RCNi

Annual Report 2019

RCN Publishing Company Limited
Annual Report and Financial Statements
For the Year Ended 31 December 2019
Company Registration No 02119155

Contents

Rachel Armitage

The report of the Managing Director

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

In 2019, progress was made to stabilise the decline from traditional income streams. Focus was placed on growth from B2B sectors, and international expansion was achieved through global licensing agreements and expansion of learning initiatives into Africa and South East Asia.

The business was restructured to ensure that it was equipped to meet customer needs. Team structures are now aligned to market needs - which is crucial for future growth.

The result of these changes was a significant improvement in profitability from 2018's low point.

In 2020, RCNi will focus on further international expansion. Traditional revenue streams will continue to decline, but the rate of decline is expected to be less than in previous years.

RCNi's cost optimisation focus will continue into 2020 to ensure that resources are channelled in the right areas to support the business to achieve its strategic aims and further the charter objectives of the Royal College of Nursing.

I look forward to working with staff across RCNi, RCN and the RCN Foundation to deliver our shared goals in support of the nursing community.

Rachel Armitage

Rachel Armitage
Managing Director
Date: 3 July 2020

Directors
T Brooks (Chair)
C McNamara (Deputy Chair)
R Armitage
G Scott (resigned 31 May 2019)
P Smithers
K Fawcett OBE (resigned 12 November 2019)
R Grant
Dr A Holloway
M Richardson
S Wybrew-Bond
C Shuldham (appointed 1 November 2019)
J Bell (appointed 1 September 2019)
A Davies (appointed 1 January 2020)

Registered office
20 Cavendish Square, London W1G 0RN

Company number
02119155

Statutory Auditor
Deloitte LLP, 1 New Street Square, London EC4A 3HQ, United Kingdom

Strategic report

for the year ended 31 December 2019

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 products, career services and events to help the nursing community deliver best practice and achieve their potential.

In line with our strategic aims, 2019 saw a reduction in the rate of decline for our traditional revenue streams and growth in digital and online offerings. Overall revenues have remained static, yet costs have reduced materially leading to an increase in profit before tax.

Financial review

This year the business achieved sales revenue of £12,351,940 (2018: £12.4 m) and achieved profits before tax of £442k (2018: £84k).

The 2019 results demonstrate the business focus to increase revenues through sustainable growth: stemming the rate of decline in personal subscriptions and other traditional revenue streams while growing B2B, international and online revenues. The benefits of cost optimisation actions are evident as RCNi has observed increased profits during 2019.

The directors recommend the payment of £285k in dividend (2018: £nil). Net assets at 31 December 2019 were £4.2m compared to £3.8m in 2018. Total cash and cash on deposit increasing by £406,823 against 2018 to £4.04m in 2019.

Objectives

Our vision is to inspire the nursing community to achieve their potential and deliver best clinical practice.

To achieve our vision, our focus is on driving digital engagement with our products and services, using content analytics to provide insight into what works for our readers and customers. International partnerships worldwide will continue to be important to business growth and the expansion of our reach across the nursing community, and we will tightly control our costs to ensure that we are fit to compete as we pursue our digital strategy. Investment in new products and services is essential to achieve sustained future revenue growth. In 2020, RCNi will embark on a 3-year investment strategy to further grow our digital and online products alongside international expansion.

Principal risks and uncertainties

The major risk to the business is adapting to the expectations of the digital consumer. RCNi is focusing on developing its digital product portfolio in response to these changing market needs. The manufacturing and distribution of our print products continues to form a significant part of our costs, although this decreases as print frequency of titles is reduced and more titles are moved online only. The consolidation of the print market reduces the options the company has in terms of printers, and Brexit may drive further consolidation.

RCNi sells digital publications which are subject to standard rated Value Added Tax (VAT), but in a recent case between News Corp versus HMRC, the Upper-Level Tribunal upheld News Corp's appeal. Consequently, all digital and online publications will be subject to zero-rated VAT, however, HMRC has been granted permission to challenge the decision at the Court of Appeal level.

