Company Registration No. 651692

HODDER & STOUGHTON LIMITED

Report and Financial Statements

Year ended 31st December 2013

REPORT AND FINANCIAL STATEMENTS 2013

CONTENTS

REPORT AND FINANCIAL STATEMENTS 2013

COMPANY INFORMATION

DIRECTORS

T M Hely Hutchinson (Chairman)
P de Cacqueray
J Hodder-Williams
M Johnson
E Tribe

SECRETARY

P de Cacqueray

REGISTERED OFFICE

338 Euston Road
London
NW1 3BH

COMPANY NUMBER

651692 (England and Wales)

AUDITOR

Mazars LLP
Chartered Accountants & Statutory Auditor
Tower Bridge House
St Katharine's Way
London
E1W 1DD

STRATEGIC REPORT

The Directors present their strategic report for Hodder & Stoughton Limited for the year ended 31st December 2013.

Review and Analysis of the Business During the Current Year

The Company continued to trade as a book publisher throughout the current year.

Key performance indicators
Management use a range of performance measures to monitor and manage the business. The performance measures are set out below.

Revenue, gross profit margin, distribution and administrative expenses as a percentage of turnover, profit before tax, profit after tax, and cash flows.

Development and financial performance during the year
As reported in the Company's profit and loss account, revenue has increased by 10.1% from £99,390,649 to £109,475,619 in the current year. This increase is mainly due to a good performance from a number of the Company's titles. The Company has also seen a large increase in its digital sales and subrights income in the year.

Gross profit margin has remained constant at 49%.

Distribution costs as a percentage of turnover have decreased from 6.4% in 2012 to 5.8% in 2013. This is as a result of the increase in digital sales commanding no distribution costs.

Administrative expenses as a percentage of turnover have decreased from 39% in 2012 to 36% in 2013. This is mainly due to one-off restructuring costs incurred in 2012 by the Education department not repeated this year and lower final salary pension charges during 2013.

There was a profit on ordinary activities before taxation of £8,598,423 for the year ended 31st December 2013 compared with a profit on ordinary activities before taxation of £9,708,191 for the year ended 31st December 2012. Although the Company has seen large increases in its turnover, the decrease in profit is because last year contained an exceptional profit on disposal of the Company's Higher Education and Health Sciences business.

Profit after tax has decreased from a profit of £7,273,930 in 2012 to a profit of £6,448,055.

Financial position at the reporting date

The balance sheet shows that the Company's net assets at the year end have decreased from £12,437,444 to £8,885,499. This is as a result of dividends paid to shareholders exceeding the Company's profit after tax for the year.
The Company's cash in hand and intercompany balances decreased by £3,577,368 in the year mainly as a result of paying dividends in the year.

Principal Risks and Uncertainties Facing the Business

Treasury Operations and Financial Instruments
The Hachette UK (Holdings) Group operates a centralised treasury function which is responsible for managing the liquidity, interest and foreign currency risks associated with the individual companies' activities.

Liquidity risk
The Group manages its cash and borrowing requirements centrally to maximise interest income and minimise interest expense, whilst ensuring that the Group has sufficient liquid resources to meet the operating needs of its businesses.

Interest rate risk
The Group is exposed to fair value interest rate risk on its fixed rate borrowings and cash flow interest rate risk on floating rate deposits, bank overdrafts and loans. The Group uses interest rate derivatives to manage the mix of fixed and variable rate debt so as to reduce its exposure to changes in interest rates.

Foreign currency risk
The Group's principal foreign currency exposures arise from trading operations in overseas companies. Group policy permits but does not demand that these exposures may be hedged in order to fix the cost in sterling. This hedging activity involves the use of foreign exchange forward contracts.

Credit risk
Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

STRATEGIC REPORT (cont.)

High street bookshop chains
Generalist high street bookshop retail chains across the world are facing strong competition from internet retailers, and particularly in the UK, alternate retail outlets such as supermarkets. The Company is not dependent upon any one sales channel or distributor for trade sales. We also anticipate that sales lost to bookshops will be substituted by sales made through other channels, such as internet physical sales, and also growth in e-book sales.

