Registration number: SC027389

HarperCollins Publishers Limited

Report and financial statements

for the year ended 30 June 2019

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HarperCollins Publishers Limited

Contents

HarperCollins Publishers Limited

Strategic Report for the Year Ended 30 June 2019

The directors present their Strategic Report and the financial statements of the company for the year ended 30 June 2019.

Principal activity and business review

The principal activity of the company is the publishing of printed books, ebooks and audio content along with the ancillary services of warehousing and distribution. HarperCollins distributes these products in the UK and internationally through a combination of in-house subsidiaries and marketing teams as well as third party distributors.

HarperCollins Publishers Ltd is the second largest consumer book publisher in the world, with operations in 17 countries. With more than 120 branded imprints around the world, HarperCollins publishes approximately 10,000 new books every year in 17 languages and has a print and digital catalogue of more than 200,000 titles.

HarperCollins UK has a heritage stretching over 200 years to when William Collins established his bible, atlas and dictionary publishing business in Glasgow in 1819. The business publishes a wide range of books, digital and audio products. Its publishing includes the biggest names in commercial fiction genres including romance, thrillers, historical fiction, science-fiction and fantasy, alongside award-winning literary fiction. Its non-fiction division covers everything from politics and current affairs, history, biographies, popular science and natural history, to sport, entertainment and travel, and its education and reference titles include maps, atlases, dictionaries and a wide range of products for school and home-learning. The company is proud to publish some of the world's best known authors and personalities, including Hilary Mantel, Jonathan Franzen, Chimamanda Ngozi Adichie, Bernard Cornwell, Barbara Taylor Bradford, Jeffery Deaver, Karin Slaughter, Stuart MacBride, Adele Parks, Josephine Cox, George RR Martin, Cecelia Ahern, Nigel Slater, Max Hastings, David Walliams, and Michael Morpurgo as well as the works of Michael Bond, Judith Kerr, Agatha Christie, JRR Tolkien and CS Lewis.

Turnover increased during the year by £4,860,000. The increase as result of higher sales in our trade divisions with our Collins Learning business flat against prior year. Within the trade divisions, the increase was across all genres with Fiction, Non Fiction and Childrens all growing on prior year. The key drivers behind the growth were a new George RR Martin title (Fire and Blood), an additional title in the year from David Walliams with Fing publishing in February and the continuing increase in downloadable audio especially in Non Fiction.

Profit before tax decreased by £8,166,000. The decrease in profit was purely down to the one off deal with Amazon, where in conjunction with WarnerBros and the Tolkien Estate we sold the rights for a multi series TV show to be shown on Amazon Prime based on the Lord of the Rings Appendices in the prior year. With this deal stripped out our profits would have risen in line with the increase in revenue during the year.

During the year, our publishing highlights were as follows. In Fiction, the business saw continued success with Eleanor Oliphant is Completely Fine by Gail Honeyman, which sold over ½ million copies during the period (of its total sale of over 2.2 million to date). Other bestsellers came from authors including Gill Sims (Why Mummy Swears), George RR Martin (Fire and Blood), Bernard Cornwell (The War of the Wolf), JRR Tolkien (The Fall of Gondolin), and Adele Parks (I Invited Her In). Bridget Collins's The Binding and Lucy Foley's The Hunting Party were both published in January 2019 and became two of the year's biggest selling hardback fiction titles.

Non-Fiction highlights included Ant Middleton whose debut First Man In was a bestseller in all formats, Henry Firth and Ian Theasby (BOSH!, Bish Bash BOSH!), Max Hastings (Vietnam), Nigel Slater (GreenFeast: Spring, Summer) and two titles from Dr Rupy Aujla. David Walliams had a stellar year, with the Christmas No.1 The Ice Monster, as well as Fing, The World's Worst Children 3, and The World's Worst Teachers. Other bestsellers came from David Baddiel (Head Kid), and Judith Kerr (The Tiger Who Came to Tea).

Principal activity and business review (continued)
Achievements in the year included winning several awards at the British Book Awards 2019. Collins Learning won the Export Award, Judith Kerr was named Illustrator of the Year, David Walliams's The Ice Monster was Children's Fiction Book of the Year, while BOSH! won awards for Marketing Campaign and Non-Fiction: Lifestyle Book of the Year. Craig Brown's Ma'am Darling won the James Tait Black Prize for Biography. David Baddiel's Head Kid was named WH Smith Children's Book of the Year. The PEN Pinter Prize 2018 was awarded to Chimamanda Ngozi Adichie. Say Nothing by Patrick Radden Keefe won the Orwell Prize. In the charts, HarperCollins had 14 overall Sunday Times number one bestsellers and 85 top ten titles. In the Sunday Times Children's chart, HarperCollins books by David Walliams occupied the number one spot for 23 out of 52 weeks of the year.