It is not possible to predict the judgment at the Court of Appeal, which creates uncertainty regarding RCNi's potential claim against HRMC for the amounts overpaid. On the contrary, if the court allows HMRC's appeal, it will result in raising an obligation for the bundled items (printed and online/digital) where the business has underestimated the liability for the mixed rates products.

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 every 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

The company's trade debtors consist mainly of advertising agencies and NHS trusts. The trusts are low risk.

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 interest rate hike is minimal. The company does have surplus funds which it is able to place in 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

The COVID-19 outbreak in the UK is anticipated to have significant implications for RCNi operations in 2020. Most notably, face to face jobs fairs, study days and events have been cancelled and will be replaced by virtual events. For the vacation of the Harrow offices, the physical move of office equipment was brought forward due to closure of buildings and completed as scheduled. All RCNi staff are enabled to work remotely from home for the foreseeable future. Whist this is a significant change in working practice, which will impact people and operations, RCNi spent 2019 preparing for agile working. Management have a robust business continuity plan in place which is regularly reviewed and updated. The financial impact to the business in 2020 is being closely monitored. It is expected to impact RCNi's profitability but mitigating actions are being put into place to limit the impact. 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 this financial year after accounting for the disruption of COVID-19.

Future developments

We will continue to improve operational effectiveness through automation of business processes and procedures, and ensure that our workforce has the technical skills required to support RCNi as it transitions to a digital, international health information and learning organisation. RCNi relocates to RCN's head office in London W1 in 2020 and this move will reduce group costs, while, directors, believe, improving cross-group working.

Events after the balance sheet date

The COVID-19 outbreak is considered to be a post-balance sheet date event. With respect to the RCNi financial statements for the year ended 31 December 2019, the financial reporting effects of the outbreak is a non-adjusting event (see page 28 for post balance sheet date event).

Approval

Approved by the board and signed on its behalf by:

Rachel Armitage

Rachel Armitage
Managing Director
Date: 3 July 2020

Report of the Directors

for the year ended 31 December 2019

The directors present their report together with the audited financial statements for the year ended 31 December 2019. Comparative figures are for the year ended 31 December 2018.

Results and dividends

The company made a pre-tax profit of £442,323 (2018: £83,922). The directors propose a dividend of £285,000 (2018: £Nil).

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
C McNamara
R Armitage
G Scott (resigned 31 May 2019)
P Smithers
K Fawcett OBE (resigned 12 November 2019)
R Grant
Dr A Holloway
M Richardson
S Wybrew-Bond
C Shuldham (appointed 01 November 2019)
J Bell (appointed 01 September 2019)
A Davies (appointed 01 January 2020)

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

Deloitte LLP were re-appointed as auditor to the Company and in accordance with section 485 of the Companies Act 2006, a resolution proposing their re-appointment will be put in place at a General meeting.

Future developments

The Board of Directors has reviewed budgets and forecasts for 2020 and a three year strategic plan.

Going concern

The COVID-19 outbreak is anticipated to have significant impact on business activity and economic conditions for RCNi in 2020 and potentially into 2021. An impact assessment has been carried out by the management team to understand the financial impact of COVID-19 in financial year 2020 (Jan20-Dec20) and from January 2021-July 2021. A significant decline in revenues is expected. Most notably, all jobs fairs, study days and other face to face events that amounted to 12% of the total income in the year ended 31 December 2019 have been postponed or cancelled from March 2020 – August 2020. As a result, the expected scenario is forecasting for events revenues to face a 55% decline compared to the budget. The intent is to move to a virtual offering in second half of calendar 2020 and 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.

Personal subscription revenues that amounted to 46% of the total income for the year ended 31 December 2019 are expected to decline by around 1% compared to budget as households experience the financial impact of COVID-19 and do not deem the subscription a necessity. These subscriptions are paid monthly.