Change in technology
Worldwide sales of personal electronic e-book readers such as Amazon's Kindle and Apple's iPad have grown rapidly. The rising number of consumers owning these devices is driving a strong surge in the demand for downloadable books. The risks include that e-book downloads could substitute printed book purchases, and that authors might be unwilling to sell both the digital and print publishing rights. In addition, there is a risk of piracy, as e-books are sold on sites without payment, or without authority. The Company seeks to mitigate these risks combining e-book rights into all our contracts. The Company also has sales relationships to sell its e-books through robust third party platforms and distributors. The Company has been an early adopter of e-book technology and has developed strategic alliances to ensure it continues to develop business in this area.

Growth of internet retailers
The increasing significance of internet retailers provides opportunities to generate additional revenues by selling a wider range of titles. Marketing must be aligned to the requirements of internet retailers, and the supplier must be able to react quickly to changes in consumer demand. The Company has sales teams who are dedicated to internet outlets. The Company also subcontracts printing of books to world class suppliers who have the capacity to accommodate "on demand" ordering whilst maintaining low costs.

Risk of litigation
The Company ensures all contractual and legal issues are considered fully and employs expert external advisers in this field to ensure that both the interests of the Company and its authors are safeguarded.

Recruitment, development, and retention of a quality team
The Company continues to maintain its positive and vibrant culture and an ethos that helps engender a quality workplace whilst nurturing an entrepreneurial spirit that will enable our staff to meet the challenges ahead. The Company's staff are an integral part of our success story.

Title acquisition
This risk encompasses the payment of advances to authors to acquire new titles that subsequently remain unearned. The risk is mitigated by strong controls when considering the acquisition of rights to new titles which include an initial book contribution evaluation process, carried out and signed off at a senior level. New titles are supported by sales and marketing resources to ensure a successful launch. There is also a system of continuous review, analysis and feedback on title performance to better inform future acquisitions.

Protection of our intellectual property
The advent of e-books increases the existing risk of revenue being undermined by the unauthorised copying and publication of the Company's books by third parties. The protection of intellectual property across all jurisdictions and across different forms of media is a high priority. The Company's management work closely with professional advisors and internet specialists to ensure all intellectual property rights are safeguarded.

Future Developments
The Company will be looking for margin improvement and increased sales revenues in 2014 to generate higher profits over the 2013 performance.

On 24th April 2014 the company acquired the entire share capital of Quercus Publishing Plc for a consideration of £12,633,506.

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

P de Cacqueray
Director

Date 22/7/14

DIRECTORS' REPORT

The Directors present their Report and Financial Statements for the year ended 31st December 2013.

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report on pages 2 and 3. These matters relate to the principal activity, business review, and principal risks and uncertainties.

Financial Instruments

The Group's principal financial instruments include derivative financial instruments, the purpose of which is to manage currency risks and interest rate risks arising from the Group's activities, bank overdrafts, loans and corporate bonds. The purpose of these facilities is to raise finance for the Group's operations. In addition, the Group has various other financial assets and liabilities such as trade receivables and trade payables arising directly from its operations. Derivative transactions which the Group enters into principally comprise forward exchange contracts. In accordance with the Group's treasury policy, derivative instruments are not entered into for speculative purposes.

Dividends

The Company paid a dividend in the year ended 31st December 2013 of £10,000,000 (year ended 31st December 2012: £1,000,000). The directors recommend a final dividend to be paid in 2014 of £7,500,000.

Post balance sheet events

On 24th April 2014 the company acquired the entire share capital of Quercus Publishing Plc for a consideration of £12,633,506.

Directors

The names of the present Directors of the Company are shown on page 1.
P C K Roche resigned as director on 30th June 2013.

Directors' Indemnity

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for directors and officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Company.

Appropriate directors' and officers' liability insurance cover is in place in respect of all of the Company's directors.

Statement as to Disclosure of Information to Auditor

The directors who held office at the date of approval of this report confirm that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of this information.

