Company Registration No. 46694

HM PUBLISHERS HOLDINGS LIMITED

Consolidated Report and Financial Statements

31 December 2013

24/9.

CONSOLIDATED REPORT AND FINANCIAL STATEMENTS 2013

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GENERAL INFORMATION

DIRECTORS

G R M Elliott		Appointed 18th September 2013
W H Farries		Resigned 18th September 2013
Dr S von Holtzbrinck		Resigned 18th September 2013
R E Jacobs	Resigned as an Alternate on 18th September 2013	Appointed 18th September 2013
D J G Knight		Appointed 18th September 2013
K J Michaels		Appointed 18th September 2013
Dr A Reich	Resigned as an Alternate on 18th September 2013	
J Sargent		Resigned 18th September 2013
J H Schwanewedel		
Dr A C Thomas	Chairman	
A Weber		Appointed 18th September 2013

SECRETARY

G M Williams-Hamer

REGISTERED OFFICE

Brunel Road
Houndmills
Basingstoke
Hampshire RG21 6XS

BANKERS

National Westminster Bank plc
3 London Street
Basingstoke
Hampshire RG21 7NS

SOLICITORS

Taylor Wessing
5 New Street Square
London
EC4A 3TW

AUDITORS

Ernst & Young LLP
Apex Plaza
Reading
RG1 1YE

STRATEGIC REPORT

Strategic review and future developments

The Group had a successful year despite continuing difficult trading conditions in a number of key markets The Group continues to benefit from the broad spread of its international business and the diversity of markets in which the Group operates Key performance indicators for the Group continue to be revenues and profit

Revenue movements for the main business segments are discussed below Group revenues improved on 2012, showing an increase of 4 1% to £1,087m (2012 £1,044m) Continuing growth occurred as a result of increased sales of Nature and its sister publications, whilst the Group's International Trade, US Higher Education, Palgrave Scholarly and Macmillan New Ventures businesses also experienced significant turnover increases Operating profit of £79 0m was down on the figure of £93 8m achieved in 2012 mainly due to one-off reorganisation costs relating to the relocation of certain UK departments to our London office, and to other transformation costs across the business

The Group operates internationally in most countries in the world and as a consequence the Group is exposed to a wide variety of political and economic risks The Group aims to spread these risks by a balanced approach to its overseas investments and adopts financial policies to minimise these The Group however takes a long term view of these political and economic risks and is prepared to invest long term to maximise growth potential in both developing and developed markets

The Group is exposed to risks and opportunities through the rapid development of electronic means of content delivery in the publishing and media markets The Group continues to take advantage of the opportunities presented by these developments through its investment in online publishing within the Nature Publishing Group, and through the development of electronic content delivery in the Academic and College markets

During the year there has been continuing rapid expansion of electronic means of delivery of content in the retail publishing sector, especially in the US The Group invests for the future in the development of online content delivery in the International Education markets as technology adoption evolves in each market

Whilst the Group remains committed to further developing technology-based products and services, it recognises that the development of electronic publishing poses threats through the potential erosion of copyright and the unauthorised use of copyright material The Group defends vigorously its copyrights and takes action to oppose unauthorised use of copyright material

The Group places its highest priority on the publication of quality material in the diverse publishing markets which it serves The Group continues to emphasise and invest in the development of its relationships with its authors, contributors, customers and employees to ensure this

Key factors in the main business sectors in which the Group operates were as follows

NATURE PUBLISHING GROUP

The Nature Publishing Group had another good year Revenues increased by 7 9% to £210 8m (2012 £195 4m) This increase mainly resulted from strong growth in site licensing income, as well as increases in open access income and archive income The recent launches of new titles in the Nature stable of journals continued to drive growth, together with developments in related publishing areas During the year the division invested in a 51% share of Frontiers Media S A (see note 12 in the accounts) which specialises in the academic publishing of peer reviewed open access journals

INTERNATIONAL EDUCATION

Revenues were down by 2 1% to £188 9m (2012 £192 9m) in sterling terms but were 2 4% higher when excluding the impact of exchange rate fluctuations Operating results in India continued to be depressed by significant overhead investments necessary to drive future revenue growth The application of stringent cost control measures and tight control of margins meant that the International Education group performed creditably despite difficult conditions in some markets

STRATEGIC REPORT (continued)

Strategic review and future developments (continued)

US HIGHER EDUCATION

US Higher Education had a good year with revenues increasing in sterling terms by 11 1% to £160 1m (2012 £144 1m) This increase is particularly driven by digital sales as the division continues to invest in the development of electronic publishing content delivery in a rapidly changing marketplace

PALGRAVE SCHOLARLY

The Palgrave Scholarly business had a good year with revenue being up 10 1% at £31 3m (2012 £28 4m) Increases in both book print sales and digital sales led to a good performance as the business continues to invest in developing digital markets

PUBLISHING SERVICES

The Publishing Services business showed a fall in revenues of 4 0% to £16 0m (2012 £16 7m) The distribution operation continues to benefit from the operational effectiveness provided by the consolidated distribution centre in Swansea

DIGITAL SCIENCE

Revenue relating to the Digital Science division rose by 48% to £1 1m (2012 £0 8m) The Group continued its investment in the Digital Science division which provides digital services to the scientific community The Group sees this as a promising area for future growth in the longer term, building on the Group's existing relationships with the scientific community through its Nature Publishing Group division Through a combination of early stage acquisitions, minority stakes, and organic investments in in-house development, the areas of focus continue to be text mining, provision of metrics data analysis and research tools for the scientific community

DIGITAL EDUCATION

During the year the Group continued to extend its investment in the provision of digital services in the education area through the expansion of its Digital Education division The Group sees this as a promising area for future long term growth by building on the Group's existing relationships with the education community

MACMILLAN NEW VENTURES

Macmillan New Ventures had a good year with revenue up 20 5% to £21 4m (2012 £17 8m) The Group continued its investment in the Macmillan New Ventures division by acquiring Late Nite Labs, LLC – see note 13 of the accounts The division invests in digital businesses which provide digital services to the scientific community

DOMESTIC CURRICULUM

The Group's Domestic Curriculum business had a difficult year with a 12 3% reduction in revenue to £64 8m (2012 £73 9m) This was partly due to lower sales in South Africa where revenue had been particularly strong in the comparative period, and to the year on year lower valuation of the Rand Revenue was also lower due to the disposal of Gill and Macmillan Details of this disposal are shown in note 13 of the accounts However, due to stringent cost control measures and tight control of margins, the impact on profitability of the sales shortfall was limited

STRATEGIC REPORT (continued)

Strategic review and future developments (continued)

INTERNATIONAL TRADE

Revenues increased by 4 5% to £390 8m (2012 £373 8m) The Group's Fiction and Non-Fiction publishing businesses continued to find trading conditions difficult in almost all markets However, the US Trade business performed very creditably following strong digital sales The UK retail market remains extremely competitive with pricing pressures continuing from ongoing concentration of the UK retail market into the hands of a decreasing number of outlets Whilst the market for sales of physical books continued to be subdued in 2013, digital sales showed continued good growth The trend towards digital sales continues to put pressure on traditional high street retail outlets

The Group continues to take advantage of opportunities presented by the rapid growth in electronic means of content delivery in the US retail market Digital sales continued to show strong growth The Group continues to pursue its strategy of organic growth through development of new authors

Approved by the Board of Directors
and signed on its behalf by

Director
J.H SCHWANEWEDEL
11 June 2014

DIRECTORS' REPORT

Company Registration No. 46694

The dırectors present theır annual report, the Group and Company financıal statements for the year ended 31 December 2013

Principal activities

The prıncıpal actıvıtıes of the Company and ıts subsıdıarıes contınued as the publıshıng of books and perıodıcals, and the provısıon of onlıne and other servıces ın the publıshıng sector

Going concern

The Group's busıness actıvıtıes, together wıth the factors lıkely to affect ıts future development, performance and posıtıon are set out ın the Strategıc Report The financıal posıtıon of the Group, ıts cash flows, lıquıdıty posıtıon and borrowıng facılıtıes are descrıbed below In addıtıon, notes 24 to 25 to the financıal statements ınclude the Group's objectıves, polıcıes and processes for managıng ıts capıtal, ıts financıal rısk management objectıves, detaıls of ıts financıal ınstruments and hedgıng actıvıtıes, and ıts exposures to credıt rısk and lıquıdıty rısk

The Group has consıderable financıal resources together wıth well-establıshed busıness relatıonshıps across dıfferent geographıc areas and sectors As a consequence, the dırectors belıeve that the Group ıs well placed to manage ıts busıness rısks successfully despıte the current uncertaın economıc outlook

The dırectors have a reasonable expectatıon that the Group has adequate resources to contınue ın operatıonal exıstence for the foreseeable future Thus they contınue to adopt the goıng concern basıs of accountıng ın preparıng the annual financıal statements

Liquidity and capital resources

The financıal posıtıon of the Group remaıns strong and the Group contınues to be cash generatıve

The consolıdated cash flow statement shows a net ıncrease ın cash and cash equıvalents ın the year ended 31 December 2013 of £62 2m (2012 decrease of £1 1m) Thıs figure ıs stated after payment of dıvıdends to the Group's shareholders of £67 3m (2012 £47 0m)

At December 2013 the Group had a net payable of £33 0m owed to fellow Group companıes (At December 2012 the Group had a net receıvable of £60 0m owed by fellow Group companıes) These funds are loaned at market rates of ınterest and are ıncluded wıthın amounts due to/ from related partıes ın the consolıdated balance sheet and are dısclosed ın note 23 to the accounts

The maın source of long term external fundıng for the busıness ıs a prıvate placement loan ın the US Detaıls of the terms of thıs borrowıng are dısclosed ın note 20 of the accounts

DIRECTORS' REPORT (continued)

Asset and capital structure

Equity and gearing
The Group's capital structure is as follows

	Note	2013 £'000	2012 £'000
Interest-bearing loans and borrowings	20	79,006	91,686
Total equity		263,280	304,831
Total borrowings and equity		342,286	396,517
Gearing		23 1%	23 1%

The gearing percentage of 23 1% is unchanged from last year and within the Group's target levels

Profile of debt
The profile of the Group's debt finance is as follows

		2013 £'000	2012 £'000
Current			
Obligations under finance leases and hire purchase contracts	20	256	1,263
Bank overdrafts	20	2,930	12,268
Other loans	20	-	360
		3,186	13,891
Non-current			
Obligations under finance leases and hire purchase contracts	20	254	477
Other loans	20	75,566	77,318
		75,820	77,795
		79,006	91,686

Group policy is to arrange longer term Group borrowing requirements through the Group's immediate and ultimate holding companies The Group operates within borrowing limits imposed by banking covenants at the level of the Group's ultimate holding company The Group also operates within borrowing limits imposed by banking covenants by the main lenders to the UK and US sub groups

Income Tax

An analysis of the income tax charge is set out in note 7 to the consolidated financial statements The income tax charge as a percentage of profit on ordinary activities before income tax was 34% in the current year compared to 30% in the previous year

Dividends

An interim ordinary dividend of £67 3m has been paid for the year to 31 December 2013 (2012 £47 0m) The directors do not recommend the payment of a final dividend

DIRECTORS' REPORT (continued)

Directors and their interests

The directors holding office during the year are shown below None of the directors held interests in ordinary shares of the Group companies

G R M Elliott	Appointed 18th September 2013
W H Farries	Resigned 18th September 2013
Dr S von Holtzbrinck (Germany)	Resigned 18th September 2013
R E Jacobs – Resigned as Alternate on 18th September 2013	Appointed 18th September 2013
D J G Knight	Appointed 18th September 2013
K J Michaels	Appointed 18th September 2013
Dr A Reich (Germany) – Resigned as Alternate on 18th September 2013	
J Sargent (USA)	Resigned 18th September 2013
J H Schwanewedel (Germany)	
Dr A C Thomas	
A Weber	Appointed 18th September 2013

The Company has indemnified one or more directors of HM Publishers Holdings Limited against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006 Such qualifying third party indemnity provision was in force during the year and is in force as at the date of approving the Directors' Report

Details of directors' emoluments are contained in note 6 of the accounts

Supplier payment policy and practice

It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, provided that all trading terms and conditions have been complied with

Financial instruments

The Group's financial risk management objectives and policies are discussed in note 24

Employees

The average monthly number of employees in the Group was 6,541 (2012 6,612)

Employee involvement

Joint consultative committees meet on a regular basis so that employees or their representatives are kept fully informed of the Group's progress and may express views on matters likely to affect their interests

The Macmillan Information and Consultation National Forum supplements the work of the various Joint consultative committees The Forum is comprised of elected employee representatives from across the Company The Forum meets with Macmillan management on a regular basis to discuss issues facing the Company that could have an impact on employees

DIRECTORS' REPORT (continued)

Training and development

The Group is committed to the continuous improvement of employee performance by developing skills and expertise through training and development

Disabled Persons

The Group recognises a duty towards the disabled by taking opportunities to employ suitably qualified disabled people Arrangements are made to encourage their participation in training and career development

