Company Registration No. 3046119

SPRINGER NATURE PUBLISHERS HOLDINGS LIMITED
(Formerly Holtzbrinck Publishers Holdings Limited)

Report and Financial Statements

31 December 2018

REPORT AND FINANCIAL STATEMENTS 2018

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GENERAL INFORMATION

DIRECTORS
H U Vest
R E Jacobs
S C Inchcoombe
G M Williams Hamer (Appointed 23 July 2018)

SECRETARY

G M Williams Hamer

REGISTERED OFFICE

The Campus
4 Crinan Street
London
N1 9XW

BANKERS

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

SOLICITORS

CMS
Cannon Place
78 Cannon Street
London EC4N 6AF

AUDITORS

Ernst & Young LLP
Apex Plaza
Reading
RG1 1YE

STRATEGIC REPORT

Business review

The principal activity is that of a holding company.

The directors have reviewed and considered business risks relating to Springer Nature Publishers Holdings Limited ("the Company"). At this time they do not consider that there are any risks solely in relation to the Company.

On an annual basis the directors review the financial statements. The directors continually assess the performance of the Company and the financing structure of the entity.

Results for the year
The Company made a loss after taxation amounting to £5,066,000 (in 2017 the company made a profit of £40,943,000).

Income Tax
An analysis of the income tax credit is set out in note 5 to the financial statements.

Dividends
The company did not pay an interim dividend in the year to 31 December 2018 (2017: £nil). The directors do not recommend the payment of a final dividend (2017: £nil).

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

R E Jacobs
Director

16 May 2019

DIRECTORS' REPORT

Company Registration No. 3046119

The directors present their report and Company financial statements for the year ended 31 December 2018.

Principal activities

The principal activities of the Company are to act as holding company.

Directors and their interests

The directors holding office during the year are shown on page 1.

During the year no director, or their spouses or dependent children, has held any interest in the shares of the Company.

The Company has indemnified one or more directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Company's Articles of Association. 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.

Liquidity and capital resources

The Company is reliant upon the continued financial support of Group companies which have confirmed their intention to provide the necessary support. The directors have therefore prepared the financial statements on a going concern basis.

The cash flow statement shows a £1,000 increase in cash and cash equivalents in the year ended 31 December 2018 (£6,000 decrease in 2017). No dividends were paid in 2018 (2017: £nil).

Asset and capital structure

Equity and gearing

The Company has no external debt.

Company policy is to arrange longer term Company borrowing requirements through the Company's immediate and ultimate holding companies. The Company operates within borrowing limits imposed by the banking covenants at Group level.

Financial instruments

The Company's financial risk management objectives and policies are discussed in note 13.

Corporate Responsibility

As a member of the Springer Nature group, the Company recognises its responsibilities towards the communities it works with and works in, worldwide. The Company considers compliance with the laws and regulations that impact our business to be an essential part of acting responsibly. Where local laws are less restrictive than Springer Nature's Code of Conduct and Global Policies, Springer Nature expects its employees and other representatives to follow Springer Nature's Code of Conduct and Global Policies even if the conduct would otherwise be legal. Working at Springer Nature means respecting the individual, embracing diversity, equality of opportunity, prohibiting discrimination and maintaining healthy and safe working conditions. The Company recognises its responsibility towards protecting the environment. The Company has identified its material environmental impacts and is monitoring these. The Company is a member of the Book Chain Project, which supports publishers in understanding the origins of, and forest-management practices for, the wood fibre used in papers and boards. The Company expects high standards of corporate responsibility from its business partners, and undertakes audits to verify that appropriate standards are adhered to by its suppliers. Further details on Springer Nature's responsible business strategy and reporting, including its Responsible Business report, its Business Partner Code of Conduct, Modern Slavery Act statement and UK Gender Pay Gap report can be accessed at www.springernature.com/responsiblebusiness

DIRECTORS' REPORT (Continued)

Going Concern

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

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 1. 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 behalf of the Board

R E Jacobs
Director

16 May 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the 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 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 of the profit and loss 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's financial position and financial performance; and
- state whether the 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 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.