The traditional classified and display advertising streams will experience further decline as recruitment slows down and becomes low priority.

All RCNi staff are enabled to work remotely from home for the foreseeable future. Whilst this is a significant change in working practice, which will impact people and operations, RCNi spent 2019 preparing for agile working.

Every effort has been made to avoid discretionary spend, negotiate revised payment terms with suppliers and ensure that customers pay in a timely manner. A strong cost control ethic is in place across the business, which is expected to yield a 11% savings when compared to budget.

Management have a robust business continuity plan in place which is regularly reviewed and updated. The financial impact to the business in 2020 and 2021 is being closely monitored.

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.

Please see note 19 – Post Balance Sheet Events COVID-19 on page 28 for further information.

Financial risk management

Matters required for disclosure on financial risk management are included within the Strategic Report.

Rachel Armitage

Rachel Armitage
Managing Director
Date: 3 July 2020

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 FRS102 "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 year. 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.

Approved by the board and signed by order of the board.

Rachel Armitage

Rachel Armitage
Managing Director
Date: 3 July 2020

Report of independent auditor 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 2019 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 19.

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

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

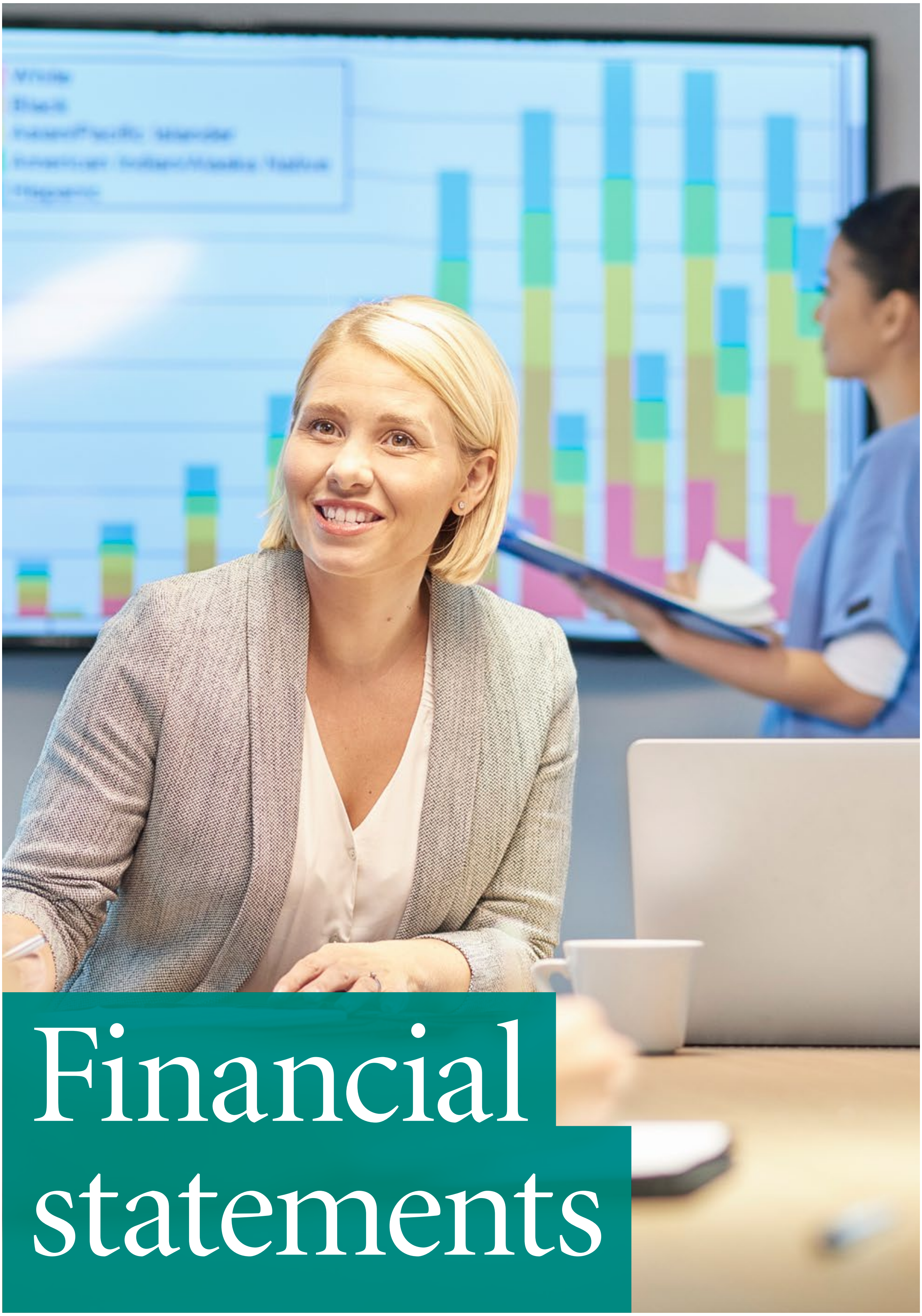
We have nothing to report in respect of these matters.