Political and Charitable Contributions

During the year charitable contributions totalled £140,061 (2012 £41,354) The donations were predominantly directed towards cancer research and children's charities as well as medical and welfare organisations No political contributions were made

Corporate Social Responsibility

The Group recognises its responsibilities towards the communities in which the business operates worldwide and takes a responsible attitude to compliance with local laws, regulations and customs The Group places emphasis on ensuring that its employees operate within an environment which recognises equal opportunities for development of all employees The Group recognises its responsibility towards protecting the environment The Group has a policy of using paper from renewable resources where possible and works with its suppliers to encourage the use of paper produced following these principles The Group expects high standards of corporate responsibility from its business partners, and has commenced a programme of audit inspections to verify that appropriate standards are adhered to by its suppliers

Auditors

The Company has opted out of the requirement to hold an Annual General Meeting, and as such the auditors, Ernst & Young LLP are deemed to be reappointed in accordance with section 485 of the Companies Act, 2006

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 7 Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware, and

- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information

Approved by the Board of Directors
and signed on its behalf by

Director
J H· SCHWANEWEDEL
11 June 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE GROUP FINANCIAL STATEMENTS

The Directors are responsible for preparing the Consolidated Report and Financial Statements in accordance with applicable laws 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 Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 the Group and of the profit and loss of the Group for that period

In preparing these financial statements, the Directors are required to

- select suitable accounting policies in accordance with IAS8 "Accounting policies, changes in accounting estimates and errors" and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- make judgements and accounting estimates that are reasonable and prudent,
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company and Group's financial position and financial performance, and
- state whether the Company and Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union, 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 and Group will continue in business

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HM PUBLISHERS HOLDINGS LIMITED

We have audited the Group and Parent company financial statements of HM Publishers Holdings Limited for the year ended 31 December 2013, which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Parent Company Balance sheet, Consolidated Statement of Changes in Equity, Parent Company Statement of Changes In Equity, Consolidated Cash Flow, Parent Company Cash Flow and the related notes 1 to 36 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

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

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Strategic Report and Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2013 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us, or

- the Parent Company 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

Ernst + Young LLP
Kevin Harkin (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Reading

13 June 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2013

	Note	2013 £'000	Restated 2012 £'000
Continuing operations			
Revenue	4	1,086,616	1,043,696
Other income	5	11,924	10,254
Cost of sales		(386,147)	(374,558)
Gross profit		712,393	679,392
Employee benefits expense	6	(329,947)	(299,952)
Depreciation and amortisation expense	5	(19,873)	(17,866)
Other expenses	5	(283,540)	(267,758)
Operating profit		79,033	93,816
Finance revenue	5	4,146	3,805
Finance costs	5	(8,160)	(7,767)
Other finance expense – pensions	15	(3,053)	(2,751)
		(7,067)	(6,713)
Profit before tax		71,966	87,103
Income tax expense	7	(24,455)	(26,247)
Profit after tax		47,511	60,856
Share of loss of associates	12	(2,285)	(710)
Income from other long term investments		6	-
Profit for the year		45,232	60,146
Profit for the year attributable to			
Owners of the parent		34,308	51,846
Non-controlling interest		10,924	8,300
Other comprehensive income			
Other comprehensive income that may in the future impact the income statement			
Net loss on hedge of net investment		(7,640)	(4,915)
Exchange differences on translation of foreign enterprises		(10,234)	(7,991)
Gain on cash flow hedges taken to equity	25	4,585	2,332
Transfer to the income statement of cash flow hedges previously taken to equity	25	(2,332)	(1,723)
Income tax effect	7	1,281	1,089
		(14,340)	(11,208)
Other comprehensive income that will have no future impact on the income statement			
Re-measurement gains/ (losses) on defined benefit plan	15	4	(14,192)
Income tax effect	7	(1,897)	2,298
		(1,893)	(11,894)
Other comprehensive expense for the year, net of tax		(16,233)	(23,102)
Total comprehensive income for the year, net of tax		28,999	37,044
Total comprehensive income for the year attributable to:			
Owners of the parent		18,556	32,834
Non-controlling interest		10,443	4,210

CONSOLIDATED BALANCE SHEET
as at 31 December 2013

ASSETS	Note	2013 £'000	2012 £'000
Non-current assets			
Property, plant and equipment	10	49,799	47,329
Intangible assets	11	98,983	105,130
Investment in associates	12	44,952	2,905
Pension asset	15	291	-
Income tax receivable		775	913
Deferred tax assets	7	30,974	37,208
Other non-current assets	17	33,041	42
		258,815	193,527
Current assets			
Inventories	16	132,459	140,033
Trade and other receivables	17	562,872	545,470
Cash and cash equivalents	18	105,855	57,678
		801,186	743,181
TOTAL ASSETS		1,060,001	936,708
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	19	772	772
Share premium		76,788	76,788
Capital redemption reserve		51	51
Other reserves		28,982	43,594
Retained earnings		80,452	114,924
		187,045	236,129
Non-controlling interests		76,235	68,702
TOTAL EQUITY		263,280	304,831
Non-current liabilities			
Financial liabilities	20	75,820	77,795
Defined benefit pension plan deficit	15	68,066	74,897
Deferred tax liabilities	7	3,403	5,220
Other non-current liabilities	21	48,870	20,387
		196,159	178,299
Current liabilities			
Trade and other payables	21	576,691	414,116
Financial liabilities	20	3,186	13,891
Income tax payable		20,685	25,571
		600,562	453,578
TOTAL LIABILITIES		796,721	631,877
TOTAL EQUITY AND LIABILITIES		1,060,001	936,708

These financial statements were approved by the Board of Directors on 11th June 2014

Signed on behalf of the Board of Directors

Director

JH SCHWANEWEDEL

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2013

	Attributable to equity holders of the parent										
	Issued capital (Note 19) £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Capital contribution (Note 19) £'000	Associates (Note 19) £'000	Foreign currency translation reserves (Note 19) £'000	Net unrealised gains reserve (Note 19) £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
As at 1 January 2012	772	76,788	51	120,599	35,360	260	15,618	1,267	250,715	73,734	324,449
Profit/ (loss) for the period (Restated)	-	-	-	52,556	-	(710)	-	-	51,846	8,300	60,146
Other comprehensive income/ (expense) (Restated)	-	-	-	(10,811)	-	-	(8,695)	494	(19,012)	(4,090)	(23,102)
Total comprehensive income/ (expense)	-	-	-	41,745	-	(710)	(8,695)	494	32,834	4,210	37,044
Dividends	-	-	-	(47,000)	-	-	-	-	(47,000)	(9,731)	(56,731)
Change in non-controlling interest percentage	-	-	-	(420)	-	-	-	-	(420)	481	61
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	8	8
At 31 December 2012	772	76,788	51	114,924	35,360	(450)	6,923	1,761	236,129	68,702	304,831
Profit/ (loss) for the period	-	-	-	36,593	-	(2,285)	-	-	34,308	10,924	45,232
Other comprehensive income/ (expense)	-	-	-	(3,425)	-	-	(14,085)	1,758	(15,752)	(481)	(16,233)
Total comprehensive income/ (expense)	-	-	-	33,168	-	(2,285)	(14,085)	1,758	18,556	10,443	28,999
Dividends	-	-	-	(67,299)	-	-	-	-	(67,299)	(23,981)	(91,280)
Change in non-controlling interest percentage	-	-	-	(70)	-	-	-	-	(70)	(195)	(265)
Acquisition of non-controlling interests	-	-	-	(271)	-	-	-	-	(271)	21,266	20,995
At 31 December 2013	772	76,788	51	80,452	35,360	(2,735)	(7,162)	3,519	187,045	76,235	263,280

CONSOLIDATED CASH FLOW
for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Cash flows from operating activities			
Operating profit		79,033	93,817
(Increase)/ decrease in inventories		(700)	6,530
Decrease/ (increase) in accounts receivable		23,562	(1,133)
Increase in accounts payable less than one year		103,366	4,557
(Decrease)/ increase in accounts payable over one year		(1,744)	4,826
Movement in pensions		(6,003)	(8,325)
Loss/ (gain) on sale of fixed assets		1,203	(57)
Depreciation and amortisation charges		19,873	17,866
Income tax paid		(26,733)	(21,848)
Net cash flow from operating activities		191,857	96,233
Cash flows used in investing activities			
Interest received		4,146	3,805
Proceeds from disposal of property, plant and equipment		1,623	495
Proceeds from disposal of intangible assets		488	-
Purchase of property, plant and equipment		(17,407)	(7,982)
Purchase of intangible assets		(3,898)	(7,277)
Acquisition of trade, assets and subsidiaries		(14,955)	(19,139)
Disposal of trade, assets and subsidiaries		112	-
Net cash flows used in investing activities		(29,891)	(30,098)
Cash flows used in financing activities			
Interest paid		(11,139)	(9,664)
Interest element of finance leases		(74)	(172)
Payment of finance lease liabilities		(1,081)	(625)
Proceeds from borrowings		3,844	-
Dividends paid to equity holders of the parent		(67,299)	(47,000)
Payments to non-controlling interests		(23,981)	(9,731)
Net cash flows used in financing activities		(99,730)	(67,192)
Net increase/ (decrease) in cash and cash equivalents		62,236	(1,057)
Net foreign exchange difference		(4,361)	468
Cash and cash equivalents at 1 January	18	45,050	45,639
Cash and cash equivalents at 31 December	18	102,925	45,050

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Authorisation of financial statements and statement of compliance with IFRS

The Group and Company financial statements of HM Publishers Holdings Limited for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 11th June 2014 HM Publishers Holdings Limited is a limited company incorporated and domiciled in England ("the Company")

The Group financial statements of HM Publishers Holdings Limited and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Standards Accounting Board and as adopted by the European Union

The Company's financial statements have been prepared in accordance with IFRS and as applied in accordance with the provisions of the Companies Act 2006 The principal accounting policies adopted by the Group and by the Company are set out in note 2

The Company has taken advantage of the exemption provided under section 230 of the Companies Act 2006 not to publish its individual income statement and related notes

2. Summary of significant accounting policies

Statement of compliance
The Group's accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Standards Accounting Board and as adopted by the European Union

Basis of preparation
The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments which have been measured at fair value

The consolidated financial statements are presented in GBP sterling which is the Group's presentation currency, and all values are rounded to the nearest thousand (£'000) except when otherwise indicated

Going Concern
The going concern basis of preparing the financial statements has been adopted as in the view of the directors, as set out in the Directors' report on page 5, the Group has adequate resources to continue in operational existence for the foreseeable future

Basis of consolidation
The consolidated financial statements comprise the financial statements of HM Publishers Holdings Limited and its subsidiaries drawn up to 31 December each year Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights, currently exercisable or convertible potential voting rights, or by way of contractual agreement The financial statements of subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies Adjustments are made to bring into line any dissimilar accounting policies that may exist

All intercompany balances and transactions, including unrealised profits arising from intragroup transactions, have been eliminated in full Unrealised losses are eliminated unless costs cannot be recovered

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented separately within equity in the consolidated balance sheet, separately from parent shareholders' equity

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which the Group has control

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

Investment in associates
The Group's investments in associates are accounted for under the equity method of accounting These are entities in which the Group has significant influence and which are neither subsidiaries nor joint ventures An investment is treated as a subsidiary if the Group has control over the entity Control is determined by considering voting rights and the existence of casting votes as well as overall percentage share ownership

The financial statements of the associates are used by the Group to apply the equity method The reporting dates of the associates and the Group are identical and use consistent accounting policies

The investment in associates is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value The income statement reflects the share of the results of operations of the associates after tax Where there has been a change recognised directly in the associates' equity, the Group recognises its share of any changes and discloses this when applicable in the statement of changes in equity

The Company's investments in subsidiaries
In its separate financial statements the Company recognises its investments in subsidiaries at cost less provision for impairment Income is recognised from these investments only in relation to distributions received from post-acquisition profits Distributions received in excess of post-acquisition profits are deducted from the cost of the investment

Foreign currency translation

Group
Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date All differences are taken to the consolidated income statement with the exception of differences on foreign currency borrowings which provide a hedge against a net investment in a foreign entity These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the consolidated income statement Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity

The functional currencies of the overseas subsidiaries correspond to the respective subsidiaries' currency of operation As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of HM Publishers Holdings Limited at the rate of exchange ruling at the balance sheet date and their income statements are translated at the average exchange rates for the year The exchange differences arising on the retranslation of the net investment in overseas subsidiaries are taken directly to a separate component of equity On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement

Company
Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date All differences are taken to the income statement

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value Land and buildings are measured at cost less any depreciation and impairment in value Depreciation of property, plant and equipment is calculated on cost at rates considered appropriate for the class and estimated useful life of the assets concerned

Land and Buildings	0% to 10% on a straight line basis or on book written down value
Plant and equipment	10% to 33% on a straight line basis or on book written down value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount The recoverable amount of property, plant and equipment is the greater of net selling price and value in use In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which it is derecognised

Business combinations

Business combinations are accounted for using the acquisition method The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date In accordance with IFRS3 such payments are considered to be contingent consideration rather than post acquisition compensation where payments are not tied to conditions of continued employment For example if the duration of employment coincides with or exceeds the payment period, or that payments are forfeited on contract termination, then payments are treated as post acquisition compensation and not contingent consideration

Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income If the contingent consideration is classified as equity, it will not be remeasured Subsequent settlement is accounted for within equity In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS

For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets Acquisition costs incurred are expensed and included in administrative expenses

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date This includes the separation of embedded derivatives in host contracts by the acquiree If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss

Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the consideration of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities Following initial recognition, goodwill is measured at cost less any accumulated impairment losses Goodwill on acquisitions after 1 January 2004 is not amortised and goodwill already carried in the balance sheet is not amortised after 1 January 2004 Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained

2. Summary of significant accounting policies (continued)

Intangible assets

Acquired both separately and from a business combination
Intangible assets acquired separately are capitalised at cost and where arising from a business acquisition are capitalised at fair value at the date of acquisition An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably Following initial recognition, the intangible assets are valued at cost less any accumulated amortisation and impairment losses The useful lives of these intangible assets are assessed to be either finite or indefinite

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred

Intangible assets are tested for impairment annually either individually or at the cash generating unit level Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis

Development costs
Development expenditure incurred on an individual project is carried forward when its technical feasibility and commercial viability can reasonably be regarded as assured Following the initial recognition, development expenditure is valued at cost less any accumulated amortisation and accumulated impairment losses Any expenditure carried forward is amortised over the period of expected future economic benefits from the related project

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable

A summary of the policies applied to the Group's intangible assets is as follows

	Trade names, publishing and other rights	**Development costs**
Useful lives	Finite	Finite
Method used	Straight line over expected economic life of relevant asset varying from 3 to 20 years	Straight line over expected economic life of relevant assets varying from 3 to 5 years
Internally generated or acquired	Acquired	Internally generated
Impairment testing/ recoverable amount testing	Annually and where an indicator of impairment exists	Amortisation method reviewed at each financial year end

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised

Recoverable amounts of non-current assets
At each reporting date, the Group assesses whether there is any indication that an asset may be impaired Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets

Investments
All investments are recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment less provision for impairment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

Inventories
Paper and book stocks are valued at the lower of cost and net realisable value Cost of books comprises mainly the cost of paper and the charges from outside printers and other suppliers Stock of books is valued on a first-in, first-out basis The administrative and other overheads of book publishing subsidiaries are not considered to be appropriate for inclusion in the value of inventories Back numbers of journals are not valued Pre production costs are capitalised within work in progress and amortised over periods ranging from 12 to 48 months from date of publication

Net realisable value is based on the estimated selling price less any further costs expected to be incurred to completion and disposal

Trade and other receivables
Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectable amounts An estimate for doubtful debts is made when collection of the full amount is no longer probable Bad debts are written off when identified

Author advances
Advances to authors in respect of publication rights acquired are recognised and carried at cost less an allowance for amounts estimated to be irrecoverable against future royalty earnings

Cash and cash equivalents
Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less

For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts

Gains and losses arising on the repurchase, settlement or otherwise cancellation of financial liabilities are recognised respectively in finance income or finance expense

Interest-bearing loans and borrowings
All loans and borrowings are initially recognised at cost, being the fair value of the consideration received

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method

Where a legal right of set off exists, cash and borrowings with the same counter-party have been netted off

Pensions and other post-employment benefits
The Group operates two main defined benefit pension schemes, the assets of which are held separately from those of the Group The cost of providing benefits under the plans is determined separately for each plan using the projected unit credit actuarial valuation method

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit 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 obligation) and is based on actuarial advice Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

Pensions and other post-employment benefits (continued)

As permitted by IAS 19, actuarial gains and losses have been fully recognised in the Balance Sheet

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), 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

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

Leases

Group as a lessee

Assets held under finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the fair value of the leased asset or, if lower, the present value of the minimum lease payments Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term

Group as a lessor

Assets leased out under operating leases are included in property, plant and equipment and depreciated over their estimated useful lives Rental income, including the effect of lease incentives, is recognised on a straight line basis over the lease term

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured The following specific recognition criteria must also be met before revenue is recognised

Sale of goods and services

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably Revenue from sale of print, online periodical subscriptions and other online services is recognised on a pro rata basis over the period of the contract Revenues from the sale of digital products through digital distribution channels are recognised when the products are downloaded

Subsidiary rights

Royalty income from sub-licence of publishing rights is recognised on a cash receipts basis

Property rental income

Rental income is accounted for on a straight-line basis over the lease term on ongoing leases

Interest

Revenue is recognised as the interest accrues on a time proportion basis, taking into account the effective yield on the asset

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

Income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss,
- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity Otherwise income tax is recognised in the income statement

Borrowing costs
Borrowing costs are recognised as an expense when incurred in accordance with IAS 23, with the exception of borrowing costs directly attributable to the acquisition, construction or production of an asset, these costs are capitalised as part of the asset

Derivative financial instruments and hedging
The Group uses foreign currency contracts to hedge its risk associated with foreign currency fluctuations Such derivative financial instruments are stated at fair value

From 1 January 2005, the fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration Such hedges are expected at inception to be highly effective

For the purposes of hedge accounting, hedges are classified as either fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction

In relation to cash flow hedges (forward foreign currency contracts) to hedge firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in net profit or loss

When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the year

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

New Standards Adopted in the Period

The Group has adopted the following new and amended IFRS and IFRIC standards and interpretations during the year, mandatory as at 1 January 2013 unless otherwise stated Where relevant the impact is described below

IFRS10 Consolidated financial statements
IFRS11 Joint arrangements
IAS28 Investments in associates and joint ventures
IFRS12 Disclosures of interests in other entities
IAS19 Employee benefits (revised)
IFRS13 Fair value measurement
IFRS1 Government loans – amendments to IFRS1
IFRS7 Disclosures – Offsetting financial assets and financial liabilities – amendments to IFRS7
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

Annual improvements (2009-2011 cycle) - IAS1 Presentation of financial statements, IAS16 Property plant and equipment, IAS32 financial instruments presentation, and IAS34 Interim financial reports

Adoption of these revised standards and interpretations did not have any material impact on the Group's financial statements, with the exception of IAS19, Employee benefits (revised)

Restatement of comparatives

The application of this revised standard has been applied retrospectively and resulted in a prior year increase in the income statement cost of £0 7m, and an equal and opposite increase in other comprehensive income of £0 7m due to a reduction in re-measurement losses on defined benefit plans This adjustment was due to changing to a net interest amount under IAS19 (Revised 2011), which is calculated by applying the discount rate to the net defined benefit liability at the start of each reporting period, and does not allow for the additional returns on growth seeking assets

This restatement has no impact on the balance sheet and as such a third balance sheet has not been disclosed in line with IAS1 Both the income statement and other comprehensive income are incorporated into retained earnings within reserves and as such there has been no restatement of the consolidated statement of changes in equity The notes impacted by this restatement are note 7 (taxation) and note 15 (employee benefits)

IASB have issued the following standards and interpretations with an effective date after the date of these financial statements

Standard or interpretation	**Title**
Effective from 1 January 2014	
IAS 36	Impairment of assets – Amendments to IAS 36
IAS 32	Offsetting Financial Assets and Financial Liabilities–IAS32 Amendments
IAS 39	Financial instruments – amendment to IAS 39
IFRS10, IFRS12 and IAS 27 (revised)	Investment entities amendments
IFRIC 21	Levies
Effective from 1 January 2015	
IFRS 9	Financial Instruments – Classification and measurement
Effective from 1 January 2017	
IFRS 15	Revenue from contracts with customers

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application The Directors are currently considering the potential impact of the new revenue recognition standard (IFRS 15)

The effective dates stated here are those given in the original IASB/IFRIC standards and interpretations As the group prepares its financial statements in accordance with IFRS as adopted by the European Union, the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU Endorsement mechanism In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the Group's discretion to early adopt standards

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Significant accounting judgements, assumptions and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group Such changes are reflected in the assumptions when they occur

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset The value in use calculation is based on a discounted cash flow model The cash flows are derived from the budget for the next three years, extrapolated for a further two years, and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes The key assumptions used to determine the recoverable amount for the different CGUs, including an assessment of their sensitivity, are disclosed and further explained in Note 14

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies Those deferred tax assets recognised in 2013 are disclosed in note 7 (taxation)

Pension benefits

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations An actuarial valuation involves making various assumptions that may differ from actual developments in the future These include the determination of the discount rate, future salary increases, mortality rates and future pension increases Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions All assumptions are reviewed at each reporting date

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in their respective currencies with at least an AA rating or above, and extrapolated maturity corresponding to the expected duration of the defined benefit obligation The underlying bonds are further reviewed for quality Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds

The mortality rate is based on publicly available mortality tables Future salary increases and pension increases are based on the expected future inflation rate Further details about the assumptions used are given in Note 15

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Other financial information

The total Group turnover for the year represents the value of sales of books, periodicals, publishing and on-line services and subsidiary rights to external customers and excludes value added tax and sales taxes

Analysis of revenue:

	2013	2012
	£'000	£'000
Sales of goods	951,078	921,686
Rendering of services	135,538	122,010
Sales to external customers	1,086,616	1,043,696
Finance revenue	4,146	3,805
Total revenue	1,090,762	1,047,501

No revenue was derived from exchanges of goods or services (2012 £Nil)

	By business division	
Primary:	**2013**	**2012**
Continuing operations	**£'000**	**£'000**
Nature Publishing Group	210,760	195,388
International Education	188,860	192,880
US Higher Education	160,071	144,064
Palgrave Scholarly	31,302	28,434
Publishing Services	16,042	16,709
Macmillan Digital Science	1,130	765
Macmillan Digital Education	1,454	31
Macmillan New Ventures	21,440	17,794
Domestic Curriculum	64,795	73,864
International Trade	390,762	373,767
	1,086,616	1,043,696

		By destination	
Secondary:	**Note**	**2013**	**2012**
		£'000	**£'000**
Continuing operations			
Europe including UK		229,087	227,442
North America		554,209	521,403
Africa		50,453	56,665
Asia Pacific		150,487	136,352
Rest of the World		102,380	101,834
Sales to external customers		1,086,616	1,043,696
Sales to related parties	23	758	2,126

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Revenues and expenses

Other income

	Note	2013 £'000	2012 £'000
Gain on disposal of property, plant and equipment		124	57
Gains from currency translation		5,511	5,111
Rental income		370	430
Income from related parties	23	1,291	2,651
Other		4,628	2,005
		11,924	10,254

Depreciation and amortisation expense

	Note	2013 £'000	2012 £'000
Depreciation of tangible fixed assets	10	(10,802)	(9,936)
Amortisation of intangible assets	11	(9,181)	(7,799)
Impairment of intangible assets	11	110	(131)
		(19,873)	(17,866)

Other expenses

	Note	2013 £'000	2012 £'000
Advertising and distribution expenses		(100,293)	(93,285)
Administration expenses		(142,247)	(139,086)
Rent and lease expenses		(25,643)	(23,495)
Expenses with related parties	23	(2,898)	(929)
Other		(12,459)	(10,963)
		(283,540)	(267,758)

Finance revenue

	Note	2013 £'000	2012 £'000
Bank interest receivable		1,317	883
Interest receivable from related parties	23	2,425	2,119
Other interest income		404	803
Total finance revenue		4,146	3,805

Finance costs

	Note	2013 £'000	2012 £'000
Bank loans and overdrafts		(6,128)	(2,013)
Finance charges payable under finance leases and hire purchase contracts		(74)	(172)
Interest payable to related parties	23	(800)	(838)
Other interest expense		(1,158)	(4,744)
Total finance costs		(8,160)	(7,767)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Revenues and expenses (continued)

Group operating profit is stated after charging:

	Note	2013 £'000	Restated 2012 £'000
Changes in inventory reserve		(17,774)	(26,359)
Operating lease payments – minimum lease payments		(23,832)	(23,152)
Pension net benefit expense	15	(2,694)	(3,521)
Loss on sale of investment		(1,327)	-

The Group paid the following amounts to its principal auditors in respect of the audit of financial statements and for other services provided to the Group

	2013 £'000	2012 £'000
Audit of the Group financial statements	(100)	(86)
Other fees to auditors		
Local statutory audit for subsidiaries	(1,646)	(1,534)
Taxation services	(119)	(76)
Audit of the Group pension schemes	-	(2)
Other services	(42)	(57)

6. Staff costs and Directors' emoluments

(a) Directors' emoluments	2013 £'000	2012 £'000
Directors' emoluments	(5,626)	(3,425)

	2013 No.	2012 No.
Number of directors accruing benefits under		
Defined benefit pension schemes	2	2
Defined contribution pension schemes	5	4

	2013 £'000	2012 £'000
Company contributions paid to defined contribution pension schemes	(44)	(35)

The amounts in respect of the highest paid director are as follows:

	2013 £'000	2012 £'000
Emoluments	(1,467)	(1,360)
Accrued pension at the year-end under defined benefit scheme	-	(54)
Company contributions paid to defined contribution pension schemes	(5)	(17)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Staff costs and Directors' emoluments (continued)

