Company Registration No. 46694

HM PUBLISHERS HOLDINGS LIMITED

Consolidated Report and Financial Statements

31 December 2014

CONSOLIDATED REPORT AND FINANCIAL STATEMENTS 2014

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GENERAL INFORMATION

DIRECTORS

G R M Elliott		
R E Jacobs		
D J G Knight		
K J Michaels		
J H Schwanewedel		
Dr A C Thomas	Chairman	
A Weber		Resigned 21 April 2015

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 and 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.

Group revenues were lower at £590m compared to £619m in 2013. Revenue movements for the main business segments are discussed below. Operating profit was £32.8m compared to £37.9m in 2013 due to continuing difficult trading conditions in a number of markets. Overall these results represent a creditable achievement in the current economic environment.

The Group is exposed to a wide variety of political and economic risks as the Group operates internationally in most countries in the world. These risks are spread by the Group taking a balanced approach to its overseas investments and adopting financial policies to minimise these. The Group 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.

In recent years 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:

SCIENCE AND SCHOLARLY

Science and Scholarly revenues were down 3.8% compared to 2013 but were almost flat year on year excluding exchange rate fluctuations. Increases in site licensing income, custom publishing and open access income were offset by lower backlist income. Slightly lower revenues in some markets were offset by direct cost and overhead savings.

LANGUAGE LEARNING

Revenues were down by 3.1% to £155.7m (2013: £160.6m) in sterling terms but were 8.0% higher when excluding the impact of exchange rate fluctuations. This was due to strong performances in Latin America, China and developing South East Asia, as well as upside in Europe.

SCHOOLS

Schools revenue was 12.9% lower at £61.5m (2013: £70.6m). This was partly due to lower sales in South Africa where orders had been stronger last year due to curriculum reform, and lower sales in Australia and New Zealand resulting from reduced Higher Education agency sales and teacher training revenues. This performance was despite a better performance in India resulting from higher average prices and some volume growth within the school division.

INTERNATIONAL HIGHER EDUCATION

International Higher Education Revenue was similar year on year.

STRATEGIC REPORT
Strategic review and future developments (continued)

MACMILLAN DIGITAL SCIENCE

Revenue relating to the Digital Science division rose by 155% to £2.9m (2013: £1.1m). The Group continued its investment in the Digital Science division providing digital services to the scientific community. 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. The portfolio developed good momentum in the second half of 2014, and is well positioned for a strong 2015.

MACMILLAN DIGITAL EDUCATION

Digital Education Revenues were similar year on 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.

INTERNATIONAL TRADE

Revenues relating to International Trade excluding the US were similar year on year. 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 continues to be subdued, digital sales continue to show good growth. The trend towards digital sales continues to put pressure on traditional high street retail outlets.

The Group continues to pursue its strategy of organic growth through development of new authors.

OTHER BUSINESSES

The other businesses division showed a fall in revenue primarily due to lower Publishing Services Revenue and also the disposal of Gill and Macmillan Limited in 2013. The distribution operation continues to benefit from the operational effectiveness provided by the consolidated distribution centre in Swansea.

The US Higher Education and Macmillan New Ventures segments were disposed of as part of the Macmillan Publishers Inc. disposal on 30 June 2014.

FUTURE DEVELOPMENTS

On 15 January, 2015 Holtzbrinck Publishing Group (Holtzbrinck) and BC Partners (BCP) announced that they had reached an agreement to merge Springer Science+Business Media (owned by funds advised by BCP) in its entirety with the majority of Holtzbrinck-owned Macmillan Science and Education, namely the Science and Scholarly division including Nature Publishing Group and Palgrave Macmillan, and the global businesses of Macmillan Education including the Language Learning, Schools, and International Higher Education divisions.

The Macmillan Digital Science, Macmillan Digital Education and International Trade businesses are not part of the merger. During the first quarter of 2015 the Group has entered into agreements to sell these businesses at market value to holding companies that will remain 100% owned by Holtzbrinck.

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

D.J.G. Knight.

D Knight
Director
21st May 2015

DIRECTORS' REPORT

Company Registration No. 46694

The directors present their annual report, the Group and Company financial statements for the year ended 31 December 2014.

Principal activities

The principal activities of the Company and its subsidiaries continued as the publishing of books and periodicals, and the provision of online and other services in the publishing sector.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described below. In addition, notes 24 to 25 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources together with well-established business relationships across different geographic areas and sectors. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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

Liquidity and capital resources

The financial position of the Group remains strong and the Group continues to be cash generative.

The consolidated cash flow statement shows a net decrease in cash and cash equivalents in the year ended 31 December 2014 of £49.5m (2013: increase of £62.2m). Net cash flow from operating activities was £22.9m (2013: £191.9m), proceeds from the disposal of investments were £198.4m (2013: £0.1m) and payments of dividends to the Group's shareholders and payments to non-controlling interests were £241.6m (2013: £91.3m).

At December 2014 the Group had a net receivable of £94.2m owed by fellow Group companies (2013: £33.0m). These funds are loaned at market rates of interest and are included within amounts due to/ from related parties in the consolidated balance sheet and are disclosed in note 23 to the financial statements.

The Group's ultimate and immediate holding companies are available to provide long-term funding if such funds are required.

DIRECTORS' REPORT (continued)

Asset and capital structure

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

	Note	2014 £'000	2013 £'000
Interest-bearing loans and borrowings	20	2,572	79,006
Total equity		207,335	263,280
Total borrowings and equity		209,907	342,286
Gearing		1.2%	23.1%

The gearing percentage of 1.2% is within the Group's target levels.

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

	Note	2014 £'000	2013 £'000
Current:			
Obligations under finance leases and hire purchase contracts	20	172	256
Bank overdrafts	20	2,123	2,930
		2,295	3,186
Non-current:			
Obligations under finance leases and hire purchase contracts	20	277	254
Other loans	20	-	75,566
		277	75,820
		2,572	79,006

The Group policy is to arrange long-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 reduction in other loans in 2014 is due to the disposal of Macmillan Publishing Inc. whose debt is no longer included in the liabilities of the Group.

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 3% in the current year compared to 34% in the previous year. The reduction in the tax charge as a percentage of profit largely relates to the profit realised on the disposal of Macmillan Publishing Inc. which is not subject to corporation tax.

Dividends

An interim ordinary dividend of £238.7m has been paid for the year to 31 December 2014 (2013: £67.3m). 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
R E Jacobs
D J G Knight
K J Michaels
J H Schwanewedel (Germany)
Dr A C Thomas
A Weber — Resigned 21 April 2015

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 financial statements.

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 to the consolidated financial statements.

Employees

The average monthly number of employees in the Group was 5,675 (2013: 6,541).

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 £75,000 (2013: £140,061). 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 6. 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

D.J.G. Knight

D Knight
Director

21st May 2015

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 financial statements of HM Publishers Holdings Limited for the year ended 31 December 2014 which comprise Consolidated Statement of Profit or Loss, Consolidated Statement of Other Comprehensive Income, Consolidated and Company Balance Sheets, Consolidated and Company Statements of Changes in Equity, Consolidated and Company Cash Flow and the related notes 1 to 37. 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 8, 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 Consolidated Report and Financial Statements 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 2014 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

22 May 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Continuing operations			
Revenue	4	590,229	619,122
Other income	5	4,786	11,925
Cost of sales		(186,893)	(193,542)
Gross profit		408,122	437,505
Employee benefits expense	6	(204,499)	(212,063)
Depreciation and amortisation expense	5	(13,690)	(12,751)
Other expenses	5	(157,109)	(174,751)
Operating profit		32,824	37,940
Profit on disposal of subsidiary	13	265,320	183
Profit on disposal of associate	12	3,558	-
Finance revenue	5	7,411	5,524
Finance costs	5	(3,455)	(3,234)
Other finance expense – pensions	15	(2,739)	(2,793)
		270,095	(320)
Profit before tax		302,919	37,620
Income tax expense	7	(13,952)	(15,991)
Profit after tax		288,967	21,629
Share of loss of associates	12	(2,511)	(2,285)
Income from other long term investments		2	6
Profit for the year from continuing operations		286,458	19,350
Discontinued operations			
(Loss)/Profit before tax for the year from discontinued operations	13	(24,154)	34,346
Income tax credit/(expense) for the year on discontinued operations	7	6,436	(8,464)
(Loss)/Profit after tax for the year from discontinued operations	13	(17,718)	25,882
Profit for the year		268,740	45,232
Profit/(Loss) for the year attributable to:			
Owners of the parent		275,606	34,308
Non-controlling interest		(6,866)	10,924

