18,485	(1,689)
Effect of tax rate change on opening balance	915	–
Taxation on profit on ordinary activities	**85,085**	**86,533**

The tax assessed for the year is 19% (2019: 19%) which is the main rate of corporation tax in the UK.

Legislation will be introduced in Finance Bill 2021 to set the charge to Corporation Tax and set the main rate at 19% for the financial year beginning 1 April 2022. As announced at Budget 2021, legislation will also be introduced in Finance Bill 2021 to set the charge to Corporation Tax and set the main rate at 25% for the financial year beginning 1 April 2023.

The differences are explained below:

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Profit before tax	**602,396**	**442,323**
Tax on ordinary activities at the standard rate of corporation tax in the UK of 19% (2019: 19%)	114,456	84,041
Expenses not deductible for tax purposes	197	279
Adjustments in respect of prior years	(30,303)	–
Adjustments in respect of prior years - deferred tax	(1,774)	–
Group relief claimed	–	–
Change in tax rates	–	1
Fixed assets differences	1,594	21,779
Other reliefs and transfers	915	(21,194)
Adjustments in respect of deferred tax	–	1,627
Total tax charge	**85,085**	**86,533**

The corporation tax rate for the year ended 31 December 2020 is 19% (31 December 2019: 19%). The deferred tax rate for the year ended 31 December 2020 is 19% (31 December 2019: 17%).

9. Fixed assets

Tangible assets

	Short leasehold improvements £	Asset in the course of construction £	Computer equipment £	Office equipment £	Fixtures and fittings £	Total £
Cost of assets						
As at 1 January 2020	**388,124**	**11,275**	**1,156,187**	**38,437**	**137,327**	**1,731,350**
Additions	–	40,271	19,843	–	–	60,114
Disposals	(386,124)	(11,275)	(3,050)	–	–	(400,449)
As at 31 December 2020	**2,000**	**40,271**	**1,172,980**	**38,437**	**137,327**	**1,391,015**
Accumulated depreciation						
As at 1 January 2020	**387,552**	**–**	**978,627**	**35,348**	**128,911**	**1,530,438**
Depreciation charge for the year	572	–	130,074	2,942	5,711	139,299
Disposals	(386,124)	–	(3,050)	–	–	(389,174)
As at 31 December 2020	**2,000**	**–**	**1,105,651**	**38,290**	**134,622**	**1,280,563**
Net book value						
As at 31 December 2020	–	40,271	67,329	147	2,705	110,452
As at 31 December 2019	572	11,275	177,560	3,089	8,416	200,912

Intangible assets

	£
Cost of assets	
As at 1 January 2020	9,032
As at 31 December 2020	9,032
Accumulated amortisation	
As at 1 January 2020	**9,032**
Charge for the year	–
As at 31 December 2020	**9,032**
Net book value	
As at 31 December 2020	–
As at 31 December 2019	–

Intangible assets consist of domain names purchased by the company, valued at cost and amortised straight-line over three years.

10. Debtors: amounts falling due within one year

	31 December 2020 £	31 December 2019 £
Trade debtors	1,141,679	1,002,451
Amounts owed by the Royal College of Nursing	198,230	404,748
Prepayments and accrued income	329,356	331,527
Total	**1,669,265**	**1,738,726**

The amounts due from the Royal College of Nursing are not subject to interest and are repayable on demand.

11. Creditors: amounts falling due within one year

	31 December 2020 £	31 December 2019 £
Trade creditors	353,239	126,598
Taxation and social security	270,489	425,669
Other creditors	131,039	73,953
Payments received on account	20,349	127,081
Accruals and deferred income	1,841,112	962,265
Total	**2,616,228**	**1,715,566**

RCNi sells digital publications subject to standard rate Value Added Tax (VAT). A correction has been made to the calculation of VAT in relation to sales of digital publications. As a result, there is under-declared output tax relating to the periods from January 2016 to June 2020. An accrual has been made for £965,011 of VAT and £45,760 of interest which was paid to HMRC on 11th February 2021 and 25th February 2021 respectively.

The amounts owed to the Royal College of Nursing are not subject to interest and are repayable on demand.

The taxation and social security creditor includes a corporation tax liability of £119,314.