(b) Employee benefits expense, including directors

	2013 £'000	2012 £'000
Wages and salaries	(263,543)	(246,662)
Social security costs	(45,380)	(41,754)
Pension costs	(8,467)	(8,403)
Severance payments	(12,557)	(3,133)
	(329,947)	(299,952)

The Group paid contributions to a money purchase pension plan and a group personal pension plan Contributions were as follows

	2013 £'000	2012 £'000
For directors	44	35
For other staff	8,821	8,909
	8,865	8,944

The average monthly number of persons employed by the Group during the year was

	2013 No.	2012 No.
Europe including UK	2,191	2,114
North America	2,186	2,121
Africa	272	302
Asia Pacific	433	475
India	535	594
Rest of the World	924	1,006
	6,541	6,612

7. Taxation

(a) Tax on profit on ordinary activities

Tax charged in the income statement:

	2013 £'000	2012 £'000
Current income tax		
Current income tax charge	(26,416)	(29,133)
Adjustments in respect of current income tax of previous years	(813)	480
Total current income tax	(27,229)	(28,653)
Deferred tax		
Relating to origination and reversal of temporary differences	2,903	2,454
Relating to change in tax rates	(129)	(48)
Total deferred income tax	2,774	2,406
Tax charged in the income statement	(24,455)	(26,247)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Taxation (continued)

(a) Tax on profit on ordinary activities (continued)

	2013 £'000	2012 £'000
Tax relating to the components of other comprehensive income that may in the future impact the income statement:		
Tax on gain on cash flow hedges	(1,066)	(571)
Tax on reversal of 2012/ 2011 gain on cash flow hedges	571	456
Tax on net loss on hedge of net investment	1,776	1,204
	1,281	1,089
Tax relating to the components of other comprehensive income that will have no future impact on the income statement:		
Tax on actuarial (gains)/losses	(1,897)	2,298
	(616)	3,387

(b) Reconciliation of the total tax charge

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 31 December 2013 and 2012 is as follows

	2013 £'000	Restated 2012 £'000
Profit from continuing operations before taxation	71,966	87,103
At UK standard income tax rate of 23 25% (2012 24 5%)	16,732	21,340
Income not subject to corporation tax	(49)	(121)
Foreign subsidiaries subject to lower tax rate	(675)	(772)
Foreign subsidiaries subject to higher tax rate	4,995	4,330
Expenses not deductible for tax purposes	1,296	1,090
Prior year adjustments	1,088	(1,386)
Changes in tax losses carry forward	6,776	2,799
Changes in temporary differences	68	2,831
Tax loss carry forward used not previously recognised	(5,303)	(572)
Other	(473)	(3,292)
At effective income tax rate of 34% (2012 30%)	24,455	26,247

Factors that may affect future tax charges

No deferred income tax is recognised on the unremitted earnings of overseas subsidiaries, as the Group considers that no temporary difference exists on which a liability may be provided

The 2013 UK Budget announced that the UK rate of Corporation Tax will reduce each year in stages until the period commencing 1 April 2015 when the Corporation tax rate will be 20% As such deferred tax has been calculated using a rate of 20%

The effect on the company of these further proposed changes of the UK tax system will be reflected in the company's financial statements in future years, as appropriate, once the proposals have been substantively enacted

(c) Unrecognised tax losses

The Group has tax losses of approximately £31,000 (2012 £2,210,000) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Taxation (continued)

(d) Deferred income tax

The analysis by category of deferred tax in the Group balance sheet is as follows

	2013 £'000	2012 £'000
Deferred tax asset		
Depreciation in excess of capital allowances	2,050	(654)
Inventory valuation	8,542	8,374
Sales returns and allowances	7,562	6,318
Defined benefit pension schemes	10,885	17,383
Other timing differences	1,935	5,787
Deferred tax asset	30,974	37,208
Deferred tax liability		
Accelerated capital allowances	957	1,120
Inventory valuation	12	(98)
Sales returns and allowances	(297)	(226)
Other timing differences	2,731	4,424
Deferred tax liability	3,403	5,220

Temporary timing differences in relation to non-deductible stock and credit note provisions amounting to £2,793,000 (2012 £3,196,000) have not been recognised in deferred tax, due to doubts over their future recoverability

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income tax levied by the same tax authority

The deferred tax included in the Group income statement is as follows

	2013 £'000	2012 £'000
Deferred tax in the income statement		
Depreciation in excess of capital allowances	2,912	(417)
Inventory valuation	88	729
Sales returns and allowances	2,065	(1,328)
Other timing differences	(2,291)	3,422
Deferred income tax credit	2,774	2,406

8. Profit attributable to members of the Parent Company

The profit dealt with in the financial statements of the Parent Company is £91,755,000 (2012 £70,728,000)

9. Dividends paid

	2013 £'000	2012 £'000
Declared and paid during the year		
Equity dividends on ordinary shares		
Interim dividend for 2013 £87 13 per share (2012 £60 85 per share)	67,299	47,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Property, plant and equipment

31 December 2013	Land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2013	62,669	77,605	140,274
Exchange adjustment	(1,152)	(2,937)	(4,089)
Additions	7,038	9,013	16,051
Disposals	(2,112)	(8,624)	(10,736)
At 31 December 2013	66,443	75,057	141,500
Accumulated depreciation			
At 1 January 2013	32,446	60,499	92,945
Exchange adjustment	(693)	(2,099)	(2,792)
Charge for year	3,518	7,284	10,802
Disposals	(2,101)	(7,153)	(9,254)
At 31 December 2013	33,170	58,531	91,701
Net book value			
At 31 December 2013	33,273	16,526	49,799
At 31 December 2012	30,223	17,106	47,329

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 31 December 2013 is £473,000 (2012 £1,726,000) Additions during the year include £167,000 (2012 £210,000) of plant and equipment held under finance leases and hire purchase contracts Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities

There were no borrowing costs capitalised during the year (2012 £Nil)

There are no land and buildings subject to a first charge to secure the Group's bank loans

Certain items of property, plant and equipment were carried in the Balance Sheet on the basis of valuations performed in 1994 As allowed under IFRS1, the Group elected not to incorporate those fair values as deemed cost

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Intangible assets

31 December 2013	Development costs £'000	Trade names £'000	Publishing rights £'000	Other rights £'000	Goodwill £'000	Total £'000
Cost						
At 1 January 2013	28,379	17,685	88,442	2,592	48,918	186,016
Exchange adjustment	(610)	(1,272)	(1,403)	(35)	(2,220)	(5,540)
Additions	4,880	-	20	-	-	4,900
Acquisitions	2	17	2,270	62	210	2,561
Disposals	(1,126)	-	(691)	-	-	(1,817)
At 31 December 2013	31,525	16,430	88,638	2,619	46,908	186,120
Accumulated amortisation						
At 1 January 2013	12,980	10,634	51,863	2,383	3,026	80,886
Exchange adjustment	(286)	(399)	(793)	(19)	-	(1,497)
Charge for the year	2,466	1,034	5,628	53	-	9,181
Impairment losses	-	(110)	-	-	-	(110)
Disposals	(1,078)	-	(245)	-	-	(1,323)
At 31 December 2013	14,082	11,159	56,453	2,417	3,026	87,137
Net book value						
At 31 December 2013	17,443	5,271	32,185	202	43,882	98,983
At 31 December 2012	15,399	7,051	36,579	209	45,892	105,130

With effect from 1 January 2004, goodwill is no longer amortised and is annually tested for impairment (see Note 14)

12. Investment in associates

During the year the following companies were considered to be associated undertakings of the Group

	Country of Incorporation/ Registration	Class of share	Proportion of shares held by the Group as at 31 December 2013	2012
Stockton Press Educational Publishers B V	Netherlands	Ordinary	40 00%	40 00%
College Press Publishers (Pvt) Ltd	Zimbabwe	Ordinary	48 91%	48 91%
Research Applications and Financial Tracking Inc	USA	Preference	44 90%	47 66%
Relay Technology Management Inc	USA	Ordinary	37 00%	42 80%
Beijing Macmillan Century Consulting & Service Co Limited	China	Ordinary	50 00%	50 00%
Frontiers Media S A	Switzerland	Ordinary	51 00%	-
Easy-Aula Educacao E Servicos De Informatica S A	Brazil	Ordinary	20 00%	-
Veduca Limited	BVI	Ordinary	14 11%	-
Ediciones Bilingues SL	Spain	Ordinary	50 00%	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Investment in associates (continued)

All shares are held by subsidiary undertakings

The principal activity of Stockton Press Educational Publishers B V is managing certain intellectual property rights

The principal activity of College Press Publishers (Pvt) Limited is publishing and distribution of educational books

The principal activity of Research Applications and Financial Tracking Inc is software development providing solutions to the laboratory research community

The principal activity of Relay Technology Management Inc is software development to identify and track promising drug candidates from academia and biotechnology companies

The principal activity of Beijing Macmillan Century Consulting & Service Co Limited is publishing and distribution of books and periodicals

The principal activity of Frontiers Media S A is as an academic publisher of peer reviewed open access journals

The principal activity of Easy-Aula Educacao E Servicos de Informatica S A is the rendering of services related to the development and operation of electronic platforms for the disclosure, utilisation and sharing of educational content

The principal activity of Veduca Limited is the digital aggregating and curating of publicly available educational information

The principal activity of Ediciones Bilingues is publishing and distribution of books and periodicals

The following tables illustrate summarised information of the investment in associates

	2013 £'000	2012 £'000
Stockton Press Educational Publishers B.V.:		
Share of associate's balance sheet		
Current assets	143	123
Non-current assets	48	80
Current liabilities	(34)	(62)
Net assets	157	141
Share of associate's revenue	66	66
Share of associate's profit	16	11
Carrying amount of investment	157	141
College Press Publishers (Pvt) Limited:		
Share of associate's balance sheet		
Current assets	210	436
Non-current assets	71	45
Current liabilities	(305)	(348)
Non-current liabilities	(148)	-
Net (liabilities) / assets	(172)	133
Share of associate's revenue	1,913	1,112
Share of associate's loss	(320)	(62)
Carrying amount of investment	(172)	133

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Investment in associates (continued)

	2013	2012
Research Applications and Financial Tracking Inc.:	**£'000**	**£'000**
Share of associate's balance sheet		
Current assets	163	490
Non-current assets	4	4
Current liabilities	(74)	(108)
Net assets	93	386
Intangible arising on acquisition	912	900
	1,005	1,286
Share of associate's revenue	125	22
Share of associate's loss	(304)	(251)
Carrying amount of investment	1,005	1,286

	2013	2012
Relay Technology Management Inc.	**£'000**	**£'000**
Share of associate's balance sheet		
Current assets	152	96
Non-current assets	347	218
Current liabilities	(206)	(28)
Non-current liabilities	(114)	-
Net assets	179	286
Intangible arising on acquisition	959	814
	1,138	1,100
Impairment of investment	(1,138)	-
	-	1,100
Share of associate's revenue	18	146
Share of associate's loss	-	(204)
Impairment of investment	(1,138)	-
Carrying value of investment	-	1,100

The investment in Relay Technology Management Inc was fully impaired as at 31 December 2013 This amount is included within "other expenses" in the consolidated statement of comprehensive income

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Investment in associates (continued)

	2013 £'000	2012 £'000
Beijing Macmillan Century Consulting & Service Co Limited		
Share of associate's balance sheet		
Current assets	143	243
Non-current assets	1	1
Current liabilities	(1)	(1)
Net assets	143	243
Intangible arising on acquisition	43	2
	186	245
Share of associate's revenue	402	225
Share of associate's loss	(53)	(54)
Carrying value of investment	186	245

	2013 £'000	2012 £'000
Frontiers Media S.A		
Share of associate's balance sheet		
Current assets	4,673	-
Non-current assets	674	-
Current liabilities	(596)	-
Net assets	4,751	-
Intangible arising on acquisition	38,586	-
	43,337	-
Share of associate's revenue	3,192	-
Share of associate's loss	(1,367)	-
Carrying value of investment	43,337	-

The investment was made on 28 January 2013 when consideration of £12,355,000 was paid An estimated further deferred consideration of £31,420,000 is payable on 30 April 2018 which brings the Group's share ownership to 51%

Frontiers Media S A has been treated as an associate as the Group cannot exercise control over the entity as the 49% minority shareholders have rights that result in active participation in all decisions relating to the company Those decisions require unanimous consent of all shareholders and hence the Group does not have control

Put and call options exist to purchase the remaining 49% of the shares in equal instalments on 1st April 2020, 1st April 2022 and 1st April 2024 These options have not been valued at year-end as the maturity of the investment has not allowed a fair value to be established

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Investment in associates (continued)

	2013 £'000	2012 £'000
Easy-Aula Educacao E Servicos De Informatica S.A.		
Share of associate's balance sheet		
Current assets	11	-
Non-current assets	1	-
Current liabilities	(1)	-
Net assets	11	-
Intangible arising on acquisition	167	-
	178	-
Share of associate's revenue	1	-
Share of associate's loss	(26)	-
Carrying value of investment	178	-