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 SPRINGER NATURE PUBLISHERS HOLDINGS LIMITED

Opinion

We have audited the financial statements of Springer Nature Publishers Holdings Limited for the year ended 31 December 2018 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 13, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

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

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SPRINGER NATURE PUBLISHERS HOLDINGS LIMITED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst + Young LLP

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

17 May 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Continuing operations			
Other income	3	448	1,330
Operating expenses	3	(392)	(1,355)
Employee benefits expense	4	-	-
Operating profit/(loss)		56	(25)
Income from investments			
Dividends received		1	46,374
Finance income	3	3,272	3,206
Finance costs	3	(9,183)	(9,523)
(Loss) / profit before tax		(5,854)	40,032
Income tax	5	788	911
(Loss) / profit for the year		(5,066)	40,943
Other comprehensive income		-	-
Total comprehensive (loss)/income		(5,066)	40,943

STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2018

ASSETS	Note	2018 £'000	2017 £'000
Non-current assets			
Investments in subsidiaries	7	385,857	385,857
Other non–current assets	8	48,921	49,622
		434,778	435,479
Current assets			
Trade and other receivables	8	57,401	56,666
Income tax receivable		2,837	4,391
Cash and cash equivalents	9	2	1
		60,240	61,058
TOTAL ASSETS		495,018	496,537
EQUITY AND LIABILITIES			
Shareholders' equity			
Issued capital	10	176,000	176,000
Retained earnings		82,366	87,432
TOTAL EQUITY		258,366	263,432
Non-current liabilities			
Other non-current liabilities	11	79,540	79,640
Current liabilities			
Trade and other payables	11	157,112	153,465
TOTAL LIABILITIES		236,652	233,105
TOTAL EQUITY AND LIABILITIES		495,018	496,537

These financial statements were approved by the Board of Directors on 16 May 2019

Signed on behalf of the Board of Directors.

R E Jacobs
Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

2018	Issued capital £'000 (Note 10)	Retained Earnings £'000	Total Equity £'000
At 1 January 2018	176,000	87,432	263,432
Loss for the year	-	(5,066)	(5,066)
At 31 December 2018	176,000	82,366	258,366

2017			
At 1 January 2017	176,000	46,489	222,489
Profit for the year	-	40,943	40,943
At 31 December 2017	176,000	87,432	263,432

STATEMENT OF CASH FLOWS
for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
Operating profit/(loss)		56	(25)
Increase in accounts receivable less than one year		(735)	(1,902)
Decrease/(increase) in accounts receivable more than 1 year		701	(4,213)
Increase in accounts payable less than one year		3,647	9,498
Decrease in accounts payable more than one year		(100)	(43,422)
Income tax received		2,342	1
Net cash flows from / (used in) operating activities		5,911	(40,063)
Cash flows from investing activities			
Interest received		3,249	3,206
Dividend received		1	46,374
Other financial income		23	-
Net cash flows from investing activities		3,273	49,580
Cash flows used in financing activities			
Interest paid		(9,183)	(9,523)
Net cash flows used in financing activities		(9,183)	(9,523)
Net increase/(decrease) in cash and cash equivalents		1	(6)
Cash and cash equivalents at 1 January	9	1	7
Cash and cash equivalents at 31 December	9	2	1

NOTES TO THE FINANCIAL STATEMENTS

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

The financial statements of the Company for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 16 May 2019. The Company is a limited company incorporated in England.

The financial statements of the Company 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 International Financial Reporting Standards and in accordance with the provisions of the Companies Act 2006. The principal accounting policies adopted by the Company are set out in note 2.

The Company is exempt from preparing Group financial statements under Section 400 Companies Act 2006. The financial statements present information about the Company as an individual undertaking and not about its Group.

The immediate parent undertaking is MSE Beteiligungen GmbH, Berlin. The parent company of the smallest group into which the results of the Company are consolidated is Springer Nature AG & Co. KGaA, Berlin, a company registered in Germany.

2. Summary of significant accounting policies

Statement of Compliance
The Company'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 financial statements are presented in GBP sterling and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

Going Concern
With the continued support of other Group companies the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Foreign currency translation
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.

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.

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.

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

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 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.