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Profit for the year		268,740	45,232
Other comprehensive income			
Other comprehensive income that may in the future impact the income statement:			
Net loss on hedge of net investment		(4,308)	(7,640)
Exchange differences on translation of foreign enterprises		(13,641)	(10,234)
Gain on cash flow hedges taken to equity	25	2,273	4,585
Transfer to the income statement of cash flow hedges previously taken to equity	25	(4,585)	(2,332)
Income tax effect	7	1,424	1,281
		(18,837)	(14,340)
Other comprehensive income that will have no future impact on the income statement:			
Re-measurement gains/ (losses) on defined benefit plan	15	(24,158)	4
Income tax effect	7	5,417	(1,897)
		(18,741)	(1,893)
Other comprehensive expense for the year, net of tax		(37,578)	(16,233)
Total comprehensive income for the year, net of tax		231,162	28,999
Total comprehensive income for the year attributable to:			
Owners of the parent		238,480	18,556
Non-controlling interest		(7,318)	10,443

CONSOLIDATED BALANCE SHEET
as at 31 December 2014

ASSETS	Note	2014 £'000	2013 £'000
Non-current assets			
Property, plant and equipment	10	48,482	49,799
Intangible assets	11	42,005	98,983
Investment in associates	12	1,209	44,952
Pension asset	15	248	291
Income tax receivable		970	775
Deferred tax assets	7	22,728	30,974
Other non-current assets	17	33,043	33,041
		148,685	258,815
Current assets			
Inventories	16	56,051	132,459
Trade and other receivables	17	397,086	562,872
Cash and cash equivalents	18	54,861	105,855
		507,998	801,186
TOTAL ASSETS		656,683	1,060,001
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		8,086	28,982
Retained earnings		100,072	80,452
		185,769	187,045
Non-controlling interests		21,566	76,235
TOTAL EQUITY		207,335	263,280
Non-current liabilities			
Financial liabilities	20	277	75,820
Defined benefit pension plan deficit	15	81,993	68,066
Deferred tax liabilities	7	2,914	3,403
Other non-current liabilities	21	16,730	48,870
		101,914	196,159
Current liabilities			
Trade and other payables	21	327,855	576,691
Financial liabilities	20	2,295	3,186
Income tax payable		17,284	20,685
		347,434	600,562
TOTAL LIABILITIES		449,348	796,721
TOTAL EQUITY AND LIABILITIES		656,683	1,060,001

These financial statements were approved by the Board of Directors on 21st May 2015

Signed on behalf of the Board of Directors.

D.J.G. Knight.

D Knight
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014

	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 2013	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
Profit/ (loss) for the period	-	-	-	278,117	-	(2,511)	-	-	275,606	(6,866)	268,740
Other comprehensive income/ (expense)	-	-	-	(18,741)	-	-	(16,571)	(1,814)	(37,126)	(452)	(37,578)
Total comprehensive income/ (expense)	-	-	-	259,376	-	(2,511)	(16,571)	(1,814)	238,480	(7,318)	231,162
Dividends	-	-	-	(238,669)	-	-	-	-	(238,669)	(2,929)	(241,598)
Change in non-controlling interest percentage	-	-	-	(1,087)	-	-	-	-	(1,087)	(156)	(1,243)
Disposal of non-controlling interests	-	-	-	-	-	-	-	-	-	(44,266)	(44,266)
At 31 December 2014	772	76,788	51	100,072	35,360	(5,246)	(23,733)	1,705	185,769	21,566	207,335

CONSOLIDATED CASH FLOW
for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Cash flows from operating activities			
Operating profit from continuing operations		32,824	37,940
Operating (loss)/profit from discontinued operations	13	(19,119)	40,910
Increase in inventories		(3,385)	(700)
(Increase)/Decrease in accounts receivable		(12,862)	23,562
Increase in accounts payable less than one year		6,684	103,366
Increase/(Decrease) in accounts payable over one year		14,394	(1,744)
Movement in pensions		(6,956)	(6,003)
(Gain)/loss on sale of fixed assets		(259)	1,386
Depreciation and amortisation charges		17,846	19,873
Income tax paid		(6,275)	(26,733)
Net cash flow from operating activities		22,892	191,857
Cash flows used in investing activities			
Interest received		5,364	4,146
Proceeds from disposal of property, plant and equipment		757	1,623
Proceeds from disposal of intangible assets		1,574	488
Purchase of property, plant and equipment		(19,285)	(17,407)
Purchase of intangible assets		(7,933)	(3,898)
Acquisition of trade, assets and subsidiaries		(230)	(14,955)
Proceeds from disposal of subsidiary and associate, net of cash disposed		198,427	112
Net cash flows from /(used in) investing activities		178,674	(29,891)
Cash flows used in financing activities			
Interest paid		(9,139)	(11,139)
Interest element of finance leases		(41)	(74)
Payment of finance lease liabilities		(47)	(1,081)
Proceeds from borrowings		(250)	3,844
Dividends paid to equity holders of the parent		(238,669)	(67,299)
Payments to non-controlling interests		(2,929)	(23,981)
Net cash flows used in financing activities		(251,075)	(99,730)
Net (decrease)/increase in cash and cash equivalents		(49,509)	62,236
Net foreign exchange difference		(678)	(4,361)
Cash and cash equivalents at 1 January	18	102,925	45,050
Cash and cash equivalents at 31 December	18	52,738	102,925

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 2014 were authorised for issue in accordance with a resolution of the directors on 21st May 2015. 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 408 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 4, 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

Inventories (continued)

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 operated 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 re-measured 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.

As required 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

Pensions and other post-employment benefits (continued)

When the Group purchases qualifying insurance assets to settle certain liabilities of the defined benefit pension scheme such that the insurance company bears the risk of future changes in those liabilities under a "buy-in" arrangement, the difference between the fair value of qualifying insurance assets at the time of purchase and the fair value of the associated liabilities is recorded as a movement through other comprehensive income in the period. The asset value in respect of the buy-in contract is equal to the liability value booked in respect of the insured pensioners and these amounts have been shown as gross in benefit liability and pension plan assets within Note 15 to the financial statements.

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.

In respect of the Nature Publishing Journal programme, revenue relating to the granting of partner rights is recognised over the period for which the Group provides access services. Revenue relating to designing, creating, publishing, and hosting the journal on the journal website and providing the manuscript tracking system is recognised at the time of delivery of the programme to the partner.

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 Company has adopted the following new and amended IFRS and IFRIC standards and interpretations during the year, mandatory as at 1 January 2014 unless otherwise stated. Adoption of these revised standards and interpretations did not have any material impact on the Company's financial statements.

IAS 32 - Offsetting Financial Assets and Financial Liabilities – Amendments to IAS32
IAS 36 - Impairment of assets – Amendments to IAS 36
IAS 39 - Financial instruments – Amendment to IAS 39
IFRS10, IFRS12 and IAS 27 (revised) - Investment entities amendments
IFRIC 21 – Levies

Annual Improvements 2010-2012 Cycle

The IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Company.

Annual Improvements 2011-2013 Cycle

The IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Company, since the Company is an existing IFRS preparer.