The investment was made on 18 January 2013 for a consideration of £201,000

	2013 £'000	2012 £'000
Veduca Limited		
Share of associate's balance sheet		
Current assets	10	-
Non-current assets	-	-
Non-current liabilities	(83)	-
Net liabilities	(73)	-
Intangible arising on acquisition	311	-
	238	-
Share of associate's revenue	5	-
Share of associate's loss	(83)	-
Carrying value of investment	238	-

The investment was made on 17 February 2013 for a consideration of £311,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Investment in associates (continued)

	2013 £'000	2012 £'000
Ediciones Bilingues SL		
Share of associate's balance sheet		
Current assets	368	-
Non-current assets	-	-
Current liabilities	(345)	-
Net assets	23	-
Intangible arising on acquisition	-	-
	23	-
Share of associate's revenue	379	-
Share of associate's loss	(148)	-
Carrying value of investment	23	-

The investment was made on 11 June 2013 for a consideration of £172,000

	2013 £'000	2012 £'000
1Degree Bio Inc:		
Share of associate's balance sheet		
Current assets	-	-
Non-current assets	-	-
Current liabilities	-	-
Net assets	-	-
Intangible arising on acquisition	-	-
	-	-
Share of associate's revenue	-	-
Share of associate's loss	-	(150)
Carrying value of investment	-	-

During 2012 further investment was made, increasing the Group's shareholding from 35 9% to 56 61% Therefore the investment is now considered to be a subsidiary of the Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Business combinations

IFRS3 Business Combinations was not applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before 1 January 2004

Acquisitions in 2013:
On 18 March 2013, the Group purchased certain assets and liabilities from Late Nite Labs, LLC Late Nite Labs designs, develops, and delivers digital multi-platform, fully interactive science laboratory simulations, including the "Radiance" and "Reactor" products, learning simulations and other products and tools targeting the secondary school and university markets

The preliminary fair value of the identifiable assets purchased at the date of acquisition and the corresponding carrying amounts before the acquisition were as follows

	Previous Carrying Value £'000	Fair value recognised on acquisition £'000
Net assets acquired		
Tangible assets	13	13
Intangible assets	2,327	2,327
Deferred revenue	(38)	(38)
	2,302	2,302
Goodwill		-
		2,302
Consideration payable		
Cash		2,302
		2,302

The intangible assets acquired represent assets allocated across a number of asset categories and have been allocated useful lives of between 3 and 15 years

Transaction costs of £95,000 relating to outside professional service fees were incurred as a result of the acquisition and have been expensed

The results of Late Nite Labs LLC are included in the consolidated financial statements since the date of acquisition From the date of acquisition to 31 December 2013, Late Nite Labs LLC has contributed £355,000 of revenue and a loss of £1,158,000 before income taxes to the Group If the combination had taken place at the beginning of the year, and results had been linear, the contribution to the Group would have been £450,000 of revenue and a loss of £1,468,000 before income taxes to the Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Business combinations (continued)

Acquisitions in 2012:
On 18 May 2012, the Group purchased certain assets and liabilities from Educational Benchmarking, Inc through its newly formed 66% owned subsidiary, EBI Map-Works LLC The purchase price of $24,048,000 (£14,875,000) was financed by borrowings under the existing credit lines This acquisition was made to complement the Groups existing investments in the provision of educational support services to the Academic community

The preliminary fair value of the identifiable assets purchased at the date of acquisition and the corresponding carrying amounts before the acquisition were as follows

	Previous Carrying Value £'000	Fair value recognised on acquisition £'000
Net assets acquired		
Trade receivables	1,779	1,779
Property, plant and equipment	109	109
Other assets	2	2
Intangible assets	-	10,828
Accounts payable	(34)	(34)
Deferred revenue	(1,879)	(1,655)
Royalties payable	(166)	(166)
	(189)	10,863
Goodwill		4,006
		14,869
Consideration payable		
Cash		14,869
		14,869

The Group has elected to measure the non-controlling interests in EBI Map-Works LLC at the proportionate share of the acquiree's identifiable net assets

The goodwill of £4,006,000 arising from the acquisition represents the synergistic benefits from acquiring this business

The initial purchase price allocation was preliminary and was adjusted during 2013 These adjustments have been reflected above but were not material (resulting in a reduction in goodwill of £189,000)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Business combinations (continued)

During 2012 the Group purchased an additional 21 05% share in 1DegreeBio Inc through its subsidiary company Macmillan Digital Science Limited In May 2012 714,625 Class A Preference shares were purchased for a consideration of CAD 428,775 (£269,000) In October 2012 500,000 Class B Preference shares were purchased for a consideration of CAD 525,000 (£327,000) The overall equity shareholding of the Group after these transactions is 56 61% (51% diluted) The investment was financed by borrowings under existing credit lines

The preliminary fair value of the identifiable assets purchased at the date of acquisition and the corresponding carrying amounts before the acquisition were as follows

	Previous Carrying Value £'000	Fair value recognised on acquisition £'000
Net assets acquired		
Property plant and equipment	9	9
Cash	26	353
Other assets	117	117
Intangible assets	-	1,235
Liabilities	(127)	(219)
Deferred tax liability	-	(191)
	25	1,304
Non-controlling interest		(600)
Goodwill		322
		1,026
Consideration payable		
Cash		327
Removal of investment in associate		364
Gain arising on stepped acquisition		335
		1,026

The Group has elected to measure the non-controlling interests in 1DegreeBio Inc at the proportionate share of the acquiree's identifiable net assets

The intangible assets acquired represent intellectual property and have been allocated a useful life of 5 years

Transaction costs on acquisitions were immaterial and written off during the year

No changes were made to the provisional fair values recorded as at 31 December 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Business combinations (continued)

Disposals in 2013:

On 29 July 2013 the Group sold its 50% shareholding in Gill and Macmillan which had previously been treated as a subsidiary due to the exercise of dominant influence The sale proceeds were £112,000

The value of the assets disposed of was as follows

	Carrying Value £'000
Intangible assets	489
Tangible assets	184
Deferred tax asset	278
Cash	139
Other current assets	4,653
Current Liabilities	(4,154)
Non-current liabilities	(1,183)
Net assets disposed	406
Attributable to	
Non-controlling interest	203
Owners of the parent	203
Consideration received	
Cash	112
Net consideration received	112
Net consideration less net assets disposed	(91)
Cumulative exchange differences recycled to profit and loss	274
Profit on disposal	183

Before disposal, Gill and Macmillan contributed £1,684,000 of revenue and £21,000 of operating profit to the Group's 2013 results

The profit on disposal has been included in "other expenses" in the statement of comprehensive income and is not considered material

14. Impairment testing of goodwill with indefinite life

Goodwill acquired through business acquisitions has been allocated to the main individual cash generating units for impairment testing The main cash generating units for the Group are as follows

Nature Publishing Group
International Education
US Higher Education
Palgrave Scholarly
Publishing Services
Macmillan Digital Science
Macmillan Digital Education
Macmillan New Ventures
Domestic Curriculum
International Trade

The recoverable amount of each cash-generating unit has been determined based on its value in use The recoverable amounts have also been compared to fair values using EBITDA multiples derived from recent comparable market transactions

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Impairment testing of goodwill with indefinite life (continued)

The value in use has been calculated based on cash flow projections from financial budgets as approved by senior management covering a five year period Cash flows beyond the five year period are extrapolated assuming cash flow growth rates of 1 5% for subsequent periods in line with Group policy

Carrying value of goodwill with indefinite life

	2013 £000	2012 £000
Nature Publishing Group	-	-
International Education	6,537	7,408
US Higher Education	11,498	11,724
Palgrave Scholarly	-	-
Publishing Services	-	-
Macmillan Digital Science	1,239	1,462
Macmillan Digital Education	-	-
Macmillan New Ventures	4,145	4,280
Domestic Curriculum	11,177	12,092
International Trade	9,286	8,926
Total	43,882	45,892

Key assumptions used in value in use calculations

The following describe each key assumption on which management has based its calculations to undertake impairment testing of goodwill

Budgeted turnover – The basis used is to project future turnover taking account of planned strategic developments for the business and both anticipated and historic growth rates in the respective markets

Budgeted gross margins – The basis used is to project future gross margins based on historic trends and taking account of projected changes in sales mix, in the case of books, between new and backlist titles Stock depreciation and, where relevant, author advance write-offs are projected based on historic trends

Budgeted net margins – The basis is used to project future net margins based on historic trends and taking account of projected development expenditure

Discount factor – The basis used to arrive at the discount rate used is to apply the Group's weighted average cost of capital based on the Group's cost of borrowing and the Group's shareholders' required return on equity This is considered to be a reasonable starting point and the required return on equity is risk adjusted for each cash-generating unit All figures used are based on the relevant ratios in the consolidated accounts of the Group's ultimate holding company The discount rates used are shown below

	Discount rate	
	2013	2012
Nature Publishing Group	8 4%	7 4%
International Education	8 3%	7 5%
US Higher Education	7 8%	7 3%
Palgrave Scholarly	8 4%	7 5%
Publishing Services	8 3%	7 5%
Macmillan Digital Science	11 0%	7 5%
Macmillan Digital Education	11 0%	7 5%
Macmillan New Ventures	11 0%	7 3%
Domestic Curriculum	8 3%	7 5%
International Trade	7 9%	7 9%

Sensitivity to changes in assumptions

Management have considered reasonably possible changes in any of the above key assumptions and concluded that these changes would not result in the carrying value of a business unit exceeding its recoverable amount

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Employment benefits

Pensions and other post-employment benefit plans

The Group has two main defined benefit pension plans one is operated in the United Kingdom and the other operates in the United States The United Kingdom plan was closed to new entrants in 1995 and the United States plan was closed to new entrants in 2000 Both are final salary schemes and require contributions to be made to separately administered funds

The United Kingdom plan is an HMRC registered pension scheme and is subject to standard UK pensions and tax law This means that the payment of contributions and benefits are subject to the appropriate tax treatments and restrictions and the plan is subject to the scheme funding requirements outlined in section 224 of the Pensions Act 2004 Contributions to the United States plan are in compliance with U S federal funding requirements

Both main plans have appointed trustees who are independent of the Group Although the Group bears the financial cost of the pension plans, the responsibility for the management and governance of the plans lies with the trustees, who have a duty to act in the best interest of members at all times

Both the main plan's assets are invested in a range of asset classes including diversified growth funds, property, corporate bonds and government bonds

The following tables summarise the components of net benefit expense recognised in the consolidated income statement and the funded status and amounts recognised in the consolidated balance sheet for the respective plans

	Pension Plans					
	UK Plan		US and other non-UK Plans		Total	
		Restated				Restated
	2013	2012	2013	2012	2013	2012
	£'000	£'000	£'000	£'000	£'000	£'000
Employee benefits expense:						
Service cost	(428)	(351)	(343)	(413)	(771)	(764)
Effect of curtailment of benefits	-	-	1,130	(6)	1,130	(6)
Net interest	(2,728)	(2,732)	(325)	(19)	(3,053)	(2,751)
Net benefit expense	(3,156)	(3,083)	462	(438)	(2,694)	(3,521)
Benefit (liability):						
Present value of defined benefit obligation	(208,117)	(202,945)	(21,056)	(31,539)	(229,173)	(234,484)
Plan assets						
Equities	-	14,736	12,000	9,466	12,000	24,202
Debt	85,624	79,288	6,260	8,826	91,884	88,114
Properties	6,147	6,081	-	42	6,147	6,123
Cash	5,336	12,237	176	3,681	5,512	15,918
Target return funds	45,345	25,230	-	-	45,345	25,230
Other	-	-	510	-	510	-
Fair value of plan assets	142,452	137,572	18,946	22,015	161,398	159,587
Benefit (liability)	(65,665)	(65,373)	(2,110)	(9,524)	(67,775)	(74,897)
Pension asset					291	-
Defined benefit pension deficit					(68,066)	(74,897)
Net pension liability					(67,775)	(74,897)

15. Employment benefits (continued)

The application of IAS19, Employee benefits (revised) has been applied retrospectively and resulted in a prior year increase in the income statement cost of £0 7m, and an equal and opposite increase in other comprehensive income of £0 7m due to a reduction in re-measurement losses on defined benefit plans This adjustment was due to changing to a net interest amount under IAS19 (Revised 2011), which is calculated by applying the discount rate to the net defined benefit liability at the start of each annual reporting period, and does not allow for the additional returns on growth seeking assets

Movement in the benefit (liability) during the years to 31 December 2013 and 2012 is as follows

	UK Plan		US and other non-UK Plans		Total	
		Restated				Restated
	2013	2012	2013	2012	2013	2012
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January	(65,373)	(62,032)	(9,524)	(6,624)	(74,897)	(68,656)
Net benefit expense	(3,156)	(3,083)	462	(438)	(2,694)	(3,521)
Re-measurement gains /(losses) in other comprehensive income -						
Return on plan assets (excluding amounts shown in net interest expense)	(3,191)	8,140	5,227	(3,056)	2,036	5,084
Actuarial changes arising from changes in demographic assumptions	-	(836)	92	(77)	92	(913)
Actuarial changes arising from changes in financial assumptions	(2,510)	(17,864)	386	(499)	(2,124)	(18,363)
	(5,701)	(10,560)	5,705	(3,632)	4	(14,192)
Contributions	8,565	10,302	300	861	8,865	11,163
Foreign exchange movement	-	-	947	309	947	309
	(65,665)	(65,373)	(2,110)	(9,524)	(67,775)	(74,897)