Financial Assets

Initial Recognition and Measurement
Financial assets are classified as subsequently measured at Amortised Cost (AC), Fair Value Through Other Comprehensive Income (FVTOCI), and Fair Value Through Profit or Loss (FVTPL). (2017: FVTPL, Loans and Receivables (LAR) or Available for Sale (AFS)). The Company determines the classification of its financial assets at initial recognition.

With the application of IFRS 9, the classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through the statement of profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at AC or FVTOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Subsequent Measurement
Financial assets are designated as financial assets at AC (debt instruments), if (a) the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at AC are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains or losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired or when there is a change in cash flow projections.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

Financial Assets (continued)
Initial Recognition and Measurement (continued)
Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through the statement of profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through the statement of profit or loss, irrespective of the business model.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

In 2017, under IAS 39 at Springer Nature, the category of financial assets at FVTPL consists of derivatives that are not designated as hedging instruments. They were reported in the statement of financial position under other assets. Financial assets at FVTPL were carried in the statement of financial position at fair value with changes in fair value recognised in other financial expense or other financial income in the statement of profit or loss.

Loans and receivables (LAR) were financial assets with fixed or determinable payments that are not quoted in an active market and were neither classified as held-for-trading nor as AFS. The category included the Company's trade receivables, loans to employees, as well as long-term loans and other current assets. After initial measurement, the loans and receivables had been subsequently measured at amortised cost using the effective interest rate method less any impairment losses, if necessary.

Derecognition
A financial asset is derecognised when one of the following conditions has been fulfilled:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of Financial Assets
The Company recognises an allowance for expected credit losses for all debt instruments not held at FVTPL. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default. If a customer has become insolvent or other circumstances indicate default, the corresponding receivables are written off in full.

For trade receivables, Springer Nature applies a simplified approach in calculating ECLs by recognising a loss allowance based on lifetime expected credit losses at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

Financial Assets (continued)
Impairment of Financial Assets (continued)
Prior to 2018 and the implementation of IFRS 9, the Company assessed at each reporting date whether there had been any objective evidence that a financial asset or a group of financial assets was impaired. A financial asset or a group of financial assets was deemed to be impaired if there had been objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors were experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicates that there has been a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults.

For LAR, the Company first assessed whether objective evidence of impairment exists individually for financial assets that were individually significant or collectively for financial assets that were not individually significant. If the Company determines that no objective evidence of impairment existed for an individually assessed financial asset, whether significant or not, it has included the asset in a group of financial assets with similar credit risk characteristics and collectively assessed them for impairment. Assets that had been individually assessed for impairment and for which an impairment loss was or continued to be recognised have not been included in a collective assessment of impairment. If there was objective evidence that an impairment loss had been incurred, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows was discounted at the financial asset's original effective interest rate. If a loan had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate.

Financial Liabilities
Initial Recognition and Measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings or payables. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, and derivative financial instruments that are not designated as hedging instruments.

Subsequent Measurement
Financial liabilities at FVTPL include financial liabilities designated upon initial recognition as at FVTPL. These include derivative financial instruments that are not designated as hedging instruments. Gains or losses from the subsequent measurement are recognised in the statement of profit or loss.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at AC using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised, as well as through the effective interest rate amortisation process.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

New and amended 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 2018 unless otherwise stated. The adoption of these revised standards and interpretations did not have any material impact on the Company's financial statements.

IFRS 9 Financial Instruments
IFRS 9 replaces IAS 39 for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Company applied IFRS 9 as at 1 January 2018 using the modified retrospective approach, thus comparative figures have not been adjusted.

IFRS 9 provides a standardized approach for classification and valuation of financial assets and liabilities which is focused on the company's business model and the cash flows of the financial instrument.

Modifications or exchanges of financial liabilities that do not result in derecognition
IFRS 9 changes the accounting for a modification or exchange of a financial liability measured at amortised cost that does not result in the derecognition of the financial liability. When contractual cash flows of a financial liability are renegotiated or otherwise modified and the modification does not result in the derecognition of the financial liability, IFRS 9 requires the Company to recalculate the carrying amount of the financial liability as the present value of the modified contractual cash flows that are discounted at the financial liability's original effective interest rate. Any adjustment to the amortised cost of the financial liability arising from such a modification is recognised in profit or loss at the date of the modification.