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

Standard or interpretation	**Title**
Effective for annual periods beginning or after 1 July 2014	
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*
Effective from 1 January 2016	
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IFRS 11	*Joint Arrangements: Accounting for Acquisitions of Interests*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Effective from 1 January 2017	
IFRS 15	*Revenue from Contracts with Customers*
Effective from 1 January 2018	
IFRS 9	*Financial Instruments*

Annual Improvements 2010-2012 Cycle

IFRS 2 *Share-based Payment*, IFRS 3 *Business Combinations*, IFRS 8 *Operating Segments*, IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*, IAS 24 *Related Party Disclosures*

Annual Improvements 2011-2013 Cycle

IFRS 3 *Business Combinations*, IFRS 13 *Fair Value Measurement*, IAS 40 *Investment Property*

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Company'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 company 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.

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 2014 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:

		2014	2013
		£'000	£'000
Sales of goods		466,345	494,613
Rendering of services		123,884	124,509
Sales to external customers		590,229	619,122
Finance revenue		7,411	5,524
Total revenue		597,640	624,646

No revenue was derived from exchanges of goods or services (2013: £nil)

		By business division	
Primary:		**2014**	**2013**
Continuing operations		**£'000**	**£'000**
Science and Scholarly		223,259	232,205
Language Learning		155,675	160,637
Schools		61,482	70,576
International Higher Education		15,646	16,444
Macmillan Digital Science		2,887	1,130
Macmillan Digital Education		1,481	1,455
Other		15,828	21,206
International Trade		113,971	115,469
		590,229	619,122

		By destination	
Secondary:		**2014**	**2013**
		£'000	**£'000**
Continuing operations:			
Europe including UK		218,306	226,747
North America		87,229	91,711
Africa		37,867	50,431
Asia Pacific		146,533	148,421
Rest of the World		100,294	101,812
		590,229	619,122
Sales to related parties	23	4,122	758

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Revenues and expenses

Other income

	Note	2014 £'000	2013 £'000
Gain on disposal of property, plant and equipment		261	124
Gains from currency translation		-	5,511
Rental income		354	321
Income from related parties	23	711	1,291
Other		3,460	4,678
		4,786	11,925

Depreciation and amortisation expense

	Note	2014 £'000	2013 £'000
Depreciation of tangible fixed assets	10	(7,035)	(8,570)
Amortisation of intangible assets	11	(6,655)	(4,291)
Impairment of intangible assets	11	-	110
		(13,690)	(12,751)

Other expenses

	Note	2014 £'000	2013 £'000
Advertising and distribution expenses		(45,733)	(47,425)
Administration expenses		(70,288)	(96,300)
Rent and lease expenses		(15,148)	(16,123)
Expenses with related parties	23	(9,545)	(3,317)
Losses from currency translation		(2,769)	-
Other		(13,626)	(11,586)
		(157,109)	(174,751)

Finance revenue

	Note	2014 £'000	2013 £'000
Bank interest receivable		1,221	1,316
Interest receivable from related parties	23	4,633	3,846
Other interest income		1,557	362
Total finance revenue		7,411	5,524

Finance costs

	Note	2014 £'000	2013 £'000
Bank loans and overdrafts		(721)	(1,609)
Finance charges payable under finance leases and hire purchase contracts		(41)	(74)
Interest payable to related parties	23	(2,587)	(800)
Other interest expense		(106)	(751)
Total finance costs		(3,455)	(3,234)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Revenues and expenses (continued)

Group operating profit is stated after (charging)/crediting:

	Note	2014 £'000	2013 £'000
Changes in inventory reserve		(19,623)	(17,774)
Operating lease payments – minimum lease payments		(21,295)	(23,832)
Pension net benefit expense	15	(3,682)	(2,694)
Gains/(Loss) on sale of investments		268,878	(1,510)

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.

	2014 £'000	2013 £'000
Audit of the Group financial statements	(104)	(100)
Other fees to auditors:		
Local statutory audit for subsidiaries	(1,560)	(1,646)
Taxation services	(176)	(119)
Other services	(269)	(42)

6. Staff costs and Directors' emoluments

(a) Directors' emoluments

	2014 £'000	2013 £'000
Directors' emoluments	(3,857)	(5,626)

	2014 No.	2013 No.
Number of directors accruing benefits under:		
Defined benefit pension schemes	1	2
Defined contribution pension schemes	4	4

	2014 £'000	2013 £'000
Company contributions paid to defined contribution pension schemes	(60)	(44)

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

	2014 £'000	2013 £'000
Emoluments	(1,515)	(1,467)
Accrued pension at the year-end under defined benefit scheme	(64)	-
Company contributions paid to defined contribution pension schemes	(32)	(5)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Staff costs and Directors' emoluments (continued)

(b) Employee benefits expense, including directors

	2014 £'000	2013 £'000
Wages and salaries	(166,876)	(168,884)
Social security costs	(23,439)	(22,925)
Pension costs	(8,439)	(8,452)
Severance payments	(5,745)	(11,802)
	(204,499)	(212,063)

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

	2014 £'000	2013 £'000
For directors	60	44
For other staff	7,188	8,821
	7,248	8,865

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

	2014 No.	2013 No.
Europe including UK	2,164	2,191
North America	1,389	2,186
Africa	266	272
Asia Pacific	400	433
India	491	535
Rest of the World	965	924
	5,675	6,541

7. Taxation

(a) Tax on profit on ordinary activities

Tax charged in the income statement:

	2014 £'000	2013 £'000
Current income tax:		
Current income tax charge	(7,443)	(26,416)
Adjustments in respect of current income tax of previous years	681	(813)
Total current income tax	(6,762)	(27,229)
Deferred tax:		
Relating to origination and reversal of temporary differences	(529)	2,903
Relating to change in tax rates	(125)	(129)
Total deferred income tax	(754)	2,774
Tax charged in the income statement	(7,516)	(24,455)
Attributable to continuing operations	(13,952)	(15,991)
Attributable to discontinued operations	6,436	(8,464)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Taxation (continued)

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

	2014 £'000	2013 £'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	(488)	(1,066)
Tax on reversal of 2013/ 2012 gain on cash flow hedges	986	571
Tax on net loss on hedge of net investment	926	1,776
	1,424	1,281
Tax relating to the components of other comprehensive income that will have no future impact on the income statement:		
Tax on actuarial losses/(gains)	5,417	(1,897)
	6,841	(616)

(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 2014 and 2013 is as follows:

	2014 £'000	Restated 2013 £'000
Profit from continuing operations before taxation	302,919	37,620
Profit from discontinued operations before taxation	(24,154)	34,346
Total profits before taxation	278,765	71,966
At UK standard income tax rate of 21.5% (2013: 23.25%)	59,934	16,732
Income not subject to corporation tax	(71,666)	(49)
Foreign subsidiaries subject to higher tax rate	10,109	4,995
Foreign subsidiaries subject to lower tax rate	(323)	(675)
Expenses not deductible for tax purposes	3,670	1,296
Changes in temporary differences	(2,016)	68
Changes in tax losses carry forward	1,486	6,776
Adjustment in respect of prior year	(649)	1,088
Tax loss carry forward used not previously recognised	(112)	(5,303)
Other	7,083	(473)
At effective income tax rate of 3% (2013: 34%)	7,516	24,455

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 and unused tax credits

The Group has tax losses and unused tax credits of approximately £837,000 (2013: £31,000) that are available 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.

7. Taxation (continued)

(d) Deferred income tax

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

	2014 £'000	2013 £'000
Deferred tax asset		
Depreciation in excess of capital allowances	2,764	2,050
Inventory valuation	784	8,542
Sales returns and allowances	1,254	7,562
Defined benefit pension schemes	12,371	10,885
Other timing differences	5,555	1,935
Deferred tax asset	22,728	30,974
Deferred tax liability		
Accelerated capital allowances	893	957
Inventory valuation	-	12
Sales returns and allowances	(295)	(297)
Other timing differences	2,316	2,731
Deferred tax liability	2,914	3,403

Temporary timing differences in relation to non-deductible stock and credit note provisions amounting to £nil (2013: £2,793,000) 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:

	2014 £'000	2013 £'000
Deferred tax in the income statement		
Depreciation in excess of capital allowances	277	2,912
Inventory valuation	83	88
Sales returns and allowances	(2,602)	2,065
Other timing differences	1,488	(2,291)
Deferred income tax (charge)/credit	(754)	2,774

8. Profit attributable to members of the Parent Company

The profit dealt with in the financial statements of the Parent Company is £49,868,000 (2013: £91,755,000).