The principal assumptions used in determining pension and post-employment benefit obligations for the Group's main plans are shown below

	UK Plan		US Plan	
	2013	2012	2013	2012
	%	%	%	%
Discount rate	4 5	4 40	4 5 - 5 1	3 70 – 5 0
Future salary increases	3 95	3 45	-	-
Future pension increases				
- For service 1 March 1997 to 5 April 2005	3 75	3 60		
- For all other periods of service	3 00	3 00		
Inflation	3 45	2 95		

Assumptions regarding post-retirement mortality of UK defined benefit pension scheme members are as follows Similar appropriate assumptions have been made regarding members of the US defined benefit pension scheme

	UK Plan	
	2013	2012
	Years	Years
Current pensioners at 65 – male	23 5	23 4
Current pensioners at 65 – female	24 7	24 6
Future pensioners at 65 – male	25 2	25 1
Future pensioners at 65 – female	26 6	26 5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Employment benefits (continued)

A quantitative sensitivity analysis for significant assumptions as at 31 December 2013 is shown below

Assumptions	**Discount rate**	**Future salary increases**	**Future pension increases**	**Life expectancies**
Sensitivity Level	0 5% decrease	1 0% increase	1 0% increase	1 year increase
Impact on defined benefit obligation relating to UK plan	21,604	2,515	8,878	6,939

The sensitivity analysis above (performed on the UK only as the most material plan) have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period

Sensitivity disclosures for the defined benefit obligation for the comparative period (31 December 2012) have not been provided as permitted under the transitional provisions of IAS 19(revised)

The duration of the UK plan defined benefit obligation at 31 December 2013 is 19 years

During the year the Group established an asset backed funding solution to address the pension scheme deficit The transaction is designed to generate a long term stream of receipts by transferring the rights of an intra-group loan agreement and an intra-group lease agreement to the pension scheme The loan agreement is guaranteed by a parent company, the lease agreement is backed by freehold interest on the leased property The transaction will provide a regular stream of receipts over the next 20 years and will assist the Group in reducing the pension scheme deficit

16. Inventories

	2013	**2012**
	£'000	**£'000**
Raw materials	7,506	6,799
Work-in-progress	57,607	52,542
Finished goods	67,346	80,692
	132,459	140,033

During 2013 inventories of £119,522,000 (2012 £127,903,000) were recognised as an expense through the income statement

17. Trade and other receivables

	Note	**2013**	**2012**
Current		**£'000**	**£'000**
Trade receivables		295,704	312,767
Author advances		88,297	90,704
Prepayments		10,444	8,416
Receivables from associates		631	48
Other related parties	23	129,080	100,322
Other debtors		38,716	33,213
		562,872	545,470
Non-current			
Receivables from other related parties	23	33,000	-
Other debtors		41	42
		33,041	42

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Trade and other receivables (continued)

As at 31 December 2013, trade receivables at nominal value of £18,531,000 (2012 £20,509,000) were impaired and fully provided for Movements in the provision for impairment of receivables were as follows

	2013	2012
	£'000	£'000
At 1 January	(20,509)	(20,709)
Currency translation	1,017	502
Charge for the year	(3,368)	(3,331)
Utilised	2,241	1,793
Unused amounts reversed	2,088	1,236
At 31 December	(18,531)	(20,509)

As at 31 December, the ageing analysis of trade receivables after bad debt and returns provisions is as follows

		Not past due				Past due
			<60	60-180	180-360	>360
	Total	Current	Days	Days	Days	Days
	£'000	£'000	£'000	£'000	£'000	£'000
2013	295,704	240,612	38,514	7,449	4,119	5,010
2012	312,767	253,205	36,473	7,225	10,624	5,240

18. Cash and cash equivalents

	2013	2012
	£'000	£'000
Cash at bank and in hand	91,708	49,688
Short-term deposits	14,147	7,990
	105,855	57,678

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates The fair value of cash and cash equivalents are £105,855,000 (2012 £57,678,000)

For the purposes of the consolidated cash flow, cash and cash equivalents comprise the following at 31 December

	Note	2013	2012
		£'000	£'000
Cash at bank and in hand		91,708	49,688
Short-term deposits		14,147	7,990
Bank overdrafts and loans	20	(2,930)	(12,628)
		102,925	45,050

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Issued share capital and reserves

Allotted, called up and fully paid:	Number	£'000
31 December 2013		
Ordinary shares of £1 each		
At 1 January and 31 December 2013	772,376	772
31 December 2012		
Ordinary shares of £1 each		
At 1 January and 31 December 2012	772,376	772

Nature and purpose of other reserves

Capital contribution
In 1999 the US book publishing operations of HM Publishers Holdings Limited were combined with Georg von Holtzbrinck GmbH & Co 's directly held US book publishing operations to form Macmillan Holdings LLC

The excess of the fair value of the Group's share of net assets received over the share of net assets swapped, amounting to £35,360,000, has been treated as a capital contribution, and included in reserves

Associates
This reserve records the consolidated profits of the Group's associated undertakings

Foreign currency translation reserves
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and differences on foreign currency borrowings which provide a hedge against a net investment in a foreign entity These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the consolidated income statement Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity

Net unrealised gain reserve
This reserve records the consolidated gains/(losses) from the revaluation of the Group's effective hedging contracts

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Financial liabilities

	Effective interest rate %	2013 £'000	2012 £'000
Current			
Obligations under finance leases and hire purchase contracts (note 22)	5 30 to 10 09	256	1,263
Bank overdrafts		2,930	12,268
Secured bank loan		-	360
		3,186	13,891
Non-current			
Obligations under finance leases and hire purchase contracts (note 22)	5 30 to 10 09	254	477
Private placement loan		75,566	77,318
		75,820	77,795

Non-current unsecured bank loan
On 27 July 2011 the Group along with Georg von Holtzbrinck GmbH & Co KG amended its multicurrency term, revolving and swingline credit facilities agreement which had been previously entered into in 2005 with Landesbank baden-Wurrtemberg The agreement provided that at any time the Group, along with Georg von Holtzbrinck GmbH & Co KG, could borrow amounts up to €480m at LIBOR plus a margin based upon certain financial ratios This agreement was amended on 27 March 2013 when the total amount available under this facility was reduced to €250m On 7 August 2013 the agreement was further amended so that the Group ceased to be a borrower under this facility

The Group has a revolving credit facility of £10m which was not drawn on at the year end The Group is compliant with all covenants at the year end and on a forecast basis

Private placement loan
On 26 May 2011 a subsidiary company borrowed $125m from Prudential Insurance Company of America by issuing $125m of fixed rate 5 562% senior notes (the "PRICOA Agreement") The notes mature in three tranches - $40m on 26 May 2020, $45m on 26 May 2021 and $40m on 26 May 2022

21. Trade and other payables

	Note	2013 £'000	2012 £'000
Current			
Trade payables		66,158	61,843
Royalties payable		71,615	72,130
Other payables and accruals		130,577	125,077
Deferred income		113,262	114,801
Other related parties	23	195,079	40,265
		576,691	414,116
Non-current			
Other payables		41,358	9,717
Deferred income		7,247	9,837
Payables with associates		265	833
		48,870	20,387

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Commitments and contingencies

Operating lease commitments – Group as lessee
The Group has entered into commercial leases on certain land and buildings, motor vehicles and items of small machinery where it is not in the best interests of the Group to purchase these assets Renewals are at the option of the specific entity that holds the lease There are no restrictions placed upon the lessee by entering into these leases

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows

	2013 £'000	2012 £'000
Within one year	23,289	21,863
After one year but not more than five years	63,041	63,504
More than five years	21,007	12,609
	107,337	97,976

Operating lease commitments – Group as lessor
The Group has a policy to sub-let its surplus office buildings

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows

	2013 £'000	2012 £'000
Within one year	370	430
After one year but not more than five years	466	589
	836	1,019

Finance lease and hire purchase commitments – Group as lessee
The Group has finance leases and hire purchase contracts for various items of plant and machinery These leases have no terms of renewal or purchase options and escalation clauses Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows

	2013		2012	
	Minimum Payments £'000	Present Value of Payments £'000	Minimum Payments £'000	Present Value of Payments £'000
Within one year	256	256	1,294	1,264
After one year but not more than five years	259	254	481	476
More than five years	-	-	-	-
Total minimum lease payments	515	510	1,775	1,740
Less amounts representing finance charges	(5)	-	(35)	-
Present value of minimum lease payments	510	510	1,740	1,740

Capital commitments
At 31 December 2013, the Group has no commitments contracted for but not provided in the financial statements (2012 £Nil)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Commitments and contingencies (continued)

Contingent liabilities
At the 31 December 2013, the Group had other guarantees of £5,551,000 (2012 £10,426,000) relating to various subsidiaries

During 2010, the Group was contacted by the Antitrust Division of the U S Department of Justice ("DOJ") requesting information in connection with an investigation as to whether its activities relating to the pricing of digitally downloaded books violated the Sherman Act Also during 2010 the Group was contacted by the Attorneys General of two US States requesting information in connection with an investigation as to whether those activities violated the antitrust laws of those states Similar assertions were made against the Group in various class action lawsuits filed in August through December 2011, which were consolidated into one case in January 2012

In April 2012, the DOJ investigated the Group, and several other third parties, alleging a conspiracy to fix the prices of digitally downloaded books in violation of the Sherman Act Also, in April 2012, a group of states and Puerto Rico sued the Group and several other third parties, alleging a similar conspiracy in violation of the Sherman Act and the antitrust laws of those states and Puerto Rico That complaint has since been amended to include a total of 33 states, Puerto Rico and the District of Columbia

In February 2013, the Group settled all three cases by signing a settlement agreement with the DOJ and reaching an agreement in principle with the states and the class

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Related party disclosures

The consolidated financial statements include the financial statements of HM Publishers Holdings Limited and the subsidiaries listed in the following table

	Note	Country of incorporation/ registration	Class of share	Proportion of voting rights held by the Group 2013	2012
Macmillan Limited	1	England and Wales	Ordinary	100 00%	100 00%
Macmillan Publishers Limited		England and Wales	Ordinary	100 00%	100 00%
Macmillan Publishers Holdings Limited		England and Wales	Ordinary	100 00%	100 00%
Macmillan Digital Science Limited		England and Wales	Ordinary	100 00%	100 00%
Macmillan Digital Education Limited		England and Wales	Ordinary	100 00%	100 00%
Symplectic Limited		England and Wales	Ordinary	66 31%	66 31%
Altmetric LLP		England and Wales	Ordinary	50 00%	50 00%
Figshare LLP		England and Wales	Ordinary	50 00%	50 00%
Gill and Macmillan (UK) Limited		England and Wales	Ordinary	100 00%	100 00%
Macmillan (SLP) General Partner Limited		England and Wales	Ordinary	100 00%	-
Macmillan Scottish Limited Partnership	2	Scotland	Ordinary	100 00%	-
Gill and Macmillan	3	Ireland	Ordinary	-	50 00%
Macmillan Iberia S A		Spain	Ordinary	100 00%	100 00%
Nature Publishing Group Iberoamerica S L		Spain	Ordinary	100 00%	100 00%
Macmillan (Hellas) Publishers S A		Greece	Ordinary	100 00%	100 00%
Macmillan Polska Sp Z o o		Poland	Ordinary	100 00%	100 00%
Macmillan Romania Srl (in liquidation)		Romania	Ordinary	-	100 00%
E-Education SDC Srl		Romania	Ordinary	100 00%	-
Stockton Press Netherlands B V		Netherlands	Ordinary	100 00%	100 00%
Macmillan Publishers Inc		USA	Ordinary	100 00%	100 00%
SMP (1952), Inc		USA	Ordinary	100 00%	100 00%
Macmillan Holdings, LLC		USA	Ordinary	66 00%	66 00%
Henry Holt and Company, LLC		USA	Ordinary	66 00%	66 00%
St Martin's Press, LLC		USA	Ordinary	66 00%	66 00%
Bedford, Freeman & Worth Publishing Group, LLC		USA	Ordinary	66 00%	66 00%
Tom Doherty Associates, LLC		USA	Ordinary	66 00%	66 00%
Farrar, Straus & Giroux, LLC		USA	Ordinary	66 00%	66 00%
Holtzbrinck Publishers, LLC		USA	Ordinary	66 00%	66 00%
Hayden-McNeil, LLC		USA	Ordinary	66 00%	66 00%
EBI MAP-Works LLC		USA	Ordinary	66 00%	66 00%
Late Nite Labs LLC		USA	Ordinary	66 00%	-
Nature America, Inc		USA	Ordinary	100 00%	100 00%
Macmillan Academic Publishing Inc		USA	Ordinary	100 00%	100 00%
SureChem Inc		USA	Ordinary	100 00%	100 00%
Rednova Learning Inc		USA	Ordinary	100 00%	100 00%
Macmillan Digital Science Inc		USA	Ordinary	100 00%	100 00%
Labtiva Inc		USA	Ordinary	56 62%	56 62%
1DegreeBio Inc		Canada	Ordinary	56 61%	56 95%
Macmillan Education Namibia Publishers (Pty) Limited		Namibia	Ordinary	100 00%	100 00%
Macmillan Boleswa Publishers (Pty) Limited		Swaziland	Ordinary	100 00%	100 00%
Pan Macmillan South Africa (Pty) Limited		South Africa	Ordinary	100 00%	100 00%
Macmillan South Africa (Pty) Limited	5	South Africa	Ordinary	75 00%	75 00%
Macmillan Educacao Mozambique Lda		Mozambique	Ordinary	80 00%	80 00%
Editora Nacional de Mocambique SA		Mozambique	Ordinary	90 00%	90 00%
Macmillan Malawi Limited		Malawi	Ordinary	85 70%	85 70%
Macmillan Publishers (Zambia) Limited		Zambia	Ordinary	100 00%	100 00%
Unimax Macmillan Limited		Ghana	Ordinary	65 00%	65 00%
Macmillan Rwanda Publishers Limited		Rwanda	Ordinary	100 00%	100 00%
Northern Nigerian Publishing Company Limited		Nigeria	Ordinary	65 00%	65 00%
Macmillan Publishers Australia Pty Limited		Australia	Ordinary	100 00%	100 00%
Pan Macmillan Australia Pty Limited		Australia	Ordinary	100 00%	100 00%
Macmillan Publishers Group (Australia) Pty Limited		Australia	Ordinary	100 00%	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Related party disclosures (continued)