Impairment
The adoption of IFRS 9 has changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit and loss (FVTPL). For trade receivables that do not contain a significant financing component, the loss allowance should be measured at initial recognition and throughout the life of the receivable at an amount equal to lifetime ECL.

The Company considers a financial asset in default when contractual payment are 90 days past due. Receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 360 days past due.

Hedge accounting
The Company does not apply hedge accounting. Consequently, the hedge accounting rules of IFRS 9 do not have an impact on the Company's financial statements.

Annual Improvements 2015-2017 Cycle (issued in December 2017)
These improvements include:

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements
The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IAS 12 Income Taxes
The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

Annual Improvements 2015-2017 Cycle (issued in December 2017) (continued)

IAS 23 Borrowing Costs
The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

These amendments do not have any impact on the Company.

Standards issued but not yet effective

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
The Interpretation addresses the accounting for income taxes under IAS 12 when there is uncertainty over income tax treatments. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Company intends to apply the interpretation from its effective date but does not expect any material impact on the tax positions.

Amendments to IFRS 9: Prepayment Features with Negative Compensation
Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract, and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted.

These amendments have no impact on the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

3. Revenue and expenses

Other income		**2018**	**2017**
		£'000	**£'000**
Gains from currency translation		448	1,330
		448	1,330

Other expenses	**Note**	**2018**	**2017**
		£'000	**£'000**
Losses from currency translation on loan with fellow subsidiary		356	1,322
Administration costs		36	33
		392	1,355

Finance income		**2018**	**2017**
		£'000	**£'000**
Interest receivable from related parties	12	3,272	3,206

Finance costs		**2018**	**2017**
		£'000	**£'000**
Guarantee fee payable to related party		330	330
Interest payable to related parties		8,375	8,890
Other finance cost		478	303
	12	9,183	9,523

NOTES TO THE FINANCIAL STATEMENTS

4. Staff costs and Directors' emoluments

The average number of persons employed by the Company during the year was nil (2017: nil)

Directors are paid by other group companies for their qualifying services provided to the Company itself and its subsidiaries. As required by the Companies Act 2006, we disclose the remuneration relevant to the directors' qualifying services provided to the Company and its subsidiaries. The remuneration of certain directors who are paid by other group companies are not disclosed in this financial statement.

For the year ended 31 December 2018, total relevant emoluments were £1,217,763 with an amount of £110,610 contributed to defined contribution pension scheme for the directors. All directors contributed to the defined contribution pension scheme.

The emoluments in respect of the highest paid director were £665,265 with contributions paid to defined contribution pension scheme on their behalf being £74,910.

5. Taxation

(a) Tax on profit on ordinary activities

Major components of income tax credit for the years ended 31 December 2018 and 2017 are:

	2018	2017
	£'000	£'000
Income statement		
Current income tax credit	788	911
Income tax credit reported in income statement	788	911

(b) Reconciliation of the total tax credit

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 Company's effective income tax rate for the years ended 31 December 2018 and 2017 is as follows:

	2018	2017
	£'000	£'000
Accounting (loss) / profit before income tax	(5,854)	40,032
At UK statutory income tax rate of 19% (2017: 19.25%)	(1,112)	7,706
Income not subject to corporation tax	-	(8,927)
Other	324	310
Income tax credit reported in income statement	(788)	(911)

NOTES TO THE FINANCIAL STATEMENTS

5. Taxation (continued)

Factors that may affect future tax charges:
No deferred income tax is recognised on the unremitted earnings of overseas subsidiaries, as the Company considers that no temporary difference exists on which a liability may be provided.
In the 2016 Budget, the Chancellor announced a further reduction in the main rate of UK corporation tax to 17% from 1 April 2020, and this was substantively enacted in September 2016. No further changes were announced in the 2018 Budget. Deferred tax has been calculated, where applicable, using a rate of 17% as this is the substantively enacted rate at which it was expected that temporary differences would reverse at the balance sheet date.