9. Dividends paid

	2014 £'000	2013 £'000
Declared and paid during the year:		
Equity dividends on ordinary shares:		
Interim dividend for 2014: £309.01 per share (2013: £87.13 per share)	238,669	67,299

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Property, plant and equipment

31 December 2014	Land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2014	66,443	75,057	141,500
Exchange adjustment	179	(608)	(429)
Additions	10,346	9,296	19,642
Disposals	(1,509)	(5,087)	(6,596)
Disposal of subsidiary (Note 13)	(23,133)	(23,130)	(46,263)
At 31 December 2014	52,326	55,528	107,854
Accumulated depreciation			
At 1 January 2014	33,170	58,531	91,701
Exchange adjustment	180	(457)	(277)
Charge for year – continuing operations	2,575	4,460	7,035
Charge for year – discontinued operations	741	1,933	2,674
Disposals	(1,507)	(4,229)	(5,736)
Disposal of subsidiary (Note 13)	(16,711)	(19,314)	(36,025)
At 31 December 2014	18,448	40,924	59,372
Net book value			
At 31 December 2014	33,878	14,604	48,482
At 31 December 2013	33,273	16,526	49,799

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 31 December 2014 is £445,000 (2013: £473,000). Additions during the year include £239,000 (2013: £167,000) 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 (2013: £nil).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Intangible assets

31 December 2014	Development costs £'000	Trade names £'000	Publishing rights £'000	Other rights £'000	Goodwill £'000	Total £'000
Cost						
At 1 January 2014	31,525	16,430	88,638	2,619	46,908	186,120
Exchange adjustment	(98)	(512)	44	8	(177)	(735)
Additions	6,656	-	-	-	-	6,656
Reclassifications	(645)	-	645	-	-	-
Disposals	(374)	(32)	(2,488)	(2,262)	(1,570)	(6,726)
Disposal of subsidiary (Note 13)	(15,978)	(6,624)	(29,319)	(164)	(23,425)	(75,510)
At 31 December 2014	21,086	9,262	57,520	201	21,736	109,805
Accumulated amortisation						
At 1 January 2014	14,082	11,159	56,453	2,417	3,026	87,137
Exchange adjustment	(118)	(85)	(72)	5	-	(270)
Charge for the year – continuing operations	3,422	463	2,750	20	-	6,655
Charge for the year – discontinued operations	-	222	1,241	19	-	1,482
Reclassifications	(99)	-	99	-	-	-
Disposals	(374)	(32)	(2,488)	(2,262)	-	(5,156)
Disposal of subsidiary (Note 13)	(6,803)	(5,292)	(9,894)	(59)	-	(22,048)
At 31 December 2014	10,110	6,435	48,089	140	3,026	67,800
Net book value						
At 31 December 2014	10,976	2,827	9,431	61	18,710	42,005
At 31 December 2013	17,443	5,271	32,185	202	43,882	98,983

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 2014	2013
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%	44.90%
Relay Technology Management Inc.	USA	Ordinary	47.30%	47.30%
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%	20.00%
Veduca Limited	BVI	Ordinary	16.25%	14.11%
Ediciones Bilingues SL	Spain	Ordinary	50.00%	50.00%
Writelatex Limited	England and Wales	Preference	15.90%	-

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 principal activity of Writelatex Limited is providing an online solution for collaboration in the writing of scientific journals.

The following tables illustrate summarised information of the investment in associates:

	2014	2013
	£'000	£'000
Stockton Press Educational Publishers B.V.:		
Share of associate's balance sheet:		
Current assets	55	143
Non-current assets	-	48
Current liabilities	(10)	(34)
Carrying value of investment	45	157
Share of associate's revenue	96	66
Share of associate's profit	28	16

During 2014, Stockton Press Educational Publishers B.V. paid a dividend of £140,000 to the Group.

	2014	2013
College Press Publishers (Pvt) Limited:		
Share of associate's balance sheet:		
Current assets	238	210
Non-current assets	113	71
Current liabilities	(623)	(305)
Non-current liabilities	(81)	(148)
Carrying value of investment	(353)	(172)
Share of associate's revenue	692	1,913
Share of associate's loss	(161)	(320)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Investment in associates (continued)

Research Applications and Financial Tracking Inc.:	**2014 £'000**	**2013 £'000**
Share of associate's balance sheet:		
Current assets	163	163
Non-current assets	3	4
Current liabilities	(139)	(74)
Non-current liabilities	(383)	-
Net assets	(356)	93
Intangible arising on acquisition	875	912
Carrying value of investment	519	1,005
Share of associate's revenue	245	125
Share of associate's loss	(424)	(304)

Relay Technology Management Inc.	**2014 £'000**	**2013 £'000**
Share of associate's balance sheet:		
Current assets	162	152
Non-current assets	368	347
Current liabilities	(219)	(206)
Non-current liabilities	(121)	(114)
Net assets	190	179
Intangible arising on acquisition	1,018	959
	1,208	1,138
Impairment of investment	(1,208)	(1,138)
Carrying value of investment	-	-
Share of associate's revenue	-	18
Share of associate's loss	-	-
Impairment of investment	-	(1,138)

The investment in Relay Technology Management Inc. was fully impaired as at 31 December 2013. The impairment amount was included within "other expenses" in the consolidated statement of comprehensive income for the year ended 31 December 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Investment in associates (continued)

	2014 £'000	2013 £'000
Beijing Macmillan Century Consulting & Service Co Limited		
Share of associate's balance sheet:		
Current assets	184	143
Non-current assets	1	1
Current liabilities	(2)	(1)
Net assets	183	143
Intangible arising on acquisition	25	43
Carrying value of investment	208	186
Share of associate's revenue	791	402
Share of associate's loss	10	(53)

	2014 £'000	2013 £'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
Carrying value of investment	-	43,337
Share of associate's revenue	2,750	3,192
Share of associate's loss	(1,955)	(1,367)

On 5 October 2014, the Group disposed of its 51% holding in Frontiers Media S.A. 21% was resold to Frontier Media S.A., with the remaining 30% sold to Holtzbrinck Publishing Investments Limited, a related party. The Group received consideration of cash and amounts due of £11,633,000. In addition, the Group was relieved of its obligation to pay deferred consideration of £31,420,000 which was given in connection with its initial investment in the associate in 2013. The profit on disposal was £3,558,000. This represents the difference between the investment written off at the date of the sale and the consideration received / payable forgiven.

Frontiers Media S.A. had been treated as an associate as the Group could not exercise control over the entity as the 49% minority shareholders had rights that resulted in active participation in all decisions relating to the company. Those decisions required unanimous consent of all shareholders and hence the Group did not have control.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Investment in associates (continued)

	2014 £'000	2013 £'000
Easy-Aula Educacao E Servicos De Informatica S.A.		
Share of associate's balance sheet:		
Current assets	11	11
Non-current assets	1	1
Current liabilities	(21)	(1)
Net (liabilities)/assets	(9)	11
Intangible arising on acquisition	185	167
Carrying value of investment	176	178
Share of associate's revenue	-	1
Share of associate's loss	(4)	(26)

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

	2014 £'000	2013 £'000
Veduca Limited		
Share of associate's balance sheet:		
Current assets	106	10
Non-current assets	(70)	-
Non-current liabilities	(86)	(83)
Net liabilities	(50)	(73)
Intangible arising on acquisition	326	311
Carrying value of investment	276	238
Share of associate's revenue	-	5
Share of associate's loss	(127)	(83)

On 9 July 2014, convertible loans valued at £152,000 were converted to equity thereby increasing the Group's shareholding from 14.11% to 16.25%. A further intangible asset of £32,000 arose upon the increase in the shareholding.