HarperCollins' commitment to diversity and inclusivity in publishing was recognised when it was the once again included on Business in the Community's Best Employers for Race list. The company ran its BAME traineeship for the third time, bringing diverse new talent into the organisation. The winner of the third Guardian/4th Estate short story prize for BAME writers, Yiming Ma was announced in September. HarperCollins continues to work with the Whizz-Kidz charity, which works to transform the lives of disabled children by providing vital equipment, skills and training they need at the right time in their lives, by raising funds and supporting in other ways such as work placements and author visits. In an industry-leading partnership HarperCollins, which has a total audio policy, provides audio recordings of every new narrative title free of charge to RNIB's Talking Books Library. HarperCollins has worked extensively for The Literacy Project, a Publishers Association initiative launched by HCUK CEO Charlie Redmayne in 2018. HarperCollins volunteers have been supporting literacy efforts in schools and nurseries in Glasgow and Stoke-on-Trent, and the company has donated over 5,000 books to schools, libraries and hospitals in these areas, as well as forging partnerships with local charities, media and businesses to support literacy development. The Free Books for Schools campaign with The Scottish Sun saw £1m worth of Collins Big Cat reading scheme titles put into one-third of Scottish primary schools.

Plans for Future Periods
The business will continue to seek growth through investment within Fiction & Children's trade publishing. Growing our debut authors and cherishing our established brands will be at the heart of everything we do. Our HQ imprint is now well established and we will continue to invest in new authors within this imprint. We will also look at new models for the traditional romance series business. Within Collins Learning we will maintain our focus on growing export markets across the globe with particular emphasis on Asia & the Caribbean and also building our reading scheme (Big Cat) in UK schools and internationally. Downloadable audio remains a growth area for us and we will work with retail partners to create new channels and also invest in content, particularly within Non Fiction.

Principal risks and uncertainties
The company's policy does not permit trading in any financial instruments. The company's principal financial instruments comprise cash, short term deposits and/or borrowings and forward currency contracts, the main purpose of which is to provide finance for its normal trading operations and to reduce the impact of currency exchange rate movements on trading results.

The company has various other financial instruments such as trade debtors and creditors that arise directly from its trading operations.

The main risks arising from the company's financial instruments are liquidity, foreign currency and credit risks. The company has clear policies for managing each of these risks, as summarised below:

a) Liquidity risk
Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets. Investment is carefully controlled with authorisation limits operating at different levels up to board level and with hurdle rates of return and cash payback periods applied as part of the investment appraisal process.

b) Foreign currency risk
The company buys and sells goods and services denominated in currencies other than sterling. The company manages such receipts and payments through the operation of other denominated currency bank accounts and sterling settlement of foreign exchange contracts. As a result of the value of the company's non sterling revenues, purchases, financial assets and liabilities, cash flows can be affected significantly by movements in exchange rates.

The company seeks to mitigate its exposure to currency movements by entering into forward currency contracts, denominated in the same currency as the operating funds flow, to match the exposures anticipated in the business. The forward contracts are entered into on the basis of new orders and regularly updated forecast information on the level of trading in each denominated currency.

The company will seek to have all material current exposures matched to forward contracts, with a significant percentage of non current exposures matched for up to one year ahead and selectively beyond this.

c) Credit risk
Credit risk is being the risk of financial loss due to a counterparty's failure to honour its obligations arises principally in relation to transactions where the company provides goods and services on deferred credit terms.

Company policies are aimed at minimising such losses, and require that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Individual exposures are monitored with customers subject to credit limits to ensure the company's exposure to bad debts is not significant. Goods may be sold on a cash with order basis or subject to guaranteed letters of credit to mitigate credit risk.

Credit insurance is also operated on a selective customer basis.

In agreeing annual budgets, the company sets limits for debtors' days and doubtful debt expense against which performance is monitored and reported to senior management in order to reduce the likelihood of an unmanaged concentration of credit risk.

d) Covid-19
In January 2020, an outbreak of a new strain of coronavirus, COVID-19, was identified in Wuhan, China. The virus has spread globally including to the UK and Europe and the World Health Organization (WHO) declared COVID-19 a pandemic on 11 March 2020. Governments, the UK government among them, have imposed restrictions to reduce the risk of further spread of the disease - closing borders, ordering home quarantine and cancelling public events. To date the impact on Company revenues has not been significant, and the business has continued to operate productively with all office staff working from home and the warehouse remaining open albeit with significant changes to the ways of working to ensure social distancing and safety of the staff. The Company initially made a decision to furlough staff on full pay, but given the strength of the trading during Q2 of 2020 all staff have now returned to employment and the Company will not be seeking any payment from the Government. By ensuring appropriate health and safety measures have taken place the Company has enabled its Distribution Centre in Glasgow to remain open during the pandemic and with its key customers remaining open, the operational impact has been minimal. The directors have assessed the impact of COVID-19 on the Company, including a review of: the customer base, cash collection, revenue projections and costs.

At present, based on the impact of COVID-19 to date and actions taken the directors believe the company is in a strong position to continue to operate with minimal impact.

Approved by the Board on 26 June 2020 and signed on its behalf by:

DAlford

D. Alford
Director

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

Going concern
The Directors have assessed a number of factors as set out below and have concluded there is a reasonable expectation that the Company has adequate financial resources to continue to operate for the foreseeable future.

Current financial position:
At the balance sheet date the Company had:
o Net current assets of £353m
o Cash of £28m
o No external debt.