Reappointment of Auditor

Mazars LLP will continue in office as auditor in accordance with section 487(2) of the Companies Act 2006.

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

P de Cacqueray
Director

Date 22/7/14

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT
To the member of Hodder & Stoughton Limited

We have audited the financial statements of Hodder & Stoughton Limited for the year ended 31st December 2013 which comprise the Profit and Loss account, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsiblities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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. This report is made solely to the company's member 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 member those matters we are required to state to it 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 member for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Claire Larquetoux (Senior statutory auditor)

For and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House,
St Katharine's Way,
London, E1W 1DD
Date 29 July 2014

PROFIT AND LOSS ACCOUNT
For the year ended 31st December 2013

	Note	Year ended 31st December 2013	Year ended 31st December 2012
		£	£
TURNOVER	3	**109,475,619**	99,390,649
Cost of sales		**(55,617,475)**	(50,950,124)
GROSS PROFIT		**53,858,144**	48,440,525
Distribution costs		**(6,387,883)**	(6,402,200)
Administrative expenses		**(38,871,838)**	(39,183,456)
OPERATING PROFIT	5	**8,598,423**	2,854,869
Profit on disposal	8	**-**	6,853,322
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**8,598,423**	9,708,191
Tax on profit on ordinary activities	6	**(2,150,368)**	(2,434,261)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	15, 16	**6,448,055**	7,273,930

All results are derived from continuing operations.

There are no recognised gains or losses other than the profit attributable to shareholders of the Company of £6,448,055 in the year ended 31st December 2013 (year ended 31st December 2012: profit £7,273,930). Consequently a statement of total recognised gains and losses is not presented.

BALANCE SHEET
31st December 2013

	Note	As at 31st December 2013	As at 31st December 2012
		£	£
FIXED ASSETS			
Intangible assets	8	10,949,641	11,288,596
Investments	9	763,052	763,052
		11,712,693	12,051,648
CURRENT ASSETS			
Stocks	10	7,949,760	7,770,122
Debtors	11	50,664,543	43,678,381
Cash at bank and in hand		7,257	7,257
		58,621,560	51,455,760
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	(61,448,754)	(51,069,964)
NET CURRENT (LIABILITIES) / ASSETS		(2,827,194)	385,796
TOTAL ASSETS LESS CURRENT LIABILITIES		8,885,499	12,437,444
CAPITAL AND RESERVES			
Called up equity share capital	14	25,000	25,000
Profit and loss account	15	8,860,499	12,412,444
EQUITY SHAREHOLDER'S FUNDS	16	8,885,499	12,437,444

The financial statements were approved by the Board of Directors and authorised for issue on 22 July 2014

Signed on behalf of the Board of Directors.

P de Cacqueray
Director

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31st December 2013

1 BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards in compliance with the Companies Act 2006.

In accordance with FRS 1 (Revised), a statement of cash flows has not been prepared as cash flow information has been shown in the financial statements of the ultimate parent company who prepares consolidated financial statements.

The company is exempt under Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of its ultimate parent, Lagardere SCA, a company incorporated in France.

As such these financial statements present information about the company as an individual undertaking and not as a group.

2 ACCOUNTING POLICIES

a) Fixed asset investments

Fixed asset investments held as fixed assets are stated at cost less provision for any impairment.

b) Intangible assets

Licences purchased from other publishers for previously published titles are amortised on a straight-line basis from the month of the first Company publication over the expected revenue-earning period of each licence.

c) Goodwill

Goodwill, representing the excess of purchase consideration over the fair value of assets acquired, is capitalised in the balance sheet as an asset and amortised in the profit and loss account over its useful economic life. In accordance with FRS 10, where goodwill is regarded as having an indefinite economic life, it is not amortised but is subject to an annual test for impairment.
Goodwill previously written off up to 31st December 1997 has not been reinstated in the balance sheet.

d) Deferred taxation

In accordance with FRS 19 'Deferred tax' the Company provides deferred tax in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred taxation is not provided on timing differences arising from the sale or revaluation of fixed assets unless, at the balance sheet date, a binding commitment to sell the asset has been entered into and it is unlikely that any gain will qualify for rollover relief. Deferred taxation is measured on a non-discounted basis.

e) Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value as follows:

Raw materials, consumables and goods for resale	- purchase cost on a first in, first out basis
Work in progress and finished goods	- cost of direct materials and labour

f) Turnover

Turnover comprises the gross value of goods supplied, exclusive of VAT, after deduction of provisions for returns.

g) Pension costs

The Company participates in a defined benefit scheme operated by Hachette UK Limited and a number of defined contribution schemes for certain of its employees.