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.

Reza Motazedi - FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

Date: 3 July 2020



Financial statements

Statement of income and retained earnings for year ended 31 December 2019

	Note	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Turnover	3	12,351,940	12,380,018
Cost of sales		(5,258,340)	(5,552,612)
Gross profit		**7,093,600**	**6,827,406**
Distribution costs		(4,275,182)	(4,390,309)
Administrative expenses		(2,392,198)	(2,363,004)
Operating profit	6	**426,220**	**74,093**
Interest receivable and similar income		16,104	10,584
Interest payable		–	(755)
Profit before taxation		**442,324**	**83,922**
Taxation on profit	7	(86,533)	4,857
Profit for the financial year		**355,790**	**88,779**
Retained profit at 1 January 2019		**3,302,274**	**3,488,495**
Profit for the financial year		**355,790**	**88,779**
Dividends paid		–	(275,000)
Retained profit at 31 December 2019		**3,658,064**	**3,302,274**

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 £355,790 (2018: £88,779) shown above. Accordingly no statement of comprehensive income has been presented.

The notes on pages 15 to 28 form part of these financial statements.

Statement of financial position at 31 December 2019

	Note	31 December 2019 £	31 December 2018 £
Fixed assets			
Tangible assets	8	200,912	290,808
Intangible assets	8	–	1,659
Total fixed assets		**200,912**	**292,467**
Current assets			
Debtors	9	1,738,726	1,391,589
Short-term deposits		3,761,750	3,538,954
Cash at bank and in hand		279,056	95,029
Total current assets		**5,779,532**	**5,025,572**
Creditors: amount falling due within one year	10	(1,715,566)	(1,405,023)
Net current assets		**4,063,966**	**3,620,549**
Total assets less current liabilities		**4,264,878**	**3,913,016**
Provision for liabilities	11	(106,813)	(110,742)
Net assets		**4,158,064**	**3,802,274**
Capital and reserves			
Called up share capital	13	500,000	500,000
Profit and loss account		3,658,064	3,302,274
Total shareholders' funds		**4,158,064**	**3,802,274**

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: 3 July 2020

The notes on pages 15 to 28 form part of these financial statements

Statement of changes in equity for the year ended 31 December 2019

	Note	Share Capital £	Profit and loss £	Total £
Balance at 1 January 2018		**500,000**	**3,488,495**	**3,988,495**
Profit for the year being total comprehensive income		–	88,779	88,779
Dividends paid		–	(275,000)	(275,000)
Balance at 31 December 2018		**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**

No dividend was proposed in 2018. The dividends paid in 2018 refer to dividends proposed in 2017.

Notes forming part of the financial statements for the year ended 31 December 2019

1. Accounting policies

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

a. 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 4.

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 (FRS102) 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 FRS102 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 value added tax, 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.