The initial investment in Veduca Limited was made on 17 February 2013 for a consideration of £311,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Investment in associates (continued)

	2014 £'000	2013 £'000
Ediciones Bilingues SL		
Share of associate's balance sheet:		
Current assets	881	368
Non-current assets	3	-
Current liabilities	(721)	(345)
Non-current liabilities	(6)	-
Net assets	157	23
Intangible arising on acquisition	-	-
	157	23
Share of associate's revenue	1,350	379
Share of associate's profit/ (loss)	141	(148)

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

	2014 £'000
Writelatex Limited:	
Share of associate's balance sheet:	
Current assets	17
Non-current assets	-
Current liabilities	(4)
Net assets	13
Intangible arising on acquisition	168
Carrying value of investment	181
Share of associate's revenue	5
Share of associate's loss	(19)

The investment in Writelatex Limited was made on 11 July 2014 for a consideration of £200,000.

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.

Disposals in 2014:

On 30 June 2014, the Group sold its entire shareholding in Macmillan Publishers Inc., a 66% owned subsidiary of the Group, to Georg von Holtzbrinck Internationale Medienbeteiligungen GmbH, a related party. The sale proceeds were £208,426,000.

The value of the assets disposed of was as follows:

	Carrying Value £'000
Intangible assets	53,462
Tangible assets	10,238
Deferred tax asset	9,249
Cash	10,964
Other current assets	253,504
Current liabilities	(136,827)
Non-current liabilities	(203,874)
Non-controlling interest	(44,267)
Net liabilities disposed	(47,551)
Consideration received	
Cash	208,426
Net consideration less net liabilities disposed	255,977
Goodwill written off	(1,571)
Cumulative exchange differences recycled to profit and loss	10,827
Other	87
Profit on disposal	265,320

With Macmillan Publishers Inc. being classified as discontinued operations, US Higher Education and Macmillan New Ventures segments are no longer presented in the segmental analysis. The results of Macmillan Publishers Inc. for the year are presented below:

	Note	**2014 £'000**	**2013 £'000**
Revenue		172,927	477,516
Expenses		(192,046)	(436,606)
Operating (loss)/profit		(19,119)	40,910
Finance revenue		3	42
Finance costs		(5,038)	(6,606)
(Loss)/Profit before tax from discontinued operations		(24,154)	34,346
Tax credit/(expense)	7	6,436	(8,464)
(Loss)/Profit for the year from discontinued operations		(17,718)	25,882
(Loss)/Profit for attributable to:			
HM Publishers Holdings Limited		(10,554)	13,702
Non-controlling interest		(7,164)	12,180

13. Business combinations (continued)

The net cash flows incurred by Macmillan Publishers Inc. are as follows:

	2014 £'000	2013 £'000
Operating	(28,279)	44,036
Investing	(2,440)	(5,803)
Financing	(7,622)	(10,767)
Net cash (outflow)/inflow	(38,341)	27,466

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.

This company was disposed of on 30 June 2014 as part of the sale of Macmillan Publishers Inc. as described above.

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 Limited, 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.

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. During the year, the Group reorganised its business divisions and corresponding cash-generating units to be more in accordance with how senior management currently manages the Group. The main cash-generating units during 2014 to which goodwill has been allocated are as follows:

Language Learning
Schools
International Trade
Macmillan Digital Science

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.

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

	2014 £000	2013 £000
Language Learning	9,644	9,901
Schools	4,724	4,652
International Trade	3,072	12,447
Macmillan Digital Science	1,270	1,239
US Higher Education	-	11,498
Macmillan New Ventures	-	4,145
Total	18,710	43,882

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 for 2014 are shown below. Discount rates for 2013 are not disclosed as the impairment testing of goodwill was performed using different cash generating units and are therefore not comparable.

	Discount rate 2014
Language Learning	8.3%
Schools	8.3%
Macmillan Digital Science	10.6%
International Trade	8.4%

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 one main defined benefit pension plans which operates in the United Kingdom. The plan is a final salary scheme and requires contributions to be made to separately administered funds. The plan was closed to new entrants in 1995. In conjunction with the sale of Macmillan Publishers Inc., as described in Note 13, the Group's largest US defined benefit plan was disposed in 2014.

The UK 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.

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

The UK 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.

	UK Plan		Pension Plans US and other non-UK Plans		Total	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Employee benefits expense:						
Service cost	(343)	(428)	(542)	(343)	(885)	(771)
Effect of curtailment of benefits	-	-	(22)	1,130	(22)	1,130
Net interest – continuing operations	(2,719)	(2,728)	(20)	(65)	(2,739)	(2,793)
Net interest – discontinued operations	-	-	(36)	(260)	(36)	(260)
Net benefit expense	(3,062)	(3,156)	(620)	462	(3,682)	(2,694)
Benefit (liability):						
Present value of defined benefit obligation	(229,355)	(208,117)	(7,286)	(21,056)	(236,641)	(229,173)
Plan assets:						
Equities	-	-	1,912	12,000	1,912	12,000
Debt	65,194	85,624	3,227	6,260	68,421	91,884
Properties	7,375	6,147	-	-	7,375	6,147
Cash	2,658	5,336	172	176	2,830	5,512
Target return funds	34,184	45,345	-	-	34,184	45,345
Buy-in contracts	39,760	-	-		39,760	
Other	-	-	414	510	414	510
Fair value of plan assets	149,171	142,452	5,725	18,946	154,896	161,398
Benefit (liability)	(80,184)	(65,665)	(1,561)	(2,110)	(81,745)	(67,775)
Pension asset					248	291
Defined benefit pension deficit					(81,993)	(68,066)
Net pension liability					(81,745)	(67,775)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Employment benefits (continued)

During the year ended 31 December 2014, the Group purchased qualifying insurance assets to settle certain liabilities of the defined benefit pension scheme such that the insurance company bears the risk of future changes in those liabilities under a "buy-in" arrangement. The difference between the fair value of qualifying insurance assets at the time of purchase and the fair value of the associated liabilities has been recorded as a movement through other comprehensive income in the period. The asset value in respect of the buy-in contract is equal to the liability value booked in respect of the insured pensioners and these amounts have been shown as gross in benefit liability and pension plan assets within this note to the financial statements.

Movement in the benefit (liability) during the years to 31 December 2014 and 2013 is as follows:

	UK Plan		US and other non-UK Plans		Total	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
At 1 January	(65,665)	(65,373)	(2,110)	(9,524)	(67,775)	(74,897)
Net benefit expense	(3,062)	(3,156)	(620)	462	(3,682)	(2,694)
Re-measurement gains /(losses) in other comprehensive income:-						
Return on plan assets (excluding amounts shown in net interest expense)	(2,535)	(3,191)	(1,838)	5,227	(4,373)	2,036
Actuarial changes arising from changes in demographic assumptions	6,711	-	14	92	6,725	92
Actuarial changes arising from changes in financial assumptions	(26,072)	(2,510)	(438)	386	(26,510)	(2,124)
	(21,896)	(5,701)	(2,262)	5,705	(24,158)	4
Contributions	10,438	8,565	288	300	10,726	8,865
Disposal of subsidiary	-	-	3,251	-	3,251	-
Foreign exchange movement	-	-	(107)	947	(107)	947
	(80,185)	(65,665)	(1,560)	(2,110)	(81,745)	(67,775)

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	
	2014 %	2013 %	2014 %	2013 %
Discount rate	3.75	4.50	-	4.5 - 5.1
Future salary increases	3.65	3.95	-	-
Future pension increases				
- For service 1 March 1997 to 5 April 2005	3.65	3.75		
- For all other periods of service	3.00	3.00		
Inflation	3.15	3.45		

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	
	2014 Years	2013 Years
Current pensioners at 65 – male	22.7	23.5
Current pensioners at 65 – female	23.8	24.7
Future pensioners at 65 – male	24.3	25.2
Future pensioners at 65 – female	25.7	26.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Employment benefits (continued)

A quantitative sensitivity analysis for significant assumptions as at 31 December 2014 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	22,300	3,000	7,000	6,500

The sensitivity analysis above (performed on the UK only as the most material plan) has 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 2013) 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 2014 is 18 years. The Group expects to contribute approximately £6,500,000 to the main pension plan in 2015.