	Country of Incorporation/ registration	Class of share	Proportion of voting rights held by the Group 2013	2012
Macmillan Publishers New Zealand Limited	New Zealand	Ordinary	100 00%	100 00%
Macmillan Publishers India Limited	India	Ordinary	88 10%	88 10%
Frank Brothers and Company (Publishers) Limited	India	Ordinary	88 10%	88 10%
Macmillan Publishers (China) Limited	Hong Kong	Ordinary	100 00%	100 00%
Macmillan Information Consulting Services (Shanghai) Co Limited	China	Ordinary	100 00%	100 00%
Macmillan Language House Limited	Japan	Ordinary	100 00%	100 00%
Nature Japan K K	Japan	Ordinary	100 00%	100 00%
Macmillan Korea Publishers Limited	South Korea	Ordinary	100 00%	100 00%
Macmillan Taiwan Limited	Taiwan	Ordinary	100 00%	100 00%
Macmillan Publishers S A de C V	Mexico	Ordinary	100 00%	100 00%
Ediciones Castillo S A de C V	Mexico	Ordinary	100 00%	100 00%
Macmillan do Brasil Ltda	Brazil	Ordinary	100 00%	100 00%
Macmillan Publishers, S A	Peru	Ordinary	95 00%	95 00%
Macmillan Publishers S A	Argentina	Ordinary	100 00%	100 00%
Editorial Puerto de Palos S A	Argentina	Ordinary	100 00%	100 00%
Editorial Estrada S A	Argentina	Ordinary	100 00%	100 00%
Macmillan Publishers S A S	Colombia	Ordinary	100 00%	100 00%
Macmillan Publishers Egypt Limited	Egypt	Ordinary	100 00%	100 00%
Kawkab Distribution Limited	Egypt	Ordinary	98 00%	98 00%
Biodata Limited	Israel	Ordinary	75 40%	75 40%

<u>Notes</u>

1. Shares held directly by the Company All other shares are held wholly or partly by subsidiary undertakings
2. The Group has an interest in a partnership, the Macmillan Scottish Limited Partnership, which is fully consolidated into these Group financial statements The Group has taken advantage of the exemption conferred by Regulation 7 of the Partnerships (Accounts) Regulations 2008 and has, therefore, not appended the accounts of this qualifying partnership to these financial statements Separate accounts for the partnership are not required to be, and have not been, filed at Companies House
3. This company was considered a subsidiary in 2012 by exercise of dominant influence In 2013 the shares in this company were disposed of for a consideration of £112,000 – see note 13
4. The minority shares for the US entities owned 66% by the Group are held by Holtzbrinck Publishers Holdings Limited Partnership which is also part of the Holtzbrinck Group
5. The 25% minority held in the South African entity relates to obligations under the black economic empowerment rules in South Africa

The Company's immediate parent undertaking is Holtzbrinck Publishers Holdings Limited It has included the Company in its Group financial statements, copies of which are available from its registered office

The Company's ultimate parent undertaking and controlling party is Georg von Holtzbrinck GmbH & Co KG, a German partnership

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Related party disclosures (continued)

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial year

Related party		Income from related parties £'000	Expenses with related parties £'000	Interest received from related parties £'000	Interest paid to related parties £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Ultimate parent company:							
Georg von Holtzbrinck GmbH & Co KG							
	2013		(92)	149	(67)	18,233	-
	2012	-	-	606	-	34,896	450
GvH Vermogensverwaltungsgesellschaft XXXIII mbH							
	2013	-	-	-	-	-	66,499
	2012	-	-	-	-	-	-
Immediate holding company:							
Holtzbrinck Publishers Holdings Limited							
	2013	1,200	-	2,241	(330)	143,465	88,889
	2012	2,184	-	1,421	(348)	37,108	9,260
Associate:							
Stockton Press Educational Publishers B V							
	2013	-	(80)	-	-	-	305
	2012	-	(70)	-	-	-	386
Fellow undertakings:							
Verlagsgruppe Georg von Holtzbrinck GmbH							
	2013	-	-	35	(194)	-	-
	2012	-	-	92	-	27,847	-
Holtzbrinck Publishers Holdings LP							
	2013	90	(570)	-	(209)	-	39,262
	2012	467	(703)	-	(490)	-	30,169
Verlagsgruppe Droemer GmbH & Co KG							
	2013	417	-	-	-	171	-
	2012	1,734	-	-	-	335	-
Spektrum der Wissenschaft Verlagsgesellschaft mbH							
	2013	265	(112)	-	-	88	109
	2012	324	(156)	-	-	93	-
Devbliss GMBH							
	2013	-	(2,044)	-	-	-	15
	2012	-	-	-	-	-	-
Prensa Clientifica S A							
	2013	77	-	-	-	123	-
	2012	68	-	-	-	43	-
Total:							
	2013	2,049	(2,898)	2,425	(800)	162,080	195,079
	2012	4,777	(929)	2,119	(838)	100,322	40,265

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Related party disclosures (continued)

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made at normal market prices Outstanding balances at year end are unsecured and settlements occur in cash There have been no guarantees provided or received for any related party receivables For the year ended 31 December 2013, the Group has not raised any provision for doubtful debts relating to amounts owed by related parties as the payment history has been excellent (2012 £nil) This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates

In addition a foreign currency swap transaction was entered into and matured during the year between the immediate parent company and a subsidiary company The effect was to eliminate foreign exchange volatility on certain intercompany receivables

The ultimate parent

Georg von Holtzbrinck GmbH & Co. KG

Georg von Holtzbrinck GmbH & Co KG owns through a 100% owned subsidiary, 100% of the ordinary shares in GvH Vermogensverwaltungsgesellschaft XXXIII mbH, the immediate holding company of Holtzbrinck Publishers Holdings Limited (2012 100%) Both of these entities are incorporated in Germany, the registered address of both entities is Gansheidestrasse 26, 70184 Stuttgart, Germany

Immediate Holding company

Holtzbrinck Publishers Holdings Limited

Holtzbrinck Publishers Holdings Limited owns 100% of the ordinary shares in HM Publishers Holdings Limited (2012 100%) Copies of the financial statements are available from Companies House, Crown Way, Cardiff

Associates

Stockton Press Educational Publishers B.V.

The Group has a 40% interest in Stockton Press Educational Publishers B V (2012 40 00%)

College Press Publishers (Pvt) Limited

The Group has a 48 91% interest in College Press Publishers (Pvt) Limited (2012 48 91%)

Research Applications and Financial Tracking Inc

The Group has a 47 66% interest in Research Applications and Financial Tracking Inc (2012 47 66%)

Relay Technology Management LLC

The Group has a 42 8% interest in Relay Technology Management LLC (2012 42 8%)

Beijing Macmillan Century Consulting & Service Co Limited

The Group has a 50% interest in Beijing Macmillan Century Consulting & Service Co Limited (2012 50%)

Frontiers Media S.A.

The Group has a 51% interest in Frontiers Media S A (2012 nil) The investment has been treated as an associate as the Group does not exercise control over Frontiers Media S A

Easy-Aula Educacao E Servicos Informatica S.A.

The Group has a 20% interest in Easy-Aula Educacao E Servicos Informatica S A (2012 nil)

Veduca Limited

The Group has a 14 11% interest in Veduca Limited (2012 nil)

Ediciones Bilingues SL.

The Group has a 50% interest in Ediciones Bilingues SL (2012 nil)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise bank loans, finance leases and hire purchase contracts, cash and short-term deposits The main purpose of these financial instruments is to raise finance for the Group's operations

The Group also enters into derivative transactions, principally forward currency contracts The purpose is to manage the currency risks arising from the Group's operations and its sources of finance

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken

The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk and commodity risk, foreign currency risk and credit risk The board reviews and agrees policies for managing each of these risks and they are summarised below The Group also monitors the market price arising from all financial instruments The magnitude of this risk that has arisen over the year is discussed below The Group's accounting policies in relation to derivatives are set out in note 2

Foreign currency risk
The Group is exposed to foreign exchange risk in a number of currencies, principally the US Dollar and the Euro Other exposures exist in the countries in which the Group operates, of which the principal currencies involved are the Australian Dollar, South African Rand, Hong Kong Dollar, Mexican Peso and the Japanese Yen

The Group operates within foreign currency management policies agreed with the Group's ultimate holding company The key points of these policies are as follows

Balance sheet exposure
Group policy is to minimise Group balance sheet exposure by arranging borrowings within the respective overseas company taking into account relevant tax, exchange control and commercial factors Balance Sheet hedging transactions with regard to Macmillan Publishers Inc and its subsidiary companies in the United States are hedged at the level of the Group's immediate holding company and the Group's ultimate holding company

Transaction exposure
Group policy is to hedge transaction exposures arising in all major currencies on a twelve-month forward basis The twelve-month basis is assessed to cover the time period over which key commercial pricing decisions are taken Group policy is to hedge forecast foreign cash transactions on a 100% basis Exceptions to this rule and to the twelve-month cover period are subject to agreement with the Group's ultimate holding company Foreign currency cover is generally arranged through the mechanism of foreign currency contracts but currency options may be used in some cases Foreign currency cover in relation to the US Dollar and the Euro is arranged through the Group's ultimate holding company Other foreign currency hedges are arranged by the Group within guidelines agreed with the Group's ultimate holding company

The following table demonstrates the sensitivity to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity

	Increase/ decrease in US$ rate	**Increase/ (decrease) in PBT £'000**	**Increase/ (decrease) in equity £'000**
2012	+5%	(1,175)	(11,837)
	-5%	1,302	13,082
2013	+5%	(1,628)	(1,190)
	-5%	1,798	1,239

The US$ is considered to be the only currency whose sensitivity to a reasonable possible change is material to disclose

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Financial risk management objectives and policies (continued)

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations The main source of external long term funding for the business is a private placement loan in the US and a multicurrency term facility with a consortium of banks arranged by the ultimate holding company The interest rate on the private placement loan is fixed and therefore the Group is not exposed to significant interest rate risk

Banking facilities at the level of the Group and its subsidiaries are arranged mainly by means of 365 day committed credit facilities in order to manage the Group's working capital funding requirements Management of the interest rate exposure on long-term debt obligations is undertaken at the level of the Group's ultimate holding company

The sensitivity to a reasonably possible change in interest rates, with all other variables held constant of the Group's profit before tax (through the impact of floating rate borrowings) has been tested, but as the effect was immaterial this has not been disclosed

Commodity price risk
The Group is exposed to commodity price risk, primarily in the area of paper purchasing The Group monitors movements in paper prices and adjusts book prices where commercially possible to take account of this To a limited extent the Group anticipates price increases by buying forward paper to cover for expected paper requirements It is not Group policy to speculate in movements in future paper prices

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Financial risk management objectives and policies (continued)

Credit risk
The Group is exposed to credit risk in its dealings with major customers in each of the countries in which the Group's subsidiary companies operate Due to the increasing concentration of the book retail market, exposure in most countries is increasingly concentrated in a small number of major customers In addition the Group exports to a variety of overseas customers Group credit policy is managed in each country in line with credit policies agreed by the Board of each respective subsidiary company Formal credit limits are in place for all major customers It is not the Group's policy to enter into credit insurance arrangements due mainly to restrictions on countries covered and the cost of arranging insurance cover The Group has a long history of dealing with most of its major customers and historic bad debt experience has been low The directors consider that adequate provision has been made for credit risk

There are no significant concentrations of credit risk within the Group Credit risks arising from acting as guarantor are disclosed in note 22 The provision for bad debts is disclosed in note 17