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 and cash deposits plus cash at bank have increased compared to those at 31 December 2018 by £406,823. The company undertakes a formalised process of budgeting, reporting and review. The Board of Directors has reviewed budgets and forecasts for 2019 and a three-year strategic plan.

It is reasonable to consider the business a going concern. Please see directors report on page 5 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.

Please see "Going concern" on page 5 and note 19 – Post-Balance Sheet Events COVID-19 on page 28 for further information.

Related party transactions

The company has taken advantage of the exemption in FRS102 from disclosing transactions with The Royal College of Nursing of the United Kingdom and other wholly-owned companies within the group.

Deferred income

Income received in advance is deferred based on the actual price per publication multiplied by the number of months paid in advance by subscribers.

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 ventures

RCNi has a jointly controlled operation with BMJ, publishing Evidence Based Nursing. The turnover and costs of sales relating to this are included in the financial statements and detailed separately in note 17 related party. RCNi is recognising its share of the JV using equity based accounting.

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.

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 in s 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. Provision for dilapidations is based on a realistic estimate of amounts that could be payable at the end of the current lease in June 2020.

Dividend

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

Financial instruments

Financial assets and financial 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 have financial assets and financial 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 that affect the amounts reported for assets and liabilities as at the statement of financial performance date and the amounts reported for income and expenditure during the year. However, the nature of the estimates means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on the amounts recognised in the financial statements.

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.

Dilapidations

Similarly the provision for dilapidations has a lower degree of uncertainty but amounts are subject to changes in wear and tear of leasehold properties and negotiations with landlords.

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 2019 £	Year ended 31 December 2018 £
Journals	9,804,857	10,237,292
Exhibitions	1,494,119	1,391,253
Other communication	1,052,964	751,473
Total	**12,351,940**	**12,380,018**

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

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Turnover:		
UK	11,695,087	10,951,405
Overseas	656,853	1,428,613
Total	**12,351,940**	**12,380,018**

4. Employee costs

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Staff costs consist of:		
Wages and salaries	4,499,987	4,703,540
Social security costs	469,671	525,054
Other pension costs	680,349	490,658
Total	**5,650,007**	**5,719,252**

For the year ended 31 December 2019 a charge of £383,428 (2018: £236,715) has also been included in other pension costs, which is the company's estimated share of the payment made into the defined benefit scheme by the parent company. The company is also contributing to the defined contribution scheme. The staff costs in the 2019 financial statements included accrued amounts of £Nil as part of compromise agreements, (2018: £65,464).

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

	Year ended 31 December 2019 Number	Year ended 31 December 2018 Number
Editorial and production	47	48
Distribution and sales	36	38
Administration	12	17
Total	**95**	**103**

5. Directors

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Directors' emoluments consist of:		
Remuneration for management services	474,557	524,171
Pension contributions	36,153	48,585
Total	**510,710**	**572,756**

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Highest paid director	154,932	161,478

6. Operating profit

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
This has been arrived at after charging:		
Depreciation and amortisation	156,946	199,250
Rent under operating leases:		
Land and buildings	164,516	164,516
Other	–	4,380
Auditor's remuneration	14,450	16,000

7. Taxation on profit on ordinary activities

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
UK corporation tax		
Current tax on profit of the year	100,363	–
Adjustments in respect of prior years	–	(30)
Total current tax (credit)/charge	**100,363**	**(30)**
Deferred taxation movement in the year		
Origination and reversal of timing differences in current year	(12,141)	(3,139)
Adjustments in respect of prior years	–	(1,688)
Short-term timing difference	(1,689)	–
Taxation on profit on ordinary activities	**86,533**	**(4,857)**

The tax assessed for the year is 19% (2018: 19%) which is the main rate of corporation tax in the UK.