6. Dividends paid

	2018 £'000	2017 £'000
Declared and paid during the year:		
Equity dividends on ordinary shares:		
No Interim dividend was paid in 2017 (2016: £nil per share)	-	-

7. Investments in subsidiaries

	2018 £'000	2017 £'000
Cost of investment as at 1 January	385,857	385,857
Cost of investment as at 31 December	385,857	385,857

See note 12 for a list of subsidiaries and associates.

The Company has an investment of £21,001,000 in the Macmillan Scottish Limited Partnership which was established to provide an asset-backed funding solution to address the Macmillan Group pension scheme deficit. The transaction is designed to generate a long-term stream of receipts by transferring the income generated by an intra-group loan agreement between the Company and Springer Nature Holdings Limited (formerly HM Publishers Holdings Limited) to the pension scheme. The loan agreement is guaranteed by Georg von Holtzbrinck GmbH & Co. KG.

According to the exemption conferred by Regulation 7 of the Partnerships (Accounts) Regulations 2008 the accounts of this qualifying partnership have not been appended to these financial statements. Separate accounts for the partnership are not required to be, and have not been, filed at Companies House.

There is also an intra-group lease agreement between Springer Nature Holdings Limited and the Macmillan Scottish Limited Partnership which also generates income to be transferred to the pension scheme. The lease agreement is backed by freehold interest on the leased property. The transaction will provide a regular stream of receipts over the next 15 years and will assist the Group in reducing the pension scheme deficit.

8. Trade and other receivables

	Note	2018 £'000	2017 £'000
Current			
Other related parties	12	57,401	56,666
Non-Current			
Other related parties	12	48,921	49,622

NOTES TO THE FINANCIAL STATEMENTS

9. Cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank and in hand	2	1

For the purposes of the Company Cash Flow Statement, cash and cash equivalents comprise the following at 31 December:

	2018 £'000	2017 £'000
Cash at bank and in hand	2	1

10. Issued share capital

	Number	£'000
Allotted, called up and fully paid:		
31 December 2018		
Ordinary shares of £1,000 each At 1 January and 31 December 2018	176,000	176,000

31 December 2017	Number	£'000
Ordinary shares of £1,000 each At 1 January and 31 December 2017	176,000	176,000

NOTES TO THE FINANCIAL STATEMENTS

11. Trade and other payables

	Note	2018 £'000	2017 £'000
Current			
Other payables and accruals		306	250
Other related parties	12	156,806	153,215
		157,112	153,465
Non-current			
Other related parties	12	79,540	79,640

The current related parties payables of £156,806,000 consists of intercompany payables that are repayable on demand. Of this balance £150m was due to Springer Nature Limited and attracted an interest rate of 3 month LIBOR plus 2.5%. £6.5m was due to Springer Nature Three GmbH under an intercompany cash pooling arrangement at an approximate interest rate of 1 month LIBOR plus 3.5%. £0.3m consists of a guarantee fee owed to Georg von Holtzbrinck GmbH & Co. KG.

Of the £79.5m non-current payables, £46.5m consists of a €52m intercompany loan from Springer Nature Finance B.V. This intercompany loan is funded through a syndicate of third party banks under an intercompany loan agreement maturing in August 2022. The interest rate during 2018 approximated 3.9%. The remaining £33m consists of a loan note, the terms of which are governed by asset-backed funding agreement to address the Macmillan Group pension scheme deficit. The loan agreement is guaranteed by Georg von Holtzbrinck GmbH & Co. KG.

NOTES TO THE FINANCIAL STATEMENTS

12. Related party disclosures

a) Subsidiary undertakings

At 31 December the following companies were principal subsidiaries:

	Note	Country of incorporation/ registration	Class of share	Proportion of voting rights held by the Group 2018	2017
Springer Nature Holdings Limited (formerly HM Publishers Holdings Limited)	1	England and Wales	Ordinary	100.00%	100.00%
Springer Nature (UK) Limited (formerly Macmillan Limited)		England and Wales	Ordinary	100.00%	100.00%
Springer Nature Limited (formerly Macmillan Publishers Limited)		England and Wales	Ordinary	100.00%	100.00%
Macmillan Publishers Holdings Limited		England and Wales	Ordinary	100.00%	100.00%
Springer Nature Two Limited		England and Wales	Ordinary	100.00%	100.00%
Macmillan (SLP) General Partner Limited		England and Wales	Ordinary	100.00%	100.00%
Macmillan Magazines Limited		England and Wales	Ordinary	100.00%	100.00%
Macmillan Pension Plan Limited		England and Wales	Ordinary	100.00%	100.00%
Macmillan Subscriptions Limited		England and Wales	Ordinary	100.00%	100.00%
Macmillan Scottish Limited Partnership		Scotland	Ordinary	100.00%	100.00%
Macmillan Iberia S.A.		Spain	Ordinary	100.00%	100.00%
Macmillan Polska Sp. Z.o.o.		Poland	Ordinary	100.00%	100.00%
College Press Netherlands B.V.		Netherlands	Ordinary	100.00%	100.00%
Springer Nature America, Inc. (formerly Nature America, Inc.)		USA	Ordinary	100.00%	100.00%
Springer Nature Academic Publishing Inc, (formerly Macmillan Academic Publishing Inc.)		USA	Ordinary	100.00%	100.00%
Rednova Learning Inc.		USA	Ordinary	100.00%	100.00%
Macmillan Botswana Publishing Company (Pty)		Botswana	Ordinary	100.00%	100.00%
Macmillan Boleswa Publishers (Lesotho) (Pty) Limited		Lesotho	Ordinary	100.00%	100.00%
Macmillan Education Eswatini (Proprietary) Limited		Eswatini	Ordinary	100.00%	100.00%
Macmillan Eswatini National Publishers Proprietary Limited		Eswatini	Ordinary	70.00%	70.00%
Macmillan Boleswa Publishers (Pty) Limited		Eswatini	Ordinary	100.00%	100.00%
Macmillan Education Namibia Publishers'(Pty)				100.00%	100.00%
Limited		Namibia	Ordinary		
Edumeds (Pty) Limited				100.00%	100.00%
Edumends (Rundu) (Pty) Limited		Namibia	Ordinary	100.00%	100.00%
Namibia Educational Services (Proprietary)		Namibia	Ordinary	100.00%	100.00%
Limited		Namibia	Ordinary		
Namibia Publishing House (Proprietary)				100.00%	100.00%
Limited		Namibia	Ordinary		
Macmillan South Africa (Pty) Limited	2	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 Science and Education Australia Pty Limited		Australia	Ordinary	100.00%	100.00%
Macmillan Publishers (China) Limited		Hong Kong	Ordinary	100.00%	100.00%
Macmillan Publishers India Private Limited		India	Ordinary	99.04%	99.04%
Macmillan Information Consulting Services (Shanghai) Co Limited		China	Ordinary	100.00%	100.00%
Macmillan Publishers India (Private) Limited		India	Ordinary	100.00%	100.00%

NOTES TO THE FINANCIAL STATEMENTS

12. Related party disclosures (continued)

a) Subsidiary undertakings (continued)

	Country of incorporation/ registration	Class of share	Proportion of voting rights held by the Group	
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 (Thailand) Limited	Thailand	Ordinary	100.00%	100.00%
Macmillan Publishers S.A.	Mexico	Ordinary	100.00%	100.00%
Ediciones Castillo S.A. de C.V.	Mexico	Ordinary	100.00%	100.00%
Macmillan Administracion Corporativa, SA de CV	Mexico		100.00%	100.00%
Macmillan do Brasil Editora Comercializadora, Importadora e Distribuidora 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%

Notes

1 Shares held directly by the Company. All other shares are held wholly or partly by subsidiary undertakings.

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

In the opinion of the directors the aggregate value of the assets of the Company consisting of shares in, or amounts owing (whether on loan or otherwise) from each of the Company's subsidiaries is not less than the aggregate of the amounts at which those assets are stated in the balance sheet.

The principal activity of the above subsidiaries is the publishing of books and periodicals and the creation of innovative technology solutions for students, teachers and research

The ultimate parent
The directors consider the ultimate parent undertaking and controlling party to be Springer Nature AG & Co. KGaA, Berlin (formerly Springer SBM Zero GmbH) which is a company incorporated in Germany (registered address: Heidelberger Platz 3, 14197 Berlin, Germany).