Liquidity risk
Long term Group financing facilities are arranged at the level of the Group's ultimate holding company The Group maintains adequate short and medium term credit facilities with its banks to fund forecast working capital requirements

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2013 and 2012 based on contractual undiscounted payments Interest on overdrafts is variable and has therefore been excluded from the balances

Year ended 31 December 2013	**Within 1 Year**	**1 to 5 Years**	**More than 5 Years**	**Total**
Non-derivative financial liabilities				
Finance leases and hire purchase	256	259	-	515
Overdraft	2,930	-	-	2,930
Private placement loan	4,261	17,045	85,792	107,098
Guarantees	5,551	-	-	5,551
Trade and other payables	463,779	8,358	33,000	505,137
Total	476,777	25,662	118,792	621,231

Year ended 31 December 2012				
Non-derivative financial liabilities				
Finance leases and hire purchase	1,294	481	-	1,775
Overdraft	12,268	-	-	12,268
Secured bank loan	360	-	-	360
Private placement Loan	4,360	17,441	92,143	113,944
Guarantees	10,426	-	-	10,426
Trade and other payables	299,315	9,717	-	309,032
Total	328,023	27,639	92,143	447,805

25. Financial Instruments

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements other than at fair values

	Carrying amount		Fair value	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Financial liabilities				
Fixed rate borrowings				
Prudential Insurance company of America				
5 562% Senior notes	75,566	77,318	76,246	76,774

The fair values have been determined based on the borrowing rates available to the Group under their existing revolving credit arrangements with the finance providers at the Balance Sheet date

All other financial assets are classified as loans and receivables and fair value is considered to be materially equivalent to book value

All other financial liabilities, except for derivatives disclosed in note 24 are classified as being held at amortised cost and fair value is considered to be materially equivalent to book value

All other borrowings are at floating rates

The group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3 – techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

All financial instruments recorded in the Balance Sheet are Level 2 in the hierarchy

25. Financial Instruments (continued)

Hedging activities

Cash flow hedges

Recognised through equity

At 31 December 2013, the Group had entered into the following foreign exchange contracts to hedge future expected cash flows in foreign currencies These contracts are due to mature over the periods shown Where more than one contract has been taken out in a particular currency the figures in the foreign exchange rate column represent the average exchange rate at which these contracts have been taken out The gains or losses on these contracts measured as the difference between the original forward deal rate and the corresponding forward deal rate at 31 December 2013 have been recognised through equity in the current year and will be recognised through the income statement in 2014

	Currency amount 000's	Maturity dates	Foreign exchange rate	Fair value 2013 £'000	Gain/(loss) recognised through equity £'000
Sell currency/ buy Sterling					
South African Rand	56,500	Jan – Nov 2014	17 47	3,234	244
Japanese Yen	2,530,000	Feb – Dec 2014	173 59	14,575	2,235
Australian Dollars	10,641	Jan – Dec 2014	1 85	5,752	694
Buy currency/ sell Sterling Hong Kong Dollars	183,000	Jan – Dec 2014	12 83	14,268	(656)
Total					2,517

At 31 December 2013 the Group had entered into the following foreign exchange contracts with the Group's ultimate holding company to hedge expected cash flows in Euros and US Dollars which are expected to occur in 2014 The gains on these contracts measured as the difference between the original forward deal rate and the corresponding forward deal rate at 31 December 2013 have been recognised through equity in the current year and will be recognised through the income statement in 2014

	Currency amount 000's	Maturity dates	Foreign exchange rate	Fair value 2013 £'000	Gain recognised through equity £'000
Sell currency/ buy Sterling					
Euro	55,000	Jan – Dec 2014	1 20	45,852	918
US Dollars	25,000	Feb – Dec 2014	1 65	15,113	1,150
Total					2,068

25. Financial Instruments (continued)

Recognised through income statement

During the year ended 31 December 2013 gains/ (losses) were removed from equity and recognised in profit and loss in relation to foreign exchange contracts in relation to cash flow hedges which matured during the year as follows

	Currency amount 000's	Maturity dates	Foreign exchange rate	Fair value 2012 £'000	Gain/ (loss) recognised through income statement £'000
Sell currency/ buy Sterling					
South African Rand	36,000	Jan – Dec 2013	14 02	2,630	(17)
Japanese Yen	2,640,000	Jan – Nov 2013	122 86	18,964	2,501
Australian Dollars	11,733	Jan – Dec 2013	1 60	7,521	(95)
Euro	60,000	Jan – Dec 2013	1 23	48,968	(431)
US Dollars	38,000	Mar - Dec 2013	1 58	23,505	552
Buy currency/ sell Sterling					
Hong Kong Dollars	135,000	Jan – Sep 2013	12 31	10,774	(178)
					2,332

BALANCE SHEET
as at 31 December 2013

ASSETS	Note	2013 £'000	2012 £'000
Non-current assets			
Property	29	16,686	18,554
Investment in subsidiaries	30	43,879	37,710
Other non-current assets	31	33,000	-
		93,565	56,264
Current assets			
Trade and other receivables	31	338,163	204,393
Cash and cash equivalents	32	84	41
Income tax receivable		12,560	8,112
		350,807	212,546
TOTAL ASSETS		444,372	268,810
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	33	772	772
Share premium		76,788	76,788
Capital redemption reserve		48	48
Retained earnings		203,961	179,505
TOTAL EQUITY		281,569	257,113
Non-current liabilities			
Deferred income tax liabilities	27	834	994
Other non-current liabilities	34	33,000	-
Current liabilities			
Trade and other payables	34	128,969	10,703
TOTAL LIABILITIES		162,803	11,697
TOTAL EQUITY AND LIABILITIES		444,372	268,810

These financial statements were approved by the Board of Directors on 11 June 14.

Signed on behalf of the Board of Directors

Director

J H. SCHWANEWEDEL

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2013

		Attributable to equity holders of the parent				Total attributable to equity holders of parent
	Note	Issued Capital £'000	Share premium £'000	Capital Redemption Reserve £'000	Retained earnings £'000	£'000
At 1 January 2012		772	76,788	48	155,777	233,385
Profit for the year		-	-	-	70,728	70,728
Equity dividends	28	-	-	-	(47,000)	(47,000)
At 31 December 2012		772	76,788	48	179,505	257,113
Profit for the year		-	-	-	91,755	91,755
Equity dividends	28	-	-	-	(67,299)	(67,299)
At 31 December 2013		772	76,788	48	203,961	281,569

CASH FLOW
for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Cash flows from operating activities			
Operating loss		(135)	(1,159)
(Increase) in accounts receivable		(166,770)	(19,037)
Increase in accounts payable less than one year		118,815	326
Increase in accounts payable greater than one year		33,000	-
Depreciation charges		1,319	1,447
Income tax paid		(4,732)	(5,518)
Net cash flow (used in) operating activities		(18,503)	(23,941)
Cash flows from investing activities			
Interest received		1,681	2,140
Dividends received from subsidiaries		92,299	70,727
Purchase of property, plant and equipment		-	(1,201)
Investment in subsidiary		(6,169)	-
Net cash flows from investing activities		87,811	71,666
Cash flows used in financing activities			
Interest paid		(1,966)	(747)
Dividends paid to equity holders of the parent		(67,299)	(47,000)
Net cash flows used in financing activities		(69,265)	(47,747)
Net increase/ (decrease) in cash and cash equivalents		43	(22)
Net foreign exchange difference		-	-
Cash and cash equivalents at 1 January	32	41	63
Cash and cash equivalents at 31 December	32	84	41

NOTES TO THE FINANCIAL STATEMENTS

26. Staff costs and Directors' emoluments

The Company does not employ any staff or dırectors ın ıts own rıght Dırectors' remuneratıon ıs paıd by another Group company The faır value of the servıces provıded to the Company cannot be reasonably estımated and are therefore not dısclosed

27. Deferred Tax

The analysıs by category of deferred tax ıncluded ın the balance sheet ıs as follows

	2013 £'000	2012 £'000
Deferred tax lıability		
Accelerated capıtal allowances	834	994

28. Dividends paid

	2013 £'000	2012 £'000
Declared and paıd durıng the year		
Equıty dıvıdends on ordınary shares		
Interım dıvıdend for 2013 £87 13 per share (2012 £60 85 per share)	67,299	47,000

29. Property, plant and equipment

31 December 2013	Land and buildings £'000
Cost	
At 1 January 2013	31,083
Dısposals	(1,703)
At 31 December 2013	29,380
Accumulated depreciation	
At 1 January 2013	12,529
Charge for year	1,319
Dısposals	(1,154)
At 31 December 2013	12,694
Net book value	
At 31 December 2013	16,686
At 31 December 2012	18,554

NOTES TO THE FINANCIAL STATEMENTS

30. Investments in subsidiaries

	2013 £'000	2012 £'000
Subsidiary undertakings:		
Shares at cost at 1 January	37,710	37,710
Additions	6,169	-
Shares at cost at 31 December	43,879	37,710

The additions of £6,169,000 relate to the further investment in India during the year

See note 23 for list of subsidiaries

31. Trade and other receivables

	Note	2013 £'000	2012 £'000
Current			
Other prepaid expenses		1,042	749
Other related parties	36	337,121	203,644
		338,163	204,393
Non-current			
Other related parties	36	33,000	-

32. Cash and cash equivalents

	2013 £'000	2012 £'000
Current		
Cash at bank and in hand	84	41

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates The fair value of cash and cash equivalents £84,000 (2012 £41,000)

For the purposes of the company cash flow statement, cash and cash equivalents comprise the following at 31 December

	2013 £'000	2012 £'000
Current		
Cash at bank and in hand	84	41
	84	41

NOTES TO THE FINANCIAL STATEMENTS

33. Issued share capital

	Number	£'000
Allotted, called up and fully paid		
31 December 2013		
Ordinary shares of £1 each		
At 1 January and 31 December 2013	772,376	772
31 December 2012		
Ordinary shares of £1 each		
At 1 January and 31 December 2012	772,376	772

34. Trade and other payables

		2013 £'000	2012 £'000
Current			
Other related parties	36	127,229	9,260
Other payables and accruals		1,740	1,443
		128,969	10,703
Non-current			
Other related parties	36	33,000	-

The Company has made provision for office space that is vacant with regards to operating leases where it has a commitment

NOTES TO THE FINANCIAL STATEMENTS

35. Commitments and contingencies

Operating lease commitments – Company as lessee

The Company has entered into commercial leases on certain land and buildings, where it is not in the best interests of the Company to purchase these assets There are no restrictions placed upon the lessee by entering into these leases

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows

	2013	2012
	£'000	£'000
Within one year	3,250	2,029
After one year but not more than five years	11,800	6,693
More than five years	19,795	3,527
	34,845	12,249

Operating lease commitments – Company as lessor

The Company acts as the property holding company of the HM Publishers Holdings Group of publishing companies and sublets property at arm's length terms to its UK subsidiaries and sublets its surplus office space to third parties

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows

	2013	2012
	£'000	£'000
Within one year	5,792	5,596
	5,792	5,596

Capital Commitments

At 31 December 2013, HM Publishers Holdings Limited has commitments of £nil (2012 £nil) contracted for but not provided in the financial statements

Guarantees

HM Publishers Holdings Limited has the following contingent liabilities at 31 December

	2013	2012
	£'000	£'000
Bank facilities guaranteed	5,906	8,278

NOTES TO THE FINANCIAL STATEMENTS

36. Related party disclosures

The pnncipal subsidianes at 31 December are detailed in note 23

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial year

Related party		Amounts owed by related parties £'000	Amounts owed to related parties £'000
Immediate holding company:			
Holtzbrinck Publishers Holdings Limited			
	2013	33,000	88,889
	2012	-	9,260
Fellow undertakings:			
Macmillan Publishers Limited			
	2013	329,032	-
	2012	195,569	-
Macmillan Limited	2013	8,066	-
	2012	8,052	-
Macmillan Information Consulting Services (Shanghai) Co Ltd			
	2013	23	-
	2012	23	-
Macmillan Scottish Limited Partnership			
	2013	-	71,340
	2012	-	-
Total			
	2013	370,121	160,229
	2012	203,644	9,260

Terms and conditions of transactions with related parties
Sales to and purchases from related parties are made at normal market prices Outstanding balances at year end are unsecured and settlements occur in cash For the year ended 31 December 2013, the Company has not raised any provision for doubtful debts relating to amounts owed by related parties as the payment history has been excellent (2012 £nil) This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates

The ultimate parent

Georg von Holtzbrinck GmbH & Co. KG
Georg von Holtzbrinck GmbH & Co KG owns through a 100% owned subsidiary, 100% of the ordinary shares in GvH Vermogensverwaltungsgesellschaft XXXIII mbH, the immediate holding company of Holtzbrinck Publishers Holdings Limited (2012 100%) Both of these entities are incorporated in Germany, the registered address of both entities is Gänsheidestrasse 26, 70184 Stuttgart, Germany

Immediate Holding company

Holtzbrinck Publishers Holdings Limited
Holtzbrinck Publishers Holdings Limited owns 100% of the ordinary shares in HM Publishers Holdings Limited (2012 100%) Copies of the financial statements are available from Companies House, Crown Way, Cardiff