

## **Springer Nature Two Limited**

**Registered Number 10527574**

**Report and Financial Statements**

31 December 2019



**Springer Nature Two Limited**

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**REPORT AND FINANCIAL STATEMENTS 2019**

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## Springer Nature Two Limited

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### GENERAL INFORMATION

#### Directors

R E Jacobs  
H U Vest  
SC Inchcoombe  
G M Williams Hamer

#### Secretary

G M Williams Hamer

#### Registered Office

The Campus  
4 Crinan Street  
London N1 9XW

#### Bankers

HSBC Bank plc  
8 Canada Square  
London  
E14 5HQ

#### Solicitors

Taylor Wessing  
5 New Street Square  
London  
EC4A 3TW

#### Auditor

Ernst & Young LLP  
Grosvenor House  
Grosvenor Square  
Southampton  
SO15 2BE

**Springer Nature Two Limited**

Registered No. 10527574

**Strategic report**

The directors present their Strategic report for the year ended 31 December 2019.

**Results and dividends**

The Company loss for the year taxation amounted to €4,152,000 (2018: € 4,072,000).

Interim ordinary dividend for the year to 31 December 2019 was € nil (2018: € nil). The directors do not recommend the payment of a final dividend (2018: € nil).

**Principal activities and review of the business**

The principal activity is to acquire and hold participations in other companies within the Springer Nature group.

The directors have reviewed and considered business risks relating to Springer Nature Two 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.

**Key performance indicators**

The Company's key financial performance indicator during the year was as follows:

	2019 €000	2018 €000	% change
(Loss)/ Profit after tax	(4,152)	4,072	(202%)

The % change in profit after tax arose due to dividend received in prior year.

**Income Tax**

An analysis of the income tax credit is set out in note 5 to the financial statements. The income tax credit as a percentage of profit on ordinary activities before income tax was 19% in the current year (2018: credit of 31 % on profit).

**Future developments**

The directors do not foresee any change in activities in the foreseeable future.

**Principal risks and uncertainties**

The company's principal financial instruments are comprised of intra-group loans and receivables. The company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The main risks arising from the company's financial instruments are liquidity risk and credit risk. The board reviews and agrees policies for managing these risks as summarised below:

**Liquidity risk and capital resources**

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. 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.

Springer Nature Two Limited

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## Strategic report

The cash flow statement shows €2,000 decrease in cash and cash equivalents in the year ended 31 December 2019 (2018: € nil). Dividends of € nil were paid to the Company's shareholders (2018: € nil).

### Credit risk

The company trades with only recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant.

### Impact of Covid-19

On 11 March 2020, the World Health Organization declared Covid-19 a global pandemic. As a result management have identified the following key risks and mitigating actions.

Customer behaviour may be materially impacted by Covid-19 virus, which may have an impact on the scientific research and educational publishing markets. Management have been having regular business update calls to monitor key trading data and address business concerns. The Group continues to be in regular dialogue with customers to adapt to the risk of changes to customer purchasing patterns.

As a leading scientific research publisher, the actions the Group has taken to mitigate customer risk, has included creating an international online hub of Covid-19 stories in its key branded publications comprising Nature, Scientific American, Springer Healthcare and BMC. Whilst recognising we are in the early stages of the pandemic, these actions have led to increased interest in our scientific research content, website traffic and an increase in numbers of research articles published.

There is a risk of infection of employees. Springer Nature have taken appropriate action regarding staff health and safety and restricted international travel. Business Continuity plans have been updated for Covid-19 including escalation procedures, office monitoring and communications. This has included daily monitoring of any Covid-19 incidents with employees.

Contingency plans have been put in place with defined levels of escalation leading ultimately to deep cleaning at affected sites and implementation of remote working where appropriate. Local office representatives have acted, and continue to act, as key contacts for communications and support employees in applying required policies and procedures.

There is a risk that Springer Nature Group offices may be shut for a prolonged period and customer facing activities would need to switch to remote working arrangements. Business Continuity plans have been implemented for each office and staff have been equipped to work from home on as close to a 'business as usual' basis as possible.

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

DocuSigned by:

Rachel Jacobs

Rachel Jacobs

Director

19 June 2020

Springer Nature Two Limited

Registered No.10527574

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## Directors' report

The directors present their report and Company financial statements for the year ended 31 December 2019.

### Directors

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.

### Going concern

Going concern has been assessed, taking into account the Company's current financial position and after modelling the impact of certain scenarios related to the impact of Covid-19. One 'base case scenario' and one 'reverse stress test' scenario has been modelled to address the risk posed by Covid-19(the "reverse stress test" is designed to identify the break point of entity for going concern) and taking into account the nature of the holding company.