(b) Associated Undertakings

The following companies were considered to be associated undertakings:

	Country of Incorporation / Registration	Class of share	Proportion of shares held by the Group as at 31 December	
			2018	2017
College Press Publishers (Pvt) Limited	Zimbabwe	Ordinary	48.91%	48.91%
Ediciones Bilingues SL	Spain	Ordinary	50.00%	50.00%
Nikkei Science Inc	Japan	Ordinary	50.00%	50.00%
Inchi Trust Limited	England and Wales	Ordinary	50.00%	50.00%

All shares are held by subsidiary undertakings

NOTES TO THE FINANCIAL STATEMENTS

12. 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		Finance revenue received from related parties £'000	Finance costs paid to related parties £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Fellow undertakings:					
Springer Nature Finance BV (formerly Springer Science+Business Media Finance BV)	2018	-	(1,918)	-	(46,870)
	2017	-	(1,761)	455	(46,640)
Springer Nature Three GmbH (formerly Springer Science+Business Media Finance GmbH)	2018	-	(383)	-	(6,450)
	2017	-	(273)	-	(9,263)
Springer Nature Two Limited	2018	1,862	-	48,921	-
	2017	1,980	-	49,622	-
Springer-Verlag London Ltd	2018	-	-	-	-
	2017	-	-	137	-
Georg von Holtzbrinck GmbH & Co. KG	2018	-	(330)	-	-
	2017	-	(330)	-	-
Subsidiary undertakings:					
Springer Nature Holdings Limited	2018	1,410	-	57,400	-
	2017	1,226	-	55,990	-
Springer Nature Limited	2018	-	(4,589)	-	(150,026)
	2017	-	(3,954)	538	(143,952)
Macmillan Scottish Limited Partnership	2018	-	(1,485)	-	(33,000)
	2017	-	(1,485)	-	(33,000)
Macmillan Publishers Holdings Limited	2018	-	-	-	-
	2017	-	(1,719)	-	-
Total:	2018	3,272	(8,705)	106,321	(236,346)
	2017	3,206	(9,523)	106,742	(232,855)

NOTES TO THE FINANCIAL STATEMENTS

12. Related party disclosures (continued)

Terms and conditions of transactions with related parties

Outstanding balances at year end are unsecured and settlements occur in cash. The amount of £33,000,000 owed to the Macmillan Scottish Limited Partnership relates to the asset-backed pension scheme loan agreement (see note 7) which is guaranteed by Georg von Holtzbrinck GmbH & Co. KG. For the year ended 31 December 2018, the Company has not raised any provision for doubtful debts relating to amounts owed by related parties as the payment history has been excellent (2017: £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.

13. Financial risk management objectives and policies

The Company's principal financial instruments comprise of cash.

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

The main risks arising from the Company's financial instruments are liquidity risk.

Interest rate risk
The Company's exposure to market risk for changes in interest rates relates primarily to the Company's long-term debt obligations. The majority of the Company's long term debt obligations are funded through the Company's ultimate holding company. Banking facilities at the level of the Company and its subsidiaries are arranged mainly by means of uncommitted credit facilities in order to manage the Company's working capital funding requirements. Management of the interest rate exposure on long-term debt obligations is undertaken at the level of the Company's ultimate holding company.

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

NOTES TO THE FINANCIAL STATEMENTS

13. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2018 and 2017 based on contractual undiscounted payments.

Year ended 31 December 2018	Within 1 Year £'000	1 to 5 Years £'000	More than 5 Years £'000	Total £'000
Non-derivative financial liabilities				
Related party loans	-	-	-	-
Trade and other payables	-	-	-	-
Total	-	-	-	-

Year ended 31 December 2017	Within 1 Year £'000	1 to 5 Years £'000	More than 5 Years £'000	Total £'000
Non-derivative financial liabilities				
Related party loans	-	-	79,640	79,640
Trade and other payables	153,465	-	-	153,465
Total	153,465	-	79,640	233,105

The Company is not considered to be materially exposed to foreign currency, interest rate or credit risks.

Fair value of financial instruments
In respect of cash and cash equivalents, trade and other receivables, trade and other payables, the carrying amounts approximate fair value due to the relatively short term nature of these financial instruments.