12. Provisions for liabilities and charges

	31 December 2020 £	31 December 2019 £
Provisions for dilapidations	–	97,290
Provision for deferred tax	5,627	9,523
Total	**5,627**	**106,813**

Movements - Provisions for liabilities and charges

	31 December 2019 £	Arising	Utilised	Released	31 December 2020 £
Provisions for dilapidations:					
The provision will fall due within five years	97,290	23,310	–	(120,600)	–

Deferred tax liability balance

The company has a deferred tax liability arising from timing differences as set out below. This liability has been recognised in these financial statements, shown at 19% rate for the current year (2019: 17%).

Analysis of deferred tax (liability)

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Excess of capital allowances over depreciation	(5,627)	(26,093)
Short-term timing differences	–	16,540
Total deferred tax (liability)	**(5,627)**	**(9,553)**

Deferred tax movement

	Movement £
Opening balance at 1 January 2020	**(9,553)**
Credit to profit and loss account (see note 8)	3,896
Closing balance at 31 December 2020	**(5,657)**

13. Called up share capital

	Authorised		Allocated, called up and fully paid	
	31 December 2020 £	31 December 2019 £	31 December 2020 £	31 December 2019 £
Ordinary shares of £1 each	500,000	500,000	500,000	500,000

14. Dividends

The directors propose a dividend of £413,848 for the year ended 31 December 2020, which will be paid in 2021. A dividend of £353,000 was paid in 2020 relating to 2019.

15. Commitments under operating leases

As at 31 December 2020, the company had total future minimum lease payments under non-cancellable operating leases as set out below:

	31 December 2020		**31 December 2019**	
	Land and buildings £	Other £	Land and buildings £	Other £
Total future minimum lease payments for non-cancellable operating leases:				
Not later than one year	150,192	–	103,100	–
Later than one year and not later than five years	488,124	–	–	–
Total	**638,316**	**–**	**103,100**	**–**

16. Parent undertakings

The company's parent undertaking is The Royal College of Nursing "RCN" of the United Kingdom, whose principal place of business is 20 Cavendish Square, London W1G 0RN. The results of the company are included in the consolidated financial statements of The Royal College of Nursing of the United Kingdom which are available from the above address. The RCN is the only company to consolidate RCN Publishing Company Limited's financial statements.

17. Related Party

In 1997 the company started a joint venture with *BMJ*, publishing the journal *Evidence-Based Nursing*. The company's share of the revenue at 31 December 2020 was £391,416 (31 December 2019: £311,691) and the share of the cost was £112,522 (31 December 2019: £99,762). The company was owed £41,472 by BMJ at 31 December 2020 (2019: £Nil).

The BMJ's immediate and ultimate parent undertaking which is also its ultimate controlling party as at 31 December 2020 was the British Medical Association (BMA). The BMA is the smallest and largest group in which the BMJ is consolidated. The Registered Office is BMA House, Tavistock Square, London WC1H 9JR.

18. Pension commitments

18.1 RCN Group defined contribution pension scheme

Since 1 November 2013 all new employees were auto-enrolled into a defined contribution scheme. The scheme is a Group Personal Pension plan managed and administered by Standard Life. The scheme has three contribution levels.

Contribution level	Employee	Employee	Employer
	If not salary sacrifice	Salary sacrifice	
Level 1	2.4%	3.0%	8.0%
Level 2	4.0%	5.0%	10.0%
Level 3	5.6%	7.0%	12.0%

All new employees are automatically enrolled into level 1 under auto enrolment regulation. Employees may then choose a higher contribution level.

18.2 RCN Group defined benefit pension scheme

The RCN Group operates a defined benefit pension scheme with the assets of the scheme being held in separate trustee administered funds. This scheme was closed to new members with effect from 1 November 2013. Existing active members as at 31 October 2013 can still contribute to the scheme.

As it is not possible to identify the RCNi's share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis, RCNi does not recognise a pension asset or liability, or an actuarial pension reserve on the Statement of financial position. Contributions are charged to the Statement of income and retained earnings as they become payable.

The share of the RCN UK defined benefit pension scheme assets and liabilities that relate to the company's members of the scheme is not readily available. At the actuarial valuation as at 30 September 2019, the liabilities for RCN Publishing Company Limited members calculated on the discontinuance basis represented 7.5% (2019: 7.5%) of the total liabilities on the same basis.