In 2013, 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 19 years and will assist the Group in reducing the pension scheme deficit.

16. Inventories

	2014	2013
	£'000	£'000
Raw materials	5,824	7,506
Work-in-progress	15,136	57,607
Finished goods	35,091	67,346
	56,051	132,459

During 2014 inventories of £75,759,000 (2013: £119,522,000) were recognised as an expense through the income statement.

17. Trade and other receivables

	Note	2014	2013
Current		£'000	£'000
Trade receivables		209,234	295,704
Author advances		22,844	88,297
Prepayments		3,155	10,444
Receivables from associates		1,852	631
Other related parties	23	121,057	129,080
Other debtors		38,944	38,716
		397,086	562,872
Non-current			
Receivables from other related parties	23	33,000	33,000
Other debtors		43	41
		33,043	33,041

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Trade and other receivables (continued)

As at 31 December 2014, trade receivables at nominal value of £17,116,000 (2013: £18,531,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2014	2013
	£'000	£'000
At 1 January	(18,531)	(20,509)
Currency translation	284	1,017
Charge for the year	(6,081)	(3,368)
Utilised	5,239	2,241
Unused amounts reversed	1,973	2,088
At 31 December	(17,116)	(18,531)

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

		Not past due	Past due, but not impaired			
			<60	60-180	180-360	>360
	Total	Current	Days	Days	Days	Days
	£'000	£'000	£'000	£'000	£'000	£'000
2014	209,234	158,584	31,630	15,700	1,700	1,620
2013	295,704	240,612	38,514	7,449	4,119	5,010

18. Cash and cash equivalents

	2014	2013
	£'000	£'000
Cash at bank and in hand	35,335	91,708
Short-term deposits	19,526	14,147
	54,861	105,855

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 £54,861,000 (2013: £105,855,000).

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

	Note	2014	2013
		£'000	£'000
Cash at bank and in hand		35,335	91,708
Short-term deposits		19,526	14,147
Bank overdrafts and loans	20	(2,123)	(2,930)
		52,738	102,925

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Issued share capital and reserves

Allotted, called up and fully paid:	**Number**	**£'000**
31 December 2014		
Ordinary shares of £1 each		
At 1 January and 31 December 2014	772,376	772
31 December 2013		
Ordinary shares of £1 each		
At 1 January and 31 December 2013	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 %	2014 £'000	2013 £'000
Current			
Obligations under finance leases and hire purchase contracts (note 22)	5.30 to 10.09	172	256
Bank overdrafts		2,123	2,930
		2,295	3,186
Non-current			
Obligations under finance leases and hire purchase contracts (note 22)	5.30 to 10.09	277	254
Private placement loan		-	75,566
		277	75,820

21. Trade and other payables

Current	Note	2014 £'000	2013 £'000
Trade payables		32,205	66,158
Royalties payable		28,905	71,615
Other payables and accruals		109,445	130,577
Deferred income		101,516	113,262
Other related parties	23	55,784	195,079
		327,855	576,691
Non-current			
Other payables		9,517	41,358
Deferred income		3,132	7,247
Other related parties	23	4,081	-
Payables with associates		-	265
		16,730	48,870

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:

	2014	2013
	£'000	£'000
Within one year	13,693	23,289
After one year but not more than five years	28,509	63,041
More than five years	29,253	21,007
	71,455	107,337

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:

	2014	2013
	£'000	£'000
Within one year	354	370
After one year but not more than five years	-	466
	354	836

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:

	2014		2013	
	Minimum Payments	Present Value of Payments	Minimum Payments	Present Value of Payments
	£'000	£'000	£'000	£'000
Within one year	176	172	256	256
After one year but not more than five years	293	277	259	254
Total minimum lease payments	469	449	515	510
Less amounts representing finance charges	(20)	-	(5)	-
Present value of minimum lease payments	449	449	510	510

Capital commitments
At 31 December 2014, the Group has no commitments contracted for but not provided in the financial statements (2013: £nil).

Contingent liabilities
At the 31 December 2014, the Group had other guarantees of £13,116,000 (2013: £5,551,000) relating to various subsidiaries.

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 2014	2013
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%	100.00%
Macmillan Scottish Limited Partnership	2	Scotland	Ordinary	100.00%	100.00%
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%
E-Education SDC Srl		Romania	Ordinary	99.07%	99.07%
College Press Netherlands B.V.		Netherlands	Ordinary	100.00%	100.00%
Macmillan Publishers Inc.	3	USA	Ordinary	-	100.00%
SMP (1952), Inc.	3	USA	Ordinary	-	100.00%
Macmillan Holdings, LLC	3	USA	Ordinary	-	66.00%
Henry Holt and Company, LLC	3	USA	Ordinary	-	66.00%
St Martin's Press, LLC	3	USA	Ordinary	-	66.00%
Bedford, Freeman & Worth Publishing Group, LLC	3	USA	Ordinary	-	66.00%
Tom Doherty Associates, LLC	3	USA	Ordinary	-	66.00%
Farrar, Straus & Giroux, LLC	3	USA	Ordinary	-	66.00%
Holtzbrinck Publishers, LLC	3	USA	Ordinary	-	66.00%
Hayden-McNeil, LLC	3	USA	Ordinary	-	66.00%
EBI MAP-Works LLC	3	USA	Ordinary	-	66.00%
Late Nite Labs LLC	3	USA	Ordinary	-	66.00%
Nature America, Inc.		USA	Ordinary	100.00%	100.00%
Macmillan Academic Publishing 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%	56.61%
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	4	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%
Macmillan Publishers Australia Proprietary 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%	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 2014	2013
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 5	India	Ordinary	-	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%

Notes

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 During the year, the Company disposed of its interest in Macmillan Publishers Inc. and its related subsidiaries for a cash consideration of £208,426,000 - see note 13 to the consolidated financial statements.

4 The 25% minority held in the South African entity relates to obligations under the black economic empowerment rules in South Africa.

5 Frank Brothers and Company (Publishers) Limited was merged into Macmillan Publishers India Limited in February 2014.

The Company's immediate parent undertaking is Holtzbrinck Publishers Holdings Limited. Copies of the financial statements for Holtzbrinck Publishers Holdings Limited are available from Companies House, Crown Way, Cardiff.

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

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

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							
	2014	-	(167)	40	(26)	13,227	4,081
	2013	-	(92)	149	(67)	18,233	-
GvHVermögensverwaltungsgesellschaft XXXIII mbH							
	2014	-	-	-	-	-	-
	2013	-	-	-	-	-	66,499
Immediate holding company:							
Holtzbrinck Publishers Holdings Limited							
	2014	523	-	3,937	(243)	128,309	52,074
	2013	1,200	-	2,241	(330)	143,465	88,889
Associate:							
Stockton Press Educational Publishers B.V.							
	2014	-	-	-	-	-	-
	2013	-	(80)	-	-	-	305
Fellow undertakings:							
Verlagsgruppe Georg von Holtzbrinck GmbH							
	2014	-	-	2	(2,240)	-	-
	2013	-	-	35	(194)	-	-
Holtzbrinck Publishers Holdings LP							
	2014	30	(1,362)	-	(78)	-	1,434
	2013	90	(570)	-	(209)	-	39,262
Verlagsgruppe Droemer GmbH & Co. KG							
	2014	520	-	-	-	185	-
	2013	417	-	-	-	171	-
Holtzbrinck Publishing Investments Limited							
	2014	-	-	87	-	10,459	-
	2013	-	-	-	-	-	-
Spektrum der Wissenschaft Verlagsgesellschaft mbH							
	2014	265	(171)	-	-	148	70
	2013	265	(112)	-	-	88	109
Devbliss GMBH							
	2014	-	(2,635)	-	-	-	-
	2013	-	(2,044)	-	-	-	15
Prensa Clientifica S.A.							
	2014	72	-	-	-	19	-
	2013	77	-	-	-	123	-
Macmillan Publishing LLC							
	2014	3,328	(5,210)	567	-	1,710	2,206
	2013	-	(419)	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Related party disclosures (continued)

Fellow undertakings (continued):

		Income from related parties	Expenses with related parties	Interest received from related parties	Interest paid to related parties	Amounts owed by related parties	Amounts owed to related parties
Spektrum TV GmbH							
	2014	95	-	-	-	-	-
	2013	-	-	-	-	-	-
Total:							
	2014	4,833	(9,545)	4,633	(2,587)	154,057	59,865
	2013	2,049	(3,317)	2,425	(800)	162,080	195,079

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.