The differences are explained below:

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Profit before tax	**442,323**	**83,922**
Tax on ordinary activities at the standard rate of corporation tax in the UK of 19% (2018: 19%)	84,041	15,945
Expenses not deductible for tax purposes	279	167
Adjustments in respect of prior years	–	(30)
Group relief claimed	–	(21,507)
Change in tax rates	1	568
Fixed assets differences	21,779	–
Other reliefs and transfers	(21,194)	–
Adjustments in respect of deferred tax	1,627	–
Total tax (credit)/charge	**86,533**	**(4,857)**

The corporation tax rate for the year ended 31 December 2019 is 19% (31 December 2018: 19%). The deferred tax rate for the year ended 31 December 2019 is 17% (31 December 2018: 17%).

8. 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 2019	**388,124**	**7,667**	**1,097,571**	**38,437**	**134,160**	**1,665,959**
Additions	–	3,608	58,616	–	3,167	65,391
As at 31 December 2019	**388,124**	**11,275**	**1,156,187**	**38,437**	**137,327**	**1,731,350**
Accumulated Depreciation						
As at 1 January 2019	**386,410**	**–**	**840,731**	**28,577**	**119,433**	**1,375,151**
Depreciation charge for the year	1,142	–	137,896	6,771	9,478	155,287
As at 31 December 2019	**387,552**	**–**	**978,627**	**35,348**	**128,911**	**1,530,438**
Net book value						
As at 31 December 2019	572	11,275	177,560	3,089	8,416	200,912
As at 31 December 2018	1,714	7,667	256,840	9,860	14,727	290,808

Intangible assets

	£
Cost of assets	
As at 1 January 2019	9,032
As at 31 December 2019	9,032
Accumulated amortisation	
As at 1 January 2019	**7,374**
Charge for the year	1,658
As at 31 December 2019	**9,032**
Net book value	
As at 31 December 2019	–
As at 31 December 2018	1,659

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

9. Debtors: amounts falling due within one year

	31 December 2019 £	31 December 2018 £
Trade debtors	1,002,451	796,315
Amounts owed by the Royal College of Nursing	404,748	252,613
Prepayments and accrued income	331,527	342,661
Total	**1,738,726**	**1,391,589**

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

10. Creditors: amounts falling due within one year

	31 December 2019 £	31 December 2018 £
Trade creditors	126,598	350,154
Taxation and social security	425,669	276,166
Other creditors	73,953	58,497
Payments received on account	127,081	64,903
Accruals and deferred income	962,265	655,303
Total	**1,715,566**	**1,405,023**

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 £100,393.

11. Provisions for liabilities and charges

	31 December 2019 £	31 December 2018 £
Provisions for dilapidations	97,290	87,359
Provision for deferred tax	9,523	23,383
Total	**106,813**	**110,742**

Movements - Provisions for liabilities and charges

	31 December 2018 £	Arising	Utilised	31 December 2019 £
Provisions for dilapidations:				
The provision will fall due within five years	87,359	9,931	–	97,290

Provision for dilapidations is based on a realistic estimate of amounts that could be payable at the end of the current lease in June 2020.

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 17% rate for the current year (2018: 17%).

Analysis of deferred tax (liability)

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Excess of capital allowances over depreciation	(26,093)	(38,234)
Short-term timing differences	16,540	14,851
Total deferred tax (liability)	**(9,553)**	**(23,383)**

Deferred tax movement

	Movement £
Opening balance at 1 January 2019	**(23,383)**
Credit to profit and loss account (see note 7)	13,830
Closing balance at 31 December 2019	**(9,553)**

12. Mixed VAT contingent asset/liability

RCNi sells subscription for several nursing journals to individuals and businesses. Some of its products where online/digital and print are combined as a single product. In practice, online and digital products are subject to the standard rate VAT, whereas printed learning materials attract zero rate VAT. For such products, VAT legislation requires the business to apply mixed rates. To address the situation, the current mixed rates used by RCNi was calculated back in 2014. However, these rates were not reviewed annually as per VAT legislation. The business will be submitting a voluntary disclosure to HMRC to disclose the amount of underpaid VAT in this respect.