Employer

From April 2018 the average employer contribution rate has been 14.2%. Following the September 2019 actuarial valuation, the average employer contribution rate will increase to 15.2% from April 2021. RCNi also make a contribution to the annual deficit lump sum agreed by the parent.

Contributory employees

From 1 November 2013 current members contributions were set out in the schedule of contributions at 6%, 8% or 13% (depending on employee opted retirement age). From 1 April 2020 current member contributions have been set at 6.2%, 8.2% or 13.2% (depending on employee opted retirement age). From 1 April 2021 current member contributions will rise to 7.2%, 9.2% or 14.2%.

The valuation used for FRS 102 disclosures has been based on the most recent actuarial valuation by a qualified independent actuary at 30 September 2019 to take account of the requirements of FRS 102 in order to assess the liabilities of the scheme at 31 December 2020.

The principal actuarial assumptions were as follows:

	31 December 2020	31 December 2019	31 December 2018	31 December 2017	31 December 2016
Discount rate	1.45%	2.05%	2.75%	2.45%	2.70%
Inflation assumptions (RPI)	2.95%	3.00%	3.25%	3.25%	3.25%
Inflation assumptions (CPI)	2.60%	2.00%	2.25%	2.25%	2.25%
Allowance for revaluation of deferred and CARE pensions accrued before 1 November 2013 (with LPI of 5%)*	2.95% (RPI)	3.00% (RPI)	3.25% (RPI)	3.25% (RPI)	3.25% (RPI)
Allowance for CARE revaluation of pensions accrued after 1 November 2013 (with LPI cap of 2.5%)*	2.5% (CPI)	1.60% (CPI)	1.70% (CPI)	1.70% (CPI)	1.70% (CPI)
Allowance for pension payment increases accrued before 1 June 2007 (with LPI cap of 5%)*	2.85% (RPI)	2.90% (RPI)	3.10% (RPI)	3.10% (RPI)	3.10% (RPI)
Allowance for pension payment increases accrued after 1 June 2007 (with LPI cap of 5%)*	2.60% (CPI)	2.10% (CPI)	2.30% (CPI)	2.30% (CPI)	2.30% (CPI)
Allowance for pension payment increases accrued after 1 June 2007 (with LPI cap of 3%)*	–	1.80% (CPI)	1.95% (CPI)	1.95% (CPI)	1.90% (CPI)
Allowance for commutation of pension for cash at retirement	75% of Post A Day	60% of Post A Day	60% of Post A Day	60% of Post A Day	100% of Post A Day

*where Limited Price Index (LPI) is a measure of Retail Price Inflation (RPI) or Consumer Price Index (CPI) with a cap of 5% per annum and floor of 0% per annum.

Life expectancies

	31 December 2020	31 December 2019	31 December 2018	31 December 2017	31 December 2016
Longevity at age of 65 for current pensioners (years)					
- Men	21.9	21.9	22.1	22.1	22.2
- Women	24.0	23.6	23.8	23.7	23.9
Longevity at age of 65 for future pensioners* (years)					
- Men	23.2	23.2	23.5	23.5	23.9
- Women	25.1	24.9	25.0	25.0	25.4

* Assumed currently aged 45

The assets in the group scheme and the expected rate of return were:

	Value at 31 December 2020 £'000	Value at 31 December 2019 £'000	Value at 31 December 2018 £'000	Value at 31 December 2017 £'000	Value at 31 December 2016 £'000
Equities	65,684	72,480	175,496	173,176	166,085
Bonds	265,684	176,162	112,887	115,737	93,017
Property	15,066	15,075	14,390	15,114	14,539
Other	85,178	88,998	1,198	1,432	999
Insured pensioners	612	520	592	704	726
Total market value of assets	**432,045**	**353,235**	**304,563**	**306,163**	**275,366**
Actuarial value of liability	(400,770)	(339,590)	(307,034)	(318,327)	(289,951)
Net pension surplus/(liability)	**31,275**	**13,645**	**(2,471)**	**(12,164)**	**(14,585)**

Further information under FRS 102 is not disclosed in these financial statements as the scheme is a multi-employer scheme, the legal rights to which are held by RCN UK as the sponsoring entity, and it is not possible to extract the relevant figures for each individual company within the Group. Full disclosures are made in the financial statements of The Royal College of Nursing of the United Kingdom.

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