As a result of the modelling of both scenarios, the directors concluded that the entity requires support from the parent to meet liquidity needs during the going concern period. The financial statements have been prepared on the going concern basis, notwithstanding the outcomes of the financial modelling, which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Springer Nature AG & Co. KGaA, the company's ultimate parent undertaking. The directors have received assurances from its parent undertaking that if the company does not have sufficient funds, then monies would be made available for it to settle any liabilities as and when they fall due for a period of at least twelve months from the date of approval of these financial statements.

### Financial instruments

The Company's financial risk management objectives and policies are discussed in note 11.

## Directors' report (continued)

### 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.

Springer Nature supports the delivery of the UN's Sustainable Development Goals (SDGs) and aims to be the SDG Publisher of Choice, by publishing and disseminating research relevant to the Goals. In support of SDG 13: Climate Action, Springer Nature is acting to reduce its carbon footprint and other environmental impacts, including reducing net carbon emissions. 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, environmental initiatives and community programmes, as well as the Business Partner Code of Conduct, Modern Slavery Act statement and UK Gender Pay Gap report can be accessed at [www.springernature.com/responsiblebusiness](http://www.springernature.com/responsiblebusiness)

### Events after the financial year end

In the period since year end, the COVID-19 global pandemic has had a significant impact on the wider UK and global economy, and on the company, the company has assessed key risks and mitigating actions. This matter is discussed more fully in the strategic report on page 3, as well as in Note 14 to the financial statements. No other material events have occurred since the statement of financial position date which would affect the financial statements of the Company.

Springer Nature Two Limited

Registered No.10527574

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## Directors' report (continued)

### 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

DocuSigned by:

*Rachel Jacobs*

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Director

19 June 2020



## 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 auditor's report**

### **to the members of Springer Two Limited**

#### **OPINION**

We have audited the financial statements of Springer Nature Two Limited for the year ended 31 December 2019 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 14, 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 2019 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.

#### **EMPHASIS OF MATTER – EFFECTS OF COVID-19**

We draw attention to Note 14 of the Financial statements, which describes the economic and social consequences the company is facing as a result of COVID-19 which is impacting the wider UK and global economies as well as the company's ability to operate normally. Our opinion is not modified in respect of this matter.

#### **CONCLUSIONS RELATING TO GOING CONCERN**

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

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

## **Independent auditor's report**

### **to the members of Springer Two Limited**

#### **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.

#### **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 statement of directors' responsibilities set out on page 7, 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.

## Independent auditor's report

to the members of Springer Two Limited

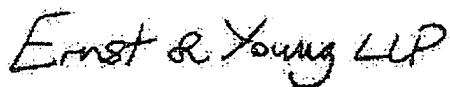
### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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.



Ryan Squires (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Southampton

Date: 23 June 2020

## Springer Nature Two Limited

# Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2019

		Notes	2019 €000	2018 €000
Operating income/(expenses)	3		78	(13)
Income/(loss) from operations			78	(13)
Income from investments:				
Dividends received			-	8,330
Finance income			36	35
Finance costs			(5,228)	(5,193)
Result from intercompany partner investments			-	(52)
(Loss)/profit before tax			(5,114)	3,107
Income tax credit	5		962	965
(Loss)/profit for the year			(4,152)	4,072
Other comprehensive income			-	-
Total comprehensive (loss)/profit			(4,152)	4,072

## Springer Nature Two Limited

**Statement of changes in Equity**

for the year ended 31 December 2019

	<i>Issued Capital €000</i>	<i>Retained Loss €000</i>	<i>Total equity €000</i>
2019			
At 1 January 2019	66,292	(471)	65,821
Loss for the year	-	(4,152)	(4,152)
Total comprehensive loss for the year	-	(4,152)	(4,152)
At 31 December 2019	66,292	(4,623)	61,669
2018			
At 1 January 2018	66,292	(4,543)	61,749
Profit for the year	-	4,072	4,072
Total comprehensive income for the year	-	4,072	4,072
At 31 December 2018	66,292	(471)	65,821

## Springer Nature Two Limited

**Statement of Financial Position**

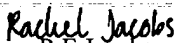
as at 31 December 2019

	<i>Notes</i>	<i>2019</i> <i>€000</i>	<i>2018</i> <i>€000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Non-current financial assets	6	198,875	198,875
		<u>198,875</u>	<u>198,875</u>
<b>Current assets</b>			
Trade and other receivables	7	3,227	1,151
Income tax receivable		970	2,049
Cash and cash equivalents	9	8	10
		<u>4,205</u>	<u>3,210</u>
<b>TOTAL ASSETS</b>		<u><u>203,080</u></u>	<u><u>202,085</u></u>
<b>Equity and liabilities</b>			
<b>Shareholder equity</b>			
Issued capital	10	66,292	66,292
Retained loss		(4,623)	(471)
<b>TOTAL EQUITY</b>		<u>61,669</u>	<u>65,821</u>
<b>Non-current liabilities</b>			
Financial liabilities	11	141,394	136,254
<b>Current liabilities</b>			
Trade and other payables	8	17	10
<b>TOTAL LIABILITIES</b>		<u>141,411</u>	<u>136,264</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>203,080</u></u>	<u><u>202,085</u></u>