The impact of Covid-19 has been emphasised in the principal risks and uncertainties section of the Directors report.

The company has outperformed its forecasts for all of March 2020, April 2020 and May 2020 and generated over £8.5m more cash than forecast despite having to give payment holidays to smaller UK and Export customers (generally giving an additional two or three months to pay), the Company is forecasting to hit its budgeted cash target for the year. The strength of the Education home learning titles, the growth in ebook and downloadable audio, together with the strong performance of key customers that have remained open during the pandemic, it has meant the overall impact has been lower than initially anticipated. The Company has also adopted a headcount freeze and cancelled all T&E to manage its cost base.

Therefore, the current impact of lockdown has been less than initially anticipated. and the Company has performed at least as well as it was forecasting before the pandemic impacted, and during the period have successfully completed the acquisition of Egmont Books UK Ltd.

As at June 2019 the business had over £28m in easily accessible cash deposits at various banks and has subsequently traded well over the last 11 months. As at 1st June the Company cashbook was £20.4m. The decrease is due to the acquisition of Egmont UK Limited and additional funding provided to HC India of £5m. Based on the revised cashflow forecast for FY20 and the FY21 forecast which has been adjusted for severe but possible downsides, the lowest cash position is £11m, and therefore the Directors are confident that the business has sufficient cash to survive a severe reduction in customer receipts as a result of Covid-19.

Based on the above Directors have concluded that the Company has adequate resources to continue operating for the foreseeable future and therefore have adopted the Going Concern basis in preparing the Statutory Accounts.

Results and dividends
The profit for the year, after taxation, amounted to £15,809,000 (2018 - £24,019,000).

The directors do not recommend a dividend (2018 - £Nil).

Employment of disabled persons
The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

The company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the year, the policy of providing employees with information about the company has continued and employees are encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Directors

The directors who held office during the year were as follows:

K. R. Murdoch

B. Murray

C. G. M. Redmayne

J. Gervasio

S. Dowson-Collins - Company secretary and director

D. Alford

The Articles of Association do not require directors to retire either by rotation or in the year of appointment.

Directors' responsibilities statement

The directors acknowledge their responsibilities for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 apply them consistently;
- make judgements 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.

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Directors' Report (continued)
For the year Ended 30 June 2019

Auditor

The directors have passed a resolution to dispense with the requirement to reappoint auditors annually. Ernst & Young LLP are deemed to be reappointed as auditor in the absence of a notice that the appointment is to be terminated.

Approved by the Board on 26 June 2020 and signed on its behalf by:

Dalford

D. Alford
Director

Registered office:
103 Westerhill Road
Bishopbriggs
Glasgow
G64 2QT

Independent Auditor's Report to the Members of HarperCollins Publishers Limited

Opinion

We have audited the financial statements of HarperCollins Publishers Limited for the year ended 30 June 2019 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Effects of COVID-19

We draw attention to notes 2 and 25 of the accounts, which describe the economic and operational consequences the company is facing as a result of Covid-19. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Members of HarperCollins Publishers Limited (continued)

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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.

Ernst & Young LLP

Paul Copland (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor, Edinburgh
Date: 30th June 2020

HarperCollins Publishers Limited

Profit and Loss Account
For the year ended 30 June 2019

	Note	2019 £ 000	2018 £ 000
Turnover	3	199,543	194,683
Net operating expenses	4	(181,796)	(167,849)
Operating profit	5	17,747	26,834
Interest receivable	8	1,126	1,062
Interest payable	9	(1,240)	(1,469)
Other finance charges	10	(894)	(1,522)
		(1,008)	(1,929)
Profit before tax		16,739	24,905
Taxation	11	(930)	(886)
Profit for the year		15,809	24,019

The above results were derived from continuing operations.

Statement of Comprehensive Income
For the year ended 30 June 2019

	2019 £ 000	2018 £ 000
Profit for the year	15,809	24,019
Actuarial (loss)/gain recognised on defined benefit pension schemes	(6,373)	30,102
Deferred tax credit/(charge) on actuarial (loss)/gain on defined benefit pension schemes	1,211	(5,719)
Impact of rate change on deferred tax	-	(923)
Restriction on surplus	3,470	(13,470)
Deferred tax (charge)/credit on restriction of surplus	(659)	2,559
Currency translation differences on foreign currency loans and deferred trading balances	3	(5)
	(2,348)	12,544
Total comprehensive income for the year	13,461	36,563

The notes on pages 12 to 31 form part of these financial statements.

HarperCollins Publishers Limited
Registered number: SC027389

Balance Sheet as at 30 June 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Intangible assets	12	8,571	9,644
Tangible assets	13	5,795	5,399
Investments	14	45,606	45,606
		59,972	60,649
Current assets			
Stocks	15	27,429	21,548
Debtors	16	378,647	379,694
Cash at bank and in hand		28,200	20,213
		434,276	421,455
Creditors: Amounts falling due within one year	18	(122,803)	(123,095)
Net current assets		311,473	298,360
Total assets less current liabilities		371,445	359,009
Provisions for liabilities	19	(7,862)	(8,694)
Net assets excluding pension liability		363,583	350,315
Defined benefit pension scheme liability	21	(10,496)	(10,597)
Net assets		353,087	339,718
Capital and reserves			
Called up share capital	22	13,245	13,245
Share premium reserve		23,782	23,782
Share-based payment reserve		657	749
Other reserves		(72,486)	(72,486)
Profit and loss account		387,889	374,428
Shareholders' funds		353,087	339,718

Approved and authorised by the Board on 26 June 2020 and signed on its behalf by:

DAlford

D. Alford

Director

The notes on pages 12 to 31 form part of these financial statements.