Stating the above, in December 2019, an Upper Tribunal judgment for the ongoing case between Newscorp Versus HMRC was given in favour for the taxpayer. Newscorp argued that online/digital publications are the same as paper-based products and should not taxed at the standard rate. HMRC has appealed against the decision, and hearing is allowed at the next level of the judiciary, i.e., Court of Appeal.

Furthermore, the Government announced, in the March 2020 budget, that it will introduce legislation to extend the zero-rating to digital publications from 1 December 2020. Our VAT advisors, BDO, advised us that we are entitled to a four-year retrospective claim for the VAT paid on the products.

At this point, the probability of a cash inflow or outflow is based on the outcome of the Newscorp case. Therefore we do not recognise an asset or a liability within the financial statements.

13. Called up share capital

		Authorised		Allocated, called up and fully paid
	31 December 2019 £	31 December 2018 £	31 December 2019 £	31 December 2018 £
Ordinary shares of £1 each	500,000	500,000	500,000	500,000

14. Dividends

The directors propose a dividend of £285,000 for the ended 31 December 2019 (2018: £Nil).

15. Commitments under operating leases

As at 31 December 2019, the company had total future minimum lease payments under non-cancellable operating leases as set out below:

	31 December 2019		31 December 2018	
	Land and buildings £	Other £	Land and buildings £	Other £
Total future minimum lease payments for non-cancellable operating leases:				
Not later than one year	103,100	–	170,000	4,380
Later than one year and not later than five years	–	–	85,000	2,190
Total	**103,100**	**–**	**255,000**	**6,570**

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'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 31 December 2019 was £311,691 (31 December 2018: £343,187) and share of the cost was £99,762 (31 December 2018: £35,568). The company was owed £Nil by BMJ at 31 December 2019 (2018: £NIL).

The BMJ's immediate and ultimate parent undertaking which is also its ultimate controlling party as at 31 December 2019 was the British Medical Association. 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 UK 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 sacriface	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 UK defined benefit pension scheme

The RCN UK final salary defined benefit pension scheme was reviewed in 2007 and formal consultation with scheme members and trustees was carried out. From 1 June 2007, benefits are no longer accrued under the final salary defined benefit pension scheme. RCN UK now provides benefits on a Career Average Revalued Earnings (CARE) basis via the occupational pension scheme. All benefits and liabilities accrued as at 1 June 2007 in the final salary defined benefit pension scheme were transferred to the new CARE scheme. As it is not possible to identify the company's share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis, the company does not recognise a pension asset or liability, or an actuarial pension reserve on the balance sheet. Contributions are charged to the profit and loss account as they become payable. Following the actuarial valuation at 30 September 2010, revised contribution rates to the Scheme were agreed, shown below. From 1 November 2013, changes to the scheme were implemented resulting in an employer's annual contribution rate of 10.5%.

Employer

10.5% (2018: 10.5%) of pensionable salaries and an estimated share of the annual lump sum agreed by the parent.

Contributory employees

For existing staff who were members of the old scheme the contributory rates for the new scheme are 12.5%, 8.9%, 5.7% or 2.8% of pensionable salaries (depending on benefit scale) as set out in the schedule of contributions (previously 8.9% or 5.7% of pensionable salaries). For new staff and existing staff who joined the scheme for the first time, the contributory rates are 5.7% or 2.8% of pensionable salaries (depending on benefit scale) as set out in the schedule of contributions. From 1 November 2013, current members' contributions were set at 6.2%, 8.2% or 13.2% (depending on employee opted retirement age).

The valuation used for FRS102 disclosures has been based on the most recent actuarial valuation by a qualified independent actuary at 30 September 2016 to take account of the requirements of FRS102 in order to assess the liabilities of the scheme at 31 December 2018.