The financial statements were approved by the Board of Directors on 19 June 2020

Signed on behalf of the Board of Directors

DocuSigned by:

R. E. Jacobs  
Director

19 June 2020

Registered Number: 10527574

## Springer Nature Two Limited

**Statement of cash flows**

for the year ended 31 December 2019

	<b>2019</b>	<b>2018</b>
	<b>€000</b>	<b>€000</b>
<b><i>Cash flows from/(used in) operating activities</i></b>		
Operating profit/(loss)	78	(13)
Increase in accounts payable	5,147	10
Increase in accounts receivable	(2,076)	(31)
Income tax received	2,041	-
	<hr/>	<hr/>
<b><i>Net cash flows from/(used in) operating activities</i></b>	5,190	(34)
	<hr/>	<hr/>
<b><i>Cash flows from/(used in) investing activities</i></b>		
Interest received	36	35
Dividends received	-	8,330
Result from intercompany partner investments	-	(52)
	<hr/>	<hr/>
<b><i>Net cash flows from investing activities</i></b>	36	8,313
	<hr/>	<hr/>
<b><i>Cash flows used in financing activities</i></b>		
Interest paid	(5,228)	(5,193)
Decrease in intercompany loans payable	-	(3,086)
	<hr/>	<hr/>
<b><i>Net cash flows from financing activities</i></b>		
Net decrease in cash and cash equivalents	(2)	-
Cash and cash equivalents at start of year	9	10
	<hr/>	<hr/>
<b><i>Cash and cash equivalents at 31 December</i></b>	9	10
	<hr/> <hr/>	<hr/> <hr/>



## Springer Nature Two Limited

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# Notes to the financial statements

for the year ended 31 December 2019

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

The financial statements of the Company for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 19 June 2020. The Company is a limited company incorporated and domiciled in the United Kingdom.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and also IFRS as issued by the International Accounting Standards Board.

The financial statements of the Company have been prepared in accordance with IFRSs and as applied 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 Springer Nature Limited (formerly known as Macmillan Publishers Limited). The ultimate parent undertaking, and the parent company of the smallest group into which the results of the Company are consolidated is Springer Nature AG & Co. KGaA, a company registered in Germany (registered address : Heidelberger Platz 3, 14197 Berlin, Germany).

### 2. Summary of significant accounting policies

#### Statement of Compliance

The Company's accounts have been prepared in accordance with International Reporting Standards (IFRS), as adopted by the European Union and also IFRS as issued by the International Accounting Standards Board.

#### Basis of preparation

The financial statements are presented in Euros, which is the Company's functional currency, and all values are rounded to the nearest thousand (€'000) except when otherwise indicated.

#### Going concern

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

As set out in the Director's Report, going concern has been assessed, taking into account the Company's current financial position and after modelling the impact of certain scenarios related to the impact of Covid-19. One 'base case scenario' and one 'reverse stress test' scenario has been modelled to address the risk posed by Covid-19 (the "reverse stress test" is designed to identify the break point of entity for going concern) and taking into account the nature of the holding company.

As a result of the modelling of both scenarios, the directors concluded that the entity requires support from the parent to meet liquidity needs during the going concern period.

## Notes to the financial statements

for the year ended 31 December 2019

### 2. Summary of significant accounting policies

#### Going concern (continued)

The financial statements have been prepared on the going concern basis, notwithstanding the outcomes of the financial modelling, which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Springer Nature AG & Co. KGaA, the company's ultimate parent undertaking. The directors have received assurances from its parent undertaking that if the company does not have sufficient funds, then monies would be made available for it to settle any liabilities as and when they fall due for a period of at least twelve months from the date of approval of these financial statements.

#### Impact of COVID-19

In light of the rapidly escalating COVID-19 pandemic, the Company has considered whether any adjustments are required to reported amounts in the financial statements.

As at the 31 December 2019 balance sheet date, no global pandemic had been declared, large global share price falls had not yet occurred, and the Chinese government had only just confirmed that it was treating cases of pneumonia of an unknown cause. Days later researchers in China identified a new virus but there was still no reported evidence that the virus was readily spread by humans.