HarperCollins Publishers Limited

Statement of Changes in Equity
For the year ended 30 June 2019

	Share capital £ 000	Share premium £ 000	Share based payment reserve £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 July 2018	13,245	23,782	749	(72,486)	374,428	339,718
Profit for the year	-	-	-	-	15,809	15,809
Other comprehensive loss	-	-	-	-	(2,348)	(2,348)
Total comprehensive income for the year	-	-	-	-	13,461	13,461
Share based payment transactions	-	-	551	-	-	551
Cash settlement of share based payments	-	-	(643)	-	-	(643)
At 30 June 2019	13,245	23,782	657	(72,486)	387,889	353,087

Statement of Changes in Equity
For the year ended 30 June 2018

	Share capital £ 000	Share premium £ 000	Share based payment reserve £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 July 2017	13,245	23,782	494	(72,486)	337,865	302,900
Profit for the year	-	-	-	-	24,019	24,019
Other comprehensive income	-	-	-	-	12,544	12,544
Total comprehensive income for the year	-	-	-	-	36,563	36,563
Share based payment transactions	-	-	485	-	-	485
Cash settlement of share based payments	-	-	(230)	-	-	(230)
At 30 June 2018	13,245	23,782	749	(72,486)	374,428	339,718

1 General information

The company is a limited liability company incorporated in the United Kingdom under the Companies Act.

The address of its registered office is:
103 Westerhill Road
Bishopbriggs
Glasgow
G64 2QT

The nature of the company's operations and its principal activities are set out in the Strategic Report on page 1.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance
These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of preparation
The financial statements have been prepared on a going concern basis under the historical cost convention.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

The company maintains a 52/53 week financial year ending on the Sunday nearest to 30 June in each year. All references to 30 June 2019, 30 June 2018 and 30 June 2017 relate to the 52 week periods ended 30 June 2019, 1 July 2018 and 2 July 2017, respectively. For convenience purposes, the company continues to date its financial statements as of 30 June. The financial statements are presented in pounds sterling which is the functional currency of the company, and rounded to the nearest £'000.

Summary of disclosure exemptions
FRS 102 paragraph 1.12 allows a qualifying entity certain disclosure exemptions, subject to certain conditions which have been complied with, including notification of and no objection to the use of exemptions by the company's shareholders. The equivalent disclosures are included in the consolidated financial statements of News Corporation, the ultimate parent undertaking.

The company has taken advantage of the following exemptions:

(a) From preparing a statement of cash flows and related notes as required by Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d);

(b) From the financial instruments disclosures as required by FRS 102 paragraphs 11.42 to 11.48A and paragraphs 12.26 to 12.27, 12.29 (a) & (b) and 12.29A, including:

2 Accounting policies (continued)

Summary of disclosure exemptions (continued)

- categories of financial instruments;
- items of income, expenses, gains or losses relating to financial instruments; and
- exposure to and management of financial risks.

(c) From disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7.

Related party transactions
As a wholly owned subsidiary undertaking of News Corporation whose financial statements are publicly available, the company has taken advantage of the exemption in FRS 102 Section 33 'Related Party Disclosures' not to disclose transactions with other wholly owned members of the group headed by News Corporation.

Going concern
The directors have assessed a number of factors as set out below and have concluded there is a reasonable expectation that the company has adequate financial resources to continue to operate for the foreseeable future.

Current financial position:
At the balance sheet date the company had:
o Net current assets of £353m
o Cash of £28m
o No external debt.

The impact of Covid-19 has been emphasised in the principal risks and uncertainties section of the Directors report.

The company has outperformed its forecasts for all of March 2020, April 2020 and May 2020 and generated over £8.5m more cash than forecast despite having to give payment holidays to smaller UK and export customers (generally giving an additional two or three months to pay), the company is forecasting to hit its budgeted cash target for the year. The strength of the education home learning titles, the growth in ebook and downloadable audio, together with the strong performance of key customers that have remained open during the pandemic, it has meant the overall impact has been lower than initially anticipated. The company has also adopted a headcount freeze and cancelled all T&E to manage its cost base.

Therefore, the current impact of lockdown has been less than initially anticipated. and the company has performed at least as well as it was forecasting before the pandemic impacted, and during the period have successfully completed the acquisition of Egmont Books UK Ltd.

As at June 2019 the business had over £28m in easily accessible cash deposits at various banks and has subsequently traded well over the last 11 months. As at 1st June the company cashbook was £20.4m. The decrease is due to the acquisition of Egmont UK Limited and additional funding provided to HC India of £5m. Based on the revised cashflow forecast for FY20 and the FY21 forecast which has been adjusted for severe but possible downsides, the lowest cash position is £11m, and therefore the directors are confident that the business has sufficient cash to survive a severe reduction in customer receipts as a result of Covid-19.