The company has adopted FRS 17 'Retirement Benefits'. As the directors are unable to identify the Company's share of the underlying assets and liabilities of the scheme, the costs in respect of the defined benefit scheme are charged to the profit and loss account on a contribution basis. Costs in respect of the Company's defined contribution pension payments are charged to the profit and loss account on an accruals basis as contributions become payable.

h) Leases

Rental costs under operating leases are charged to the profit and loss account as incurred.

i) Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of transactions. All other monetary liabilities and assets are translated at year-end exchange rates and the resulting differences are dealt with in the determination of results for the financial period.

j) Related parties

The Company has taken advantage of the exemption in Financial Reporting Standard 8 - Related Party Disclosures available to subsidiaries which are 100% controlled by the group not to disclose transactions with other group companies since these financial statements are included in the Lagardere SCA consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31st December 2013

2 ACCOUNTING POLICIES (continued)

k) Significant accounting estimates

Royalty advances
Unearned royalty advances are written down to the extent that they are not expected to be covered by estimated future earnings.
Returns
The company sells books on a sale or return basis. Other creditors includes an estimate for returns expected to be received after the year end.

3 TURNOVER

Analysis by geographical area:

	Year ended 31st December 2013	Year ended 31st December 2012
	£	£
Turnover - continuing operations		
United Kingdom	**72,717,286**	64,518,662
Australia and New Zealand	**5,597,567**	6,367,147
Continental Europe	**17,783,339**	14,318,497
North America	**2,821,752**	2,300,927
Asia	**3,734,593**	4,014,603
Rest of World	**6,821,082**	7,870,813
	109,475,619	99,390,649

The Directors consider the Company to have one class of business, book publishing, and thus no analysis of turnover by class of business is provided.

4 INFORMATION REGARDING EMPLOYEES AND DIRECTORS

The average monthly number of persons (including Directors) employed by the Company during the year was:

	Year ended 31st December 2013	Year ended 31st December 2012
	Number	Number
UK Consumer Publishing	**201**	173
UK Educational, Academic & Professional Publishing	**104**	138
	305	311
Staff costs (for the above persons)	**£**	£
Wages and salaries	**13,607,679**	13,930,806
Social security costs	**1,641,952**	1,584,525
Other pension costs	**3,123,248**	4,750,877
	18,372,879	20,266,208

The directors are also directors of either Hachette UK Limited, Hachette UK (Holdings) Limited, Orion Publishing Group Limited or Watts Publishing Group Limited. Their emoluments cannot be allocated between the companies and have therefore been disclosed in the financial statements of Hachette UK Limited, Hachette UK (Holdings) Limited, Orion Publishing Group Limited or Watts Publishing Group Limited as appropriate.

5 OPERATING PROFIT

	Year ended 31st December 2013	Year ended 31st December 2012
	£	£
Operating profit is stated after charging:		
Amortisation:		
Licenses and goodwill	**338,955**	338,957
Rentals under operating leases:		
Other operating leases	**332,604**	339,876

The audit fee of £66,054 (2012: £67,051) was borne by the Company's parent, Hachette UK Limited and has been incorporated into group recharges.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31st December 2013

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31st December 2013 £	Year ended 31st December 2012 £
UK corporation tax on profits in the year	1,945,757	2,345,447
Foreign tax suffered at source	203,495	87,516
	2,149,252	2,432,963
Deferred tax - origination and reversal of timing differences	1,116	1,298
	2,150,368	2,434,261
Reconciliation of tax charge:		
Tax on profits at UK standard rate of corporation tax - 23.25% (2012: 24.5%)	1,998,839	2,378,507
Capital allowances in excess of depreciation	(708)	(940)
Permanent differences	151,121	55,396
	2,149,252	2,432,963