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 2014, the Group has not raised any provision for doubtful debts relating to amounts owed by related parties as the payment history has been excellent (2013: £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

Before 5 May 2015

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 Vermögensverwaltungsgesellschaft XXXIII mbH, the immediate holding company of Holtzbrinck Publishers Holdings Limited (2013: 100%). Both of these entities are incorporated in Germany, the registered address of both entities is Gänsheidestrasse 26, 70184 Stuttgart, Germany.
In connection with the 2015 merger of Springer Science+Business Media and Holtzbrinck-owned Macmillan Science and Education as described in Note 26 to the financial statements, the immediate holding company of Holtzbrinck Publishers Holdings Limited changed on 15 April 2015 to MSE Beteiligungen GmbH. Until 5 May 2015, MSE Beteiligungen GmbH was a 100% owned subsidiary of GvH Vermögensverwaltungsgesellschaft XXXIII mbH.

After 5 May 2015

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 Vermögensverwaltungsgesellschaft XXXIII mbH, that holds a 53% share in Springer SBM Zero GmbH (Germany). Through 100% owned subsidiaries Springer SBM Zero GmbH (Germany) holds 100% of the ordinary shares in MSE Beteiligungen GmbH.

Springer Science+Business Media GP Acquisition S.C.A (Luxembourg)
Springer Science+Business Media GP Acquisition S.C.A, is incorporated in Luxembourg, the registered address is 29 Avenue de la Porte-Neuve L-2227 Luxembourg, Luxembourg. Springer Science+Business Media GP Acquisition S.C.A (Luxembourg) is a partnership limited by shares, the general partner is Springer Science+Business Media GP S.à.r.l. (Luxembourg). The shares in Science+Business Media GP Acquisition S.C.A (Luxembourg) are held by funds that are advised by BC Partners Limited, EQT Partners AB and GIC (Singapur Government Fund) and by investment companies that hold shares of the management. Springer Science+Business Media GP Acquisition S.C.A holds a 47% share in Springer SBM Zero GmbH (Germany). Through 100% owned subsidiaries Springer SBM Zero GmbH (Germany) holds 100% of the ordinary shares in MSE Beteiligungen GmbH.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Related party disclosures (continued)

Immediate Holding company
Holtzbrinck Publishers Holdings Limited
Holtzbrinck Publishers Holdings Limited owns 100% of the ordinary shares in HM Publishers Holdings Limited (2013: 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. (2013: 40.00%).

College Press Publishers (Pvt) Limited
The Group has a 48.91% interest in College Press Publishers (Pvt) Limited (2013: 48.91%).

Research Applications and Financial Tracking Inc
The Group has a 44.9% interest in Research Applications and Financial Tracking Inc. (2013: 44.9%)

Relay Technology Management LLC
The Group has a 47.3% interest in Relay Technology Management LLC (2013: 47.3%)

Beijing Macmillan Century Consulting & Service Co Limited
The Group has a 50% interest in Beijing Macmillan Century Consulting & Service Co Limited (2013: 50%)

Easy-Aula Educacao E Servicos Informatica S.A.
The Group has a 20% interest in Easy-Aula Educacao E Servicos Informatica S.A. (2013: 20%)

Veduca Limited
The Group has a 16.25% interest in Veduca Limited (2013:14.11%)

Ediciones Bilingues SL.
The Group has a 50% interest in Ediciones Bilingues SL (2013:50%)

Writelatex Limited
The Group has a 15.90% in Writelatex Limited (2013: nil)

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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Financial risk management objectives and policies (continued)

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. Until its disposal on 30 June 2014, the balance sheet hedging transactions with regard to Macmillan Publishers Inc. and its subsidiary companies in the United States were 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 Group does not consider that its sensitivity to a reasonably possible change in the exchange rates of the foreign currencies to which it is exposed would give rise to a material change in its profit before tax or equity.

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 Group's ultimate holding company is available to provide any necessary long-term funding to the Group. At 31 December 2014, the Group holds a net receivable from the ultimate holding company.

Banking facilities at the level of the Group and its subsidiaries are arranged mainly by means of uncommitted credit facilities in order to manage the Group's working capital funding requirements.

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.

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-term credit facilities with its banks to fund forecast working capital requirements.

24. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2014 and 2013 based on contractual undiscounted payments. Interest on overdrafts is variable and has therefore been excluded from the balances.

Year ended 31 December 2014	**Within 1 Year**	**1 to 5 Years**	**More than 5 Years**	**Total**
Non-derivative financial liabilities				
Finance leases and hire purchase	176	293	-	469
Overdraft	2,123	-	-	2,123
Guarantees	13,116	-	-	13,116
Trade and other payables	226,339	13,598	-	239,937
Total	241,754	13,891	-	255,645

Year ended 31 December 2013				
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

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**	
	2014	**2013**	**2014**	**2013**
	£'000	**£'000**	**£'000**	**£'000**
Financial liabilities				
Fixed rate borrowings				
Prudential Insurance company of America				
5.562% Senior notes	-	75,556	-	76,246

The fair values at 31 December 2013 were 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Financial Instruments (continued)

Fair values (continued)

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.

Hedging activities

Cash flow hedges

Recognised through equity
At 31 December 2014, 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 2014 have been recognised through equity in the current year and will be recognised through the income statement in 2015.

	Currency amount 000's	Maturity dates	Foreign exchange rate	Fair value 2014 £'000	Gain/(loss) recognised through equity £'000
Sell currency/ buy Sterling					
South African Rand	49,000	Jan-Aug 2015	18.36	2,719	(20)
Japanese Yen	2,665,000	Feb-Jun 2015	170.28	14,293	1,344
Australian Dollars	7,976	Jan-Oct 2015	1.85	4,190	150
Buy currency/ sell Sterling					
Hong Kong Dollars	111,000	Jan-Dec 2015	12.47	9,181	284
Total					1,758

At 31 December 2014 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 2015. The gains on these contracts measured as the difference between the original forward deal rate and the corresponding forward deal rate at 31 December 2014 have been recognised through equity in the current year and will be recognised through the income statement in 2015.

	Currency amount 000's	Maturity dates	Foreign exchange Rate	Fair value 2014 £'000	Gain recognised through equity £'000
Sell currency/ buy Sterling					
Euro	55,000	Jan-Dec 2015	1.23	42,838	1,762
US Dollars	20,000	Feb-Dec 2015	1.67	12,831	(1,247)
Total					515

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Financial Instruments (continued)

Recognised through income statement

During the year ended 31 December 2014 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 2013 £'000	Gain/ (loss) recognised through income statement £'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
Euro	55,000	Jan – Dec 2014	1.20	45,852	918
US Dollars	25,000	Feb – Dec 2014	1.65	15,113	1,150
Buy currency/ sell Sterling					
Hong Kong Dollars	183,000	Jan – Dec 2014	12.83	14,268	(656)
					4,585

26. Post balance sheet event

On 15 January, 2015 Holtzbrinck Publishing Group (Holtzbrinck) and BC Partners (BCP) announced that they had reached an agreement to merge Springer Science+Business Media (owned by funds advised by BCP) in its entirety with the majority of Holtzbrinck-owned Macmillan Science and Education, namely the Science and Scholarly division including Nature Publishing Group and Palgrave Macmillan, and the global businesses of Macmillan Education including the Language Learning, Schools, and International Higher Education divisions. These divisions made up 61% of Group revenue in 2014.