Based on the above directors have concluded that the company has adequate resources to continue operating for the foreseeable future and therefore have adopted the going concern basis in preparing the statutory accounts.

2 Accounting policies (continued)

Consolidated financial statements

Under Section 401 of the Companies Act 2006 the company is exempt from the requirement to prepare and deliver group financial statements since it is a wholly owned subsidiary of News Corporation which is incorporated in the United States of America and prepares consolidated financial statements. Accordingly, these financial statements present information about the company as an individual undertaking and not about its group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company, and value added taxes. Revenue receivable after more than one year is discounted back to net present valuing using an appropriate discount rate to reflect the time value of money.

The company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably and (d) it is probable that future economic benefits will flow to the entity. Specific revenue recognition criteria also apply depending on the revenue stream, as described below:

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, on dispatch of the goods or upon publication date of the title whichever is the later.

Subsidiary rights
Income derived from the granting of publishing and other subsidiary rights to third parties is recognised on a cash basis as other operating income.

Rendering of services
Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest receivable and payable

Interest receivable and payable is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Operating leases

Operating lease rentals are charged to net operating expenses on a straight-line basis over the term of the lease.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Tax

Taxation expense for the reporting period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax, including UK corporation tax and foreign tax, is the amount payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2 Accounting policies (continued)

Tax (continued)

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.

Deferred tax assets are considered as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits in the foreseeable future against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

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

Intangible assets

Intangible assets consist of internal use software, and are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. All intangible assets are considered to have a finite useful life.

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Internal use software	3 years
Publishing rights	5 - 10 years
Goodwill	10 years

Tangible assets

Tangible fixed assets are stated at cost or deemed cost at date of transition in accordance with FRS 102 paragraph 35.10(d) less accumulated depreciation and accumulated impairment losses.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. When an impairment review is undertaken, the recoverable amount is calculated as the net present value of expected future cash flows of the relevant cash generating unit.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the expected useful life of that asset as follows:

Freehold property	20 years
Leasehold buildings	Term of lease
Plant and equipment	10 years maximum

Investments

Investments in subsidiaries are recorded at cost and adjusted for any impairment provisions. When an impairment has been identified, it is reflected in the profit and loss account.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost consists of the purchase price of direct materials or completed books. Provision is made for slow moving, obsolete or damaged items where appropriate.

2 Accounting policies (continued)

Work in progress and publishing plant are valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Debtors
Short term debtors are measured at the transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Creditors
Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Advances
Advances are written down to the extent that they are not expected to become earned in the future.

Pensions
The company operated two defined benefit pension schemes, which required contributions to be made to administered funds until the decision to close both pension schemes was effected on 31 December 2012. The UK schemes were closed to new members in April 2002 from which time membership of a defined contribution plan was available. A new defined contribution plan was introduced on 1 January 2013 for all members of the schemes.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in the profit and loss account on a straight line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occurs the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the profit and loss account. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transactions.

The interest element of the defined benefit cost represents the change in present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate of the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the income statement as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of recognised gains and losses in the period in which they occur.

2 Accounting policies (continued)

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

Share based payments

The company operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the entity. The fair value of the employee services received is measured by reference to the estimated fair value at the grant date of equity instruments granted and is recognised as an expense over the vesting period. The estimated fair value of the option granted is calculated using the Black Scholes option pricing model. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Critical judgements in applying the company's accounting policies

No critical judgements in applying the company's accounting policies have been identified in the current or preceding year.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Recoverability of deferred tax assets

The company makes estimates regarding the recoverability of deferred tax assets which are, by their nature, uncertain. The deferred tax asset recognised at 30 June 2019 was £4,032,000 (30 June 2018 - £4,167,000).

b) Valuation of pension liabilities

The cost of defined benefit pensions plans is determined using actuarial valuations prepared by the company's actuaries. This involves making certain assumptions concerning discount rates, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The assumptions and the resulting estimates are reviewed annually and, when appropriate, changes are made which affect the actuarial valuations and, hence, the amount of retirement benefit expense recognised in the profit and loss account and the amounts of actuarial gains and losses recognised in the Statement of Changes in Equity. The carrying amount of the retirement benefit obligation at 30 June 2019 was a deficit of £ 10,496,000 (2018 - deficit of £10,597,000). Further details are given in note 21.

3 Revenue

Turnover is the total of goods and services invoiced to customers and is exclusive of value added tax and trade discounts.

Turnover and operating profit is attributable to book publishing and related activities.

Turnover by origin was all from the United Kingdom.