	31st December 2013 £	31st December 2012 £
The deferred tax included in the balance sheet is as follows:		
Included in debtors (note 11)	2,773	3,889
Accelerated depreciation	2,773	3,889
Other timing differences	-	-
	2,773	3,889
Deferred tax asset at the start of the year	3,889	5,187
Deferred tax charge in the profit and loss account for the year	(1,116)	(1,298)
Deferred tax asset at the end of the year	2,773	3,889

Deferred tax has been provided at 20% (2012: 23%) which is the rate enacted to apply from 1 April 2015.

7 DIVIDENDS

	Year ended 31st December 2013 £	Year ended 31st December 2012 £
Amounts recognised as distributions to equity holders in the year:		
Dividends paid in the year	10,000,000	1,000,000

8 INTANGIBLE FIXED ASSETS

	Goodwill £	Intellectual property £	Total £
Cost :			
At 1st January 2013 and at 31st December 2013	3,336,272	8,360,977	11,697,249
Accumulated amortisation :			
At 1st January 2013	-	408,653	408,653
Charge for the year	-	338,955	338,955
At 31st December 2013	-	747,608	747,608
Net book value :			
At 31st December 2013	3,336,272	7,613,369	10,949,641
At 31st December 2012	3,336,272	7,952,324	11,288,596

In accordance with FRS 10, where goodwill is regarded as having an indefinite life, it is not amortised but is subject to an annual test for impairment. As permitted under FRS 10, this represents a departure, for the purposes of giving a true and fair view, from the requirements of the Companies Act 2006, which requires goodwill to be amortised.

Since it is not possible to identify a finite useful life for goodwill on the purchases above, it is not possible to quantify any amortisation,, which would be charged. The application of an impairment test (which is carried out annually) supports the value of goodwill and, as a result, no charge for impairment is required at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31st December 2013

9 INVESTMENTS

	Investments Total £
Cost :	
At 1st January 2013 and at 31st December 2013	5,320,278
Accumulated impairment :	
At 1st January 2013 and at 31st December 2013	4,557,226
Net book value :	
At 31st December 2013	**763,052**
At 31st December 2012	763,052

	Country of incorporation and operation	Proportion of nominal value of issued shares held	Registered in	Principal activity
New English Library Limited	Great Britain	100%	England and Wales	Dormant
Edward Arnold (Publishers) Limited	Great Britain	100%	England and Wales	Dormant
Chambers Publishing Limited	Great Britain	100%	England and Wales	Trading

10 STOCKS

	Year ended 31st December 2013 £	Year ended 31st December 2012 £
Work in progress	**1,743,704**	1,209,644
Finished goods and goods for sale	**6,206,056**	6,560,478
	7,949,760	7,770,122

11 DEBTORS

	Year ended 31st December 2013 £	Year ended 31st December 2012 £
Trade debtors	**27,112,099**	20,632,319
Amounts owed by group undertakings	**2,267,112**	1,506,881
Other debtors	**18,958,669**	20,950,145
Deferred tax	**2,773**	3,889
Prepayments and accrued income	**2,323,890**	585,147
	50,664,543	43,678,381

Other debtors include royalty advances paid to authors.

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Year ended 31st December 2013 £	Year ended 31st December 2012 £
Trade creditors	**6,403,284**	1,055,919
Amounts owed to group undertakings	**32,608,629**	28,271,029
Other taxation and social security	**19,699**	13,649
Other creditors	**12,890,655**	11,057,133
Accruals and deferred income	**9,526,487**	10,672,234
	61,448,754	51,069,964

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31st December 2013

13 PENSION SCHEME

Pension Obligations
The Company operates a defined benefits scheme for the Hachette UK Limited Group and a number of defined contribution schemes for certain of its employees and, for others, makes contributions to their personal pension schemes.

a) *Defined benefits scheme*

The Company participates in the Hodder Headline Staff Retirement Benefits Plan providing benefits based on final pensionable earnings for UK employees who are members. As the directors are unable to identify the Company's share of the underlying assets and liabilities of the Scheme, the costs in respect of the defined benefit scheme are charged to the profit and loss account on a contribution basis. The Scheme is fully accounted for under IAS 19 in the Group financial statements of Lagardere SCA.