The Macmillan Digital Science, Macmillan Digital Education and International Trade businesses are not part of the merger. During the first quarter of 2015 the Group has entered into agreements to sell these businesses at market value to holding companies that will remain 100% owned by Holtzbrinck.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014

ASSETS	Note	2014 £'000	2013 £'000
Non-current assets			
Property	30	15,326	16,686
Investment in subsidiaries	31	43,879	43,879
Other non-current assets	32	-	33,000
		59,205	93,565
Current assets			
Trade and other receivables	32	117,123	338,163
Cash and cash equivalents	33	40	84
Income tax receivable		12,441	12,560
		129,604	350,807
TOTAL ASSETS		188,809	444,372
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	34	772	772
Share premium		76,788	76,788
Capital redemption reserve		48	48
Retained earnings		15,161	203,961
TOTAL EQUITY		92,769	281,569
Non-current liabilities			
Deferred income tax liabilities	28	751	834
Other non-current liabilities	35	-	33,000
Current liabilities			
Trade and other payables	35	95,289	128,969
TOTAL LIABILITIES		96,040	162,803
TOTAL EQUITY AND LIABILITIES		188,809	444,372

These financial statements were approved by the Board of Directors on 21st May 2015.

Signed on behalf of the Board of Directors.

D. G. Knight

D Knight
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014

		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 2013		772	76,788	48	179,505	257,113
Profit for the year		-	-	-	91,755	91,755
Equity dividends	29	-	-	-	(67,299)	(67,299)
At 31 December 2013		772	76,788	48	203,961	281,569
Profit for the year		-	-	-	49,868	49,868
Equity dividends	29	-	-	-	(238,668)	(238,668)
At 31 December 2014		772	76,788	48	15,161	92,769

CASH FLOW
for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Cash flows from operating activities			
Operating profit/ (loss)		2,138	(135)
Decrease/ (increase) in accounts receivable		221,054	(166,770)
(Decrease)/ increase in accounts payable less than one year		(33,694)	118,815
Increase in accounts payable greater than one year		-	33,000
Depreciation charges		1,360	1,319
Income tax paid		(278)	(4,732)
Net cash flow from (used in) operating activities		190,580	(18,503)
Cash flows from investing activities			
Interest received		1,034	1,681
Dividends received from subsidiaries		50,000	92,299
Investment in subsidiary		-	(6,169)
Net cash flows from investing activities		51,034	87,811
Cash flows used in financing activities			
Interest paid		(2,990)	(1,966)
Dividends paid to equity holders of the parent		(238,668)	(67,299)
Net cash flows used in financing activities		(241,658)	(69,265)
Net (decrease)/ increase in cash and cash equivalents		(44)	43
Cash and cash equivalents at 1 January	33	84	41
Cash and cash equivalents at 31 December	33	40	84

NOTES TO THE FINANCIAL STATEMENTS

27. Staff costs and Directors' emoluments

The Company does not employ any staff or directors in its own right. Directors' remuneration is paid by another Group company. The fair value of the services provided to the Company cannot be reasonably estimated and are therefore not disclosed.

28. Deferred Tax

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

	2014 £'000	2013 £'000
Deferred tax liability		
Accelerated capital allowances	751	834

29. Dividends paid

	2014 £'000	2013 £'000
Declared and paid during the year:		
Equity dividends on ordinary shares:		
Interim dividend for 2014: £309.01 per share (2013: £87.13 per share)	238,668	67,299

30. Property, plant and equipment

31 December 2013	**Land and buildings** **£'000**
Cost	
At 1 January and 31 December 2014	29,380
Accumulated depreciation	
At 1 January 2014	12,694
Charge for year	1,360
At 31 December 2014	14,054
Net book value	
At 31 December 2014	15,326
At 31 December 2013	16,686

31. Investments in subsidiaries

	2014 £'000	2013 £'000
Subsidiary undertakings:		
Shares at cost at 1 January	43,879	37,710
Additions	-	6,169
Shares at cost at 31 December	43,879	43,879

The additions of £6,169,000 in 2013 relate to the further investment in Macmillan Publishers India Limited made during the year.

See note 23 for list of subsidiaries.

32. Trade and other receivables

	Note	2014 £'000	2013 £'000
Current			
Other prepaid expenses		608	1,042
Other related parties	37	116,515	337,121
		117,123	338,163
Non-current			
Other related parties	37	-	33,000

33. Cash and cash equivalents

	2014 £'000	2013 £'000
Current		
Cash at bank and in hand	40	84

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 £40,000 (2013: £84,000).

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

	2014 £'000	2013 £'000
Current		
Cash at bank and in hand	40	84
	40	84

NOTES TO THE FINANCIAL STATEMENTS

34. Issued share capital

	Number	£'000
Allotted, called up and fully paid:		
31 December 2014		
Ordinary shares of £1 each		
At 1 January and 31 December 2014	772,376	772
31 December 2013		
Ordinary shares of £1 each		
At 1 January and 31 December 2013	772,376	772

35. Trade and other payables

		2014 £'000	2013 £'000
Current			
Other related parties	37	90,977	127,229
Other payables and accruals		4,312	1,740
		95,289	128,969
Non-current			
Other related parties	37	-	33,000

A loan from Holtzbrinck Publishers Holdings Limited of £33m relating to the asset backed pension fund was derecognised in the year as the loan has been assigned to the Scottish Limited Partnership and the criteria for derecognition under IAS39 have been met. As a result a related party receivable and related party payable of £33m have been derecognised.

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

36. 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:

	2014	2013
	£'000	£'000
Within one year	4,674	3,250
After one year but not more than five years	16,536	11,800
More than five years	28,832	19,795
	50,042	34,845

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:

	2014	2013
	£'000	£'000
Within one year	8,001	5,792
	8,001	5,792

Capital Commitments
At 31 December 2014, HM Publishers Holdings Limited has commitments of £nil (2013: £nil) contracted for but not provided in the financial statements.

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

	2014	2013
	£'000	£'000
Bank facilities guaranteed	2,039	5,906

NOTES TO THE FINANCIAL STATEMENTS

37. Related party disclosures

The principal subsidiaries 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			
	2014	-	52,074
	2013	33,000	88,889
Fellow undertakings:			
Macmillan Publishers Limited			
	2014	116,492	-
	2013	329,032	-
Macmillan Limited	2014	-	14
	2013	8,066	-
Macmillan Information Consulting Services (Shanghai) Co Ltd			
	2014	23	-
	2013	23	-
Macmillan Scottish Limited Partnership			
	2014	-	38,889
	2013	-	71,340
Total:			
	2014	116,515	90,977
	2013	370,121	160,229

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 2014, the Company has not raised any provision for doubtful debts relating to amounts owed by related parties as the payment history has been excellent (2013: £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

Before 5 May 2015

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 Vermögensverwaltungsgesellschaft XXXIII mbH, the immediate holding company of Holtzbrinck Publishers Holdings Limited (2013: 100%). Both of these entities are incorporated in Germany, the registered address of both entities is Gänsheidestrasse 26, 70184 Stuttgart, Germany.

In connection with the 2015 merger of Springer Science+Business Media and Holtzbrinck-owned Macmillan Science and Education as described in Note 26 to the financial statements, the immediate holding company of Holtzbrinck Publishers Holdings Limited changed on 15 April 2015 to MSE Beteiligungen GmbH. Until 5 May 2015, MSE Beteiligungen GmbH was a 100% owned subsidiary of GvH Vermögensverwaltungsgesellschaft XXXIII mbH.

NOTES TO THE FINANCIAL STATEMENTS

37. Related party disclosures (continued)

The ultimate parent (continued)

After 5 May 2015

Georg von Holtzbrinck GmbH & Co. KG
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Springer Science+Business Media GP Acquisition S.C.A (Luxembourg)
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Immediate Holding company
Holtzbrinck Publishers Holdings Limited
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