The analysis of the company's turnover for the year by market is as follows:

	2019 £ 000	2018 £ 000
United Kingdom	141,713	132,224
Europe	11,516	11,979
North America	14,096	18,031
Australia	14,555	15,207
New Zealand	549	610
Africa	2,857	2,965
Middle East	2,981	3,035
Other export markets	11,276	10,632
	199,543	194,683

4 Net operating expenses

	2019 £ 000	2018 £ 000
Change in stocks of finished goods and work in progress	(5,356)	751
Raw materials and consumables used	104,726	90,995
Staff costs	53,892	54,381
Amortisation expense	2,445	1,784
Depreciation expense	589	1,098
Other operating charges	36,359	46,286
Other operating income	(10,859)	(27,446)
	181,796	167,849

5 Operating profit

Arrived at after charging/(crediting)

	2019 £ 000	2018 £ 000
Depreciation expense	589	1,098
Amortisation of intangible assets	2,445	1,784
Foreign exchange gains	(1,489)	(943)
Operating lease expense - plant and machinery	169	206
Operating lease expense - other	7,410	5,132
Auditor's remuneration	128	115
Auditor's remuneration - non-audit	20	27

6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2019 £ 000	2018 £ 000
Wages and salaries	42,142	44,127
Social security costs	3,871	3,991
Other pension costs	4,210	3,126
Share-based payment expenses	551	255
Other staff costs	3,118	2,882
	53,892	54,381

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2019 No.	2018 No.
Distribution	297	298
Administration	149	141
Selling	144	133
Publishing	326	325
	916	897

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019 £ 000	2018 £ 000
Remuneration	1,624	1,361

During the year retirement benefits were accruing to 3 directors (2018 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration (excluding pension contributions) of £980,000 (2018 - £823,000).

Benefits are accruing under a defined benefit pension scheme and at the year end the accrued pension amounted to £Nil (2018 - £Nil).

The number of directors in respect of whose qualifying shares were received under long term investment plans was 1 (2018 - 1).

8 Interest receivable

	2019 £ 000	2018 £ 000
Interest on amounts due from group undertakings	1,014	1,014
Interest income on bank deposits	112	48
	1,126	1,062

9 Interest payable

	2019 £ 000	2018 £ 000
Interest on amounts payable to group undertakings	1,000	1,000
Interest payable to fellow subsidiary undertakings	206	467
Other interest	34	2
	1,240	1,469

10 Other finance charges

	Note	2019 £ 000	2018 £ 000
Unwinding of discount on surplus property provisions	19	1,043	770
Net finance (income)/expense in respect of defined benefit pension schemes	21	(149)	752
		894	1,522

11 Taxation

Tax charged in the income statement

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax adjustment to prior periods	-	103
Foreign tax	243	390
Total current income tax	243	493
Deferred taxation		
Origination and reversal of timing differences	817	1,714
Prior year adjustment	(102)	(266)
Impact of rate change on deferred tax	(28)	(1,055)
Total deferred taxation	687	393
Tax expense	930	886

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2018 - lower than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Profit before tax	16,739	24,905
Corporation tax at standard rate	3,180	4,732
Expenses not deductible for tax purposes	248	288
Impact of rate change on deferred tax	(28)	(1,055)
Adjustments in respect of prior periods	(102)	(163)
Effect of employee share options	(18)	(48)
Effect of group relief	(3,185)	(3,850)
Effect of transfer pricing adjustments	592	592
Overseas withholding tax	243	390
Total tax charge	930	886

Factors that may affect future tax charges

The UK corporation tax rate reduced from 20% to 19% from 1 April 2017 and will reduce to 17% from 1 April 2020. The 2016 Budget announced that the rate would reduce to 17% from 1 April 2020, which was enacted on 16 September 2016. No subsequent changes have been announced in relation to UK corporation tax rates.

12 Intangible assets

	Goodwill £ 000	Publishing rights £ 000	Internal use software £ 000	Total £ 000
Cost				
At 1 July 2018	8,083	604	12,871	21,558
Additions acquired separately	-	-	1,372	1,372
At 30 June 2019	8,083	604	14,243	22,930
Amortisation				
At 1 July 2018	2,409	498	9,007	11,914
Amortisation charge	804	60	1,581	2,445
At 30 June 2019	3,213	558	10,588	14,359
Carrying amount				
At 30 June 2019	4,870	46	3,655	8,571
At 30 June 2018	5,674	106	3,864	9,644

13 Tangible assets

	Land and buildings £ 000	Plant and equipment £ 000	Total £ 000
Cost or valuation			
At 1 July 2018	7,589	6,795	14,384
Additions	131	854	985
At 30 June 2019	7,720	7,649	15,369
Depreciation			
At 1 July 2018	4,081	4,904	8,985
Charge for the year	456	133	589
At 30 June 2019	4,537	5,037	9,574
Carrying amount			
At 30 June 2019	3,183	2,612	5,795
At 30 June 2018	3,508	1,891	5,399

Included within the net book value of land and buildings above is £384,000 (2018 - £384,000) in respect of freehold land and buildings and £2,799,000 (2018 - £3,124,000) in respect of short leasehold land and buildings.