At 31st December 2013 the Scheme had a net surplus after deferred taxation of £601,310 (31st December 2012: deficit of £1,902,600).

For the purposes of these financial statements, these figures are only illustrative and do not impact on the results or the balance sheet of the company. It should also be noted that these figures include a substantial proportion of pension assets and liabilities relating to other group companies, which also participate in the Scheme.

A full actuarial valuation was carried out at 31st December 2011 by a qualified independent actuary using the projected unit method and this was rolled forward for FRS17 purposes to 31st December 2013.

Plan assets
The weighted-average asset allocation at the year-end was as follows:

	31st December 2013	31st December 2012
Asset category		
Equities	21%	23%
Bonds	76%	74%
Real Estate	3%	3%
Other	0%	0%
	100%	100%

Weighted average assumptions used to determine benefit obligations at:

	31st December 2013	31st December 2012
Discount rate	4.70%	4.50%
Rate of compensation increase	n/a	n/a
Rate of inflation	3.40%	2.90%

Weighted average assumptions used to determine net pension cost for the year ended:

	31st December 2013	31st December 2012
Discount rate	4.70%	4.70%
Expected long-term return on plan assets	4.70%	4.70%
Rate of compensation increase	n/a	n/a
Rate of inflation	3.40%	2.90%

The net pension liability is made up as follows:

	31st December 2013	31st December 2012
Total market value of assets	95,249,000	89,341,000
Present value of scheme liabilities	(94,483,000)	(91,861,000)
Surplus / (deficit) in the scheme	766,000	(2,520,000)
Related deferred tax (liability) / asset	(164,690)	617,400
Net pension asset / (liability)	601,310	(1,902,600)

b) *Other schemes*

The pension contributions payable by the Company in respect of defined contribution schemes and personal pension schemes amounted to £1,212,917 (year ended 31st December 2012: £1,102,701).

14 CALLED UP SHARE CAPITAL

	31st December 2013 and 31st December 2012 Number	£
Allotted, called up and fully paid		
£1 ordinary shares	25,000	25,000

15 MOVEMENTS ON RESERVES

	Profit and loss account £
Balance at 1st January 2013	12,412,444
Profit for the financial year	6,448,055
Dividends paid (note 7)	(10,000,000)
Balance at 31st December 2013	8,860,499

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31st December 2013

16 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDER'S FUNDS

	Year ended 31st December 2013 £	Year ended 31st December 2012 £
Opening equity shareholder's funds	12,437,444	6,163,514
Profit for the financial year	6,448,055	7,273,930
Dividends paid (note 7)	(10,000,000)	(1,000,000)
Closing equity shareholder's funds	8,885,499	12,437,444

17 FINANCIAL COMMITMENTS

At 31st December 2013, the Company was committed to making the following payments during the next year in respect of non-cancellable operating leases (all non property related):

	Year ended 31st December 2013 £	Year ended 31st December 2012 £
Leases which expire:		
Within one year	43,724	69,943
Within two to five years	115,938	153,630
	159,662	223,573

18 POST BALANCE SHEET EVENTS

On 24th April 2014 the company acquired the entire share capital of Quercus Publishing Plc for a consideration of £12,633,506.

19 ULTIMATE AND IMMEDIATE PARENT COMPANIES

Hachette UK Limited, registered in England and Wales, is the Company's immediate parent company.

The ultimate parent company is Lagardere SCA, a company incorporated in France. This is also both the largest and smallest group which includes the company and for which consolidated accounts are prepared. Copies of the group accounts of Lagardere SCA are available from 4 Rue de Presbourg, 75116, Paris 16, France.