The principle actuarial assumptions were as follows:

	31 December 2019	31 December 2018	31 December 2017	31 December 2016	31 December 2015
Discount rate	2.05%	2.75%	2.45%	2.70%	3.80%
Inflation assumptions (RPI)	3.00%	3.25%	3.25%	3.25%	3.10%
Inflation assumptions (CPI)	2.00%	2.25%	2.25%	2.25%	2.10%
Allowance for revaluation of deferred & CARE pensions accrued before 1 November 2013 (with LPI of 5%)*	3.00% (RPI)	3.25% (RPI)	3.25% (RPI)	3.25% (RPI)	3.10% (RPI)
Allowance for CARE revaluation of pensions accrued after 1 November 2013 (with LPI cap of 2.5%)*	1.60% (CPI)	1.70% (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%)*	2.90% (RPI)	3.10% (RPI)	3.10% (RPI)	3.10% (RPI)	3.0% (RPI)
Allowance for pension payment increases accrued after 1 June 2007 (with LPI cap of 5%)*	2.10% (CPI)	2.30% (CPI)	2.30% (CPI)	2.30% (CPI)	2.10% (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)	1.90% (CPI)
Allowance for commutation of pension for cash at retirement	60% of Post A Day	60% of Post A Day	60% of Post A Day	100% of Post A Day	No allowance

*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 2019	31 December 2018	31 December 2017	31 December 2016	31 December 2015
Longevity at age of 65 for current pensioners					
- Men	21.9	22.1	22.1	22.2	23.0
- Women	23.6	23.8	23.7	23.9	24.7
Longevity at age of 65 for future pensioners*					
- Men	23.2	23.5	23.5	23.9	24.7
- Woman	24.9	25.0	25.0	25.4	26.2

* Assumed currently aged 45

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

	Value at 31 December 2019	Value at 31 December 2018	Value at 31 December 2017	Value at 31 December 2016	Value at 31 December 2015
Equities	72,480	175,496	173,176	166,085	137,835
Bonds	176,162	112,887	115,737	93,017	70,152
Property	15,075	14,390	15,114	14,539	13,629
Other	88,998	1,198	1,432	999	1,199
Insured pensioners	520	592	704	726	788
Total market value of assets	**353,235**	**304,563**	**306,163**	**275,366**	**223,603**
Actuarial value of liability	(339,590)	(307,034)	(318,327)	(289,951)	(263,970)
Net pension surplus/ (liability)	**13,645**	**(2,471)**	**(12,164)**	**(14,585)**	**(40,367)**

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 2016, the liabilities for RCN Publishing members calculated on the discontinuance basis represented 7.5% (2018: 7.5%) of the total liabilities on the same basis. If the same ratio was applied to the FRS102 deficit shown above, the deficit attributable to RCN Publishing would then be £NIL (2018: £185,325). This figure does not represent the subsidiary cessation debt for the company.

Further information under FRS102 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.

19. Post-Balance Sheet Events COVID-19

With respect to RCNi financial statements for the year ended 31 December 2019, the financial reporting effects of the pandemic is a non-adjusting event. The significant changes in business activities and economic conditions occurred after the reporting date of 31 December 2019.

A going concern assessment has taken place in April 2020 and these continue to be updated and monitored up until the date of signing;

- Expected – assumes current strict restrictions are eased towards the end of June 2020 with some, but fewer, restrictions in place for the remainder of 2020.
- Best – current strict restrictions are eased towards the end of May 2020 with a return to some form of “normality” for the remainder of 2020.
- Worst – current strict restrictions remain until late in the year, at least until October 2020 and most likely beyond before restrictions begin to ease.

In all three scenarios above our interpretation of “normality” includes some form of social distancing requirements for a significant period.

Although operational revenues and profitability is expected to decline in comparison to the 2020 budget, RCNi continues to have strong cash reserves of £2.7m and net reserves of £3.9m as at 30th April 2020 and so will remain a going concern. It has been concluded that RCNi is expected to remain a going concern for the foreseeable future. Please see “Going concern” within the Directors report on page 5 for further information.

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