14 Investments

	2019 £ 000	2018 £ 000
Investments in subsidiaries	35,606	35,606
Loans to subsidiaries	10,000	10,000
	45,606	45,606

Subsidiaries	£ 000
Cost	
At 1 July 2018	35,606
At 30 June 2019	35,606
Carrying amount	
At 30 June 2019	35,606
At 30 June 2018	35,606

The following were subsidiary undertakings of the company (all investment holdings are 100%):

HarperCollins Publishers India Limited (India) - Publishers
Fourth Estate Limited (England & Wales) - Non trading
William Collins Sons & Company Limited (England & Wales) - Non trading
William Collins International Limited (England & Wales) - Non trading
Letts Educational Limited (England & Wales) - Non trading
Leckie & Leckie Limited (Scotland) - Non trading
Bookarmy Limited (England & Wales) - Non trading
Harlequin Enterprises UK Limited (England and Wales) - Data processing
* HarperCollins Publishers Australia Pty Limited (Australia) - Publishers
* HarperCollins Publishers (New Zealand) Limited (New Zealand) - Publishers
* HarperCollins Canada Limited (Canada) - Publishers
* Held by a subsidiary undertaking

15 Stocks

	2019 £ 000	2018 £ 000
Raw materials and consumables	708	184
Work in progress	4,403	1,308
Finished goods and goods for resale	13,566	12,801
Publishing plant	8,752	7,255
	27,429	21,548

Stock recognised in net operating expenses during the year as an expense was £39,889,000 (2018 - £36,387,000).

An impairment loss of £759,000 (2018 - £294,000 loss) was recognised in net operating expenses against stock during the year due to slow-moving and obsolete stock. The stock provision at 30 June 2019 was £5,160,000 (2018 - £3,960,000).

16 Debtors

	Note	2019 £ 000	2018 £ 000
Trade debtors		32,262	22,664
Amounts due from parent undertakings		212,557	212,545
Amounts due from subsidiary undertakings		89,912	90,389
Amounts due from fellow subsidiary undertakings		259	7,947
Advances		21,942	24,582
Other debtors		15,023	12,655
Prepayments and accrued income		2,660	4,745
Deferred tax assets	17	4,032	4,167
		378,647	379,694

Other Debtors includes £10.8m of amounts due after more than one year. These have been discounted back to net present value using a discount rate of 11%.

17 Deferred tax

	2019 £ 000	2018 £ 000
At beginning of year	4,167	8,643
Charged for year (in P&L)	(687)	(393)
Charged for year (Other comprehensive income)	552	(4,083)
At end of year	4,032	4,167

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2019 £ 000	2018 £ 000
Excess of taxation allowances over depreciation on fixed assets	429	160
Tax losses available	-	199
Share-based payments	112	145
Other timing differences	1,707	1,862
Pension schemes	1,784	1,801
	4,032	4,167

A deferred tax asset has been recognised as the directors are of the opinion that the level of future taxable profits and deferred tax liabilities within the company will be sufficient to utilise the deferred tax asset being recognised.

18 Creditors

	2019 £ 000	2018 £ 000
Due within one year		
Trade creditors	11,828	6,473
Amounts due to parent undertakings	16,935	26,112
Amounts due to subsidiary undertakings	43,034	43,034
Sterling short term loans due to parent undertakings	4,000	4,000
Social security and other taxes	803	1,471
Royalty creditor	19,300	16,007
Corporation tax	-	103
Other creditors and accruals	26,903	25,895
	122,803	123,095

19 Provisions

	Provision for property costs £ 000
At 1 July 2018	8,694
Utilised in year	(1,875)
Unwinding of discount on surplus property provision (note 10)	1,043
At 30 June 2019	7,862

The property provision relates to the company's Glasgow site. The provision reflects future rental costs in excess of market levels to the extent the full cost would make activities operated from the premise uneconomic. The utilisation in the year to 30 June 2019 of £1,876,000 (2018 - £1,876,000) is the excess rent for the Glasgow property.

20 Share-based payments

Performance Stock Units (PSUs)

Scheme details and movements

The performance stock units were granted to eligible employees who were awarded a target number of PSUs at the beginning of a 2 or 3 year performance period. The number of shares vesting after the completion of the 2 or 3 year performance period can range from 0% to 200% of the target award subject to the achievement of pre defined performance measures for the applicable performance period. The number of shares expected to vest is estimated based on management's determination of the probable outcome of the performance condition.

The movements in the number of share options during the year were as follows:

	2019 Number	2018 Number
Outstanding, start of period	166,910	149,692
Granted during the period	58,903	53,537
Forfeited during the period	(5,424)	(14,021)
Exercised during the period	(60,435)	(22,298)
Outstanding, end of period	159,954	166,910

20 Share-based payments (continued)

The movements in the weighted average exercise price of share options during the year were as follows:

	2019 £	2018 £
Outstanding, start of period	10.77	10.98
Granted during the period	10.13	10.18
Forfeited during the period	10.37	10.77
Exercised during the period	10.33	10.77
Outstanding, end of period	10.72	10.77

The weighted average fair value of PSUs granted during the year was £10.13 (2018 - £10.18).

Effect of share-based payments on profit or loss and financial position
The total expense recognised in profit or loss for the year was £551,000 (2018 - £485,000).

21 Pension and other schemes

Defined benefit pension schemes
The company operates a Defined benefit pension scheme.

The company sponsors the HarperCollins Pensions and Life Assurance Scheme (the "Staff Scheme") and the HarperCollins Executive Pensions and Life Assurance Scheme (the "Executive Scheme") which are arrangements which provided benefits on a "defined benefit" basis until the schemes' closure to future accrual on 31 December 2012. Both schemes closed to new entrants with effect from 6 April 2002 and, following a consultation process with the members, the schemes were closed to future benefit accrual on 31 December 2012 subject to a salary link remaining in place in respect of the pensions revaluations of the Staff Scheme Employee Deferred Members. Prior to closing the scheme to future benefit accruals, the service cost increased as the remaining members approached retirement under the projected unit method. Following closure, no further benefits are accruing to members aside from pensions revaluations of the Staff Scheme Employee Deferred Members. The company will continue to provide contributions as required.

The company also sponsored an unfunded unapproved plan, which was also a defined benefit pension scheme, in which the actuarial assumptions adopted were the same as those used for the Staff and Executive Pension Schemes. The scheme closed on 30 June 2013.

A full actuarial valuation for both the staff scheme and the executive scheme was carried out as at 31 March 2014 by a qualified actuary. An updated valuation of these schemes for FRS 17 purposes was carried out by a qualified independent actuary as at 30 June 2018.

The total cost relating to defined benefit schemes for the year recognised in profit or loss as an expense was £2,131,867 (2018 - £1,720,689).

21 Pension and other schemes (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	2019 £ 000	2018 £ 000
Fair value of scheme assets	288,007	278,064
Present value of defined benefit obligation	(298,503)	(288,661)
Defined benefit pension scheme deficit	(10,496)	(10,597)

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2019 £ 000
Present value at start of year	288,661
Interest cost	7,616
Actuarial gains and losses	18,525
Benefits paid	(16,299)
Present value at end of year	298,503

Fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

	2019 £ 000
Fair value at start of year	278,064
Interest income	7,765
Administrative expenses	(880)
Actuarial gains and losses	10,752
Employer contributions	5,135
Benefits paid	(16,299)
Restriction on surplus	3,470
Fair value at end of year	288,007

21 Pension and other schemes (continued)

Analysis of assets

The major categories of scheme assets are as follows:

	2019 %	2018 %
Equity instruments	20.25	20.76
Debt instruments	66.50	60.86
Other	13.25	18.38

Return on scheme assets

	2019 £ 000	2018 £ 000
Return on scheme assets	10,752	(1,960)

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

Principal actuarial assumptions

The principal actuarial assumptions at the statement of financial position date are as follows:

	2019 %	2018 %
Discount rate	2.25	2.68
Future salary increases	3.25	3.00
Future pension increases	3.00	2.75
Inflation	3.25	3.00

Post retirement mortality assumptions

	2019 Years	2018 Years
Current UK pensioners at retirement age - male	21.47	21.97
Current UK pensioners at retirement age - female	23.83	24.30
Future UK pensioners at retirement age - male	22.83	23.36
Future UK pensioners at retirement age - female	25.33	25.83

22 Share capital

Allotted, called up and fully paid shares

	2019 No.	2019 £000	2018 No.	2018 £000
Ordinary of £0.25 each	15,978,482	3,995	15,978,482	3,995
Ordinary A of £0.25 each	37,001,102	9,250	37,001,102	9,250
	52,979,584	13,245	52,979,584	13,245

23 Commitments under operating leases

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

	2019 £ 000	2018 £ 000
Not later than one year	7,580	7,615
Later than one year and not later than five years	29,795	29,884
Later than five years	41,291	47,562
	78,666	85,061

24 Parent and ultimate parent undertaking

The company's immediate parent is William Collins Holdings Limited, a company incorporated in England.

The ultimate parent is News Corporation, a company incorporated in Delaware in the United States.

The smallest and largest group in which the results of the company are consolidated is that headed by News Corporation, whose principal place of business is at 1211 Avenue of the Americas, New York, NY 10036. The consolidated financial statements are available to the public and may be obtained from 1 London Bridge Street, London, SE1 9GF.

25 Non adjusting events after the financial period

In January 2020, an outbreak of a new strain of coronavirus, COVID-19, was identified in Wuhan, China. The virus has spread globally including to the UK and Europe and the World Health Organization (WHO) declared COVID-19 a pandemic on 11 March 2020. Governments, the UK government among them, have imposed restrictions to reduce the risk of further spread of the disease - closing borders, ordering home quarantine and cancelling public events. To date the impact on company revenues has not been significant, and the business has continued to operate productively with all office staff working from home and the warehouse remaining open albeit with significant changes to the ways of working to ensure social distancing and safety of the staff. The company initially made a decision to furlough staff on full pay, but given the strength of the trading during Q2 of 2020 all staff have now returned to employment and the company will not be seeking any payment from the Government. By ensuring appropriate health and safety measures have taken place the company has enabled its distribution centre in Glasgow to remain open during the pandemic and with its key customers remaining open, the operational impact has been minimal. The directors have assessed the impact of COVID-19 on the company, including a review of: the customer base, cash collection, revenue projections and costs.

In light of the information available at 30 June 2019, the COVID-19 pandemic is considered to be a non-adjusting event in this set of financial statements.

At present, based on the impact of COVID-19 to date and actions taken the directors believe the company is in a strong position to continue to operate with minimal impact.