The full ramifications of COVID-19, and the extent of Government interventions in response, were not apparent. Subsequent to the balance sheet date, the World Health Organization declared a pandemic on 11 March 2020, the UK Government moved to a 'delay' phase on 12 March, announced social distancing measures on 16 March, and unprecedented 'stay at home' restrictions on 23 March.

The Company has therefore concluded that the necessity for large-scale government interventions (both in the UK and the other countries in which the Group operates) in response to COVID-19 only became apparent after the balance sheet date and therefore that the consequences of such interventions represent non-adjusting post balance sheet events. However, given these events are of such global significance, they are also referred to in Note 14.

#### Judgements and the key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Management consider that there are no material judgements or estimation uncertainty in the preparation of these 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 statement of financial position date. All differences are taken to the income statement.

## Springer Nature Two Limited

**Notes to the financial statements**

for the year ended 31 December 2019

**2. Summary of significant accounting policies (continued)****Recoverable amounts of non-current assets**

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company 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.

**Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position 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 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 liabilities are recognised respectively in finance income or finance expense.

**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). 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

for the year ended 31 December 2019

### 2. Summary of significant accounting policies (continued)

#### Financial Assets (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.

#### 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.

#### 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.

## Springer Nature Two Limited

**Notes to the financial statements**

for the year ended 31 December 2019

**2. Summary of significant accounting policies (continued)****Financial Liabilities (continued)**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.

**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 statement of financial position 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 statement of financial position 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.

## Springer Nature Two Limited

**Notes to the financial statements**

for the year ended 31 December 2019

**2. Summary of significant accounting policies (continued)****New and amended standards adopted in the year***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 has applied the interpretation from its effective date but it does not have 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 was effective from 1 January 2019.

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

**3. Operating loss**

This is stated after (crediting)/charging:

	Note	2019 €000	2018 €000
Audit fees		(7)	(7)
Foreign exchange loss		(87)	-
Finance income		36	35
		<hr/>	<hr/>
Finance costs		(5,228)	(5,193)

**4. Staff costs and Directors' emoluments**

The Company does not employ any staff or directors in its own right. Director's remuneration is paid by other Group entities for their role in the Company as well as their role in the other Group entities. Director's emoluments relating to the Company are therefore considered to be immaterial as the director's role in the Company is incidental to their overall role in the Group.

The auditors' remuneration is paid by another Group company.

## Springer Nature Two Limited

**Notes to the financial statements**

for the year ended 31 December 2019

**5. Income Tax**

(a) Tax on loss on ordinary activities

Tax credited on the income statement

	2019	2018
	€000	€000
Current income tax credit	972	992
Adjustment in respect of current tax of previous years	(10)	(27)
Income tax credit reported in income statement	<u>962</u>	<u>965</u>

A reconciliation of income tax credit applicable to accounting loss before income tax at the statutory income tax rate to income tax credit at the Company's effective income tax rate for the years ended 31 December 2019 and 2018 is as follows:

	2019	2018
	€000	€000
Accounting (loss)/profit before income tax	<u>(5,114)</u>	<u>3,107</u>
At UK statutory income tax rate of 19% (2018: 19%)	(972)	590
Income not subject to corporation tax	-	(1,582)
Prior year adjustments	<u>10</u>	<u>27</u>
At effective income tax credit rate of 19% (2018: 31%)	<u>(962)</u>	<u>(965)</u>

## Springer Nature Two Limited

**Notes to the financial statements**

for the year ended 31 December 2019

**6. Financial assets**

	2019	2018
	€000	€000
Financial assets at fair value through OCI	198,875	198,875

These consist of equity preference shares in an unquoted company. These preference shares are not held for trading and have no specific maturity or repayment date. Management has the intent and ability to hold these assets for the foreseeable future. Management has continued to assess whether the cost is equivalent to fair value and it is believed that this is the case.

**7. Trade and other receivables**

	2019	2018
	€000	€000
Other related parties		
Related parties	3,227	1,151
(Note 13)		
	3,227	1,151

**8. Trade and other payables**

	2019	2018
	€000	€000
Other creditors and accruals	17	10

**9. Cash and cash equivalents**

	2019	2018
	€000	€000
Cash at bank and in hand	8	10

The fair value of cash and cash equivalents is €8,000.



## Springer Nature Two Limited

**Notes to the financial statements**

for the year ended 31 December 2019

**10. Issued share capital**

	<i>Number</i>	<i>€'000</i>
31 December 2019		
Ordinary shares of €1 each		
At 1 January and 31 December 2019	66,291,780	66,292
31 December 2018		
Ordinary shares of €1 each		
At 1 January and 31 December 2018	66,291,780	66,292

**11. Financial liabilities**

	<i>2019</i>	<i>2018</i>
	<i>€000</i>	<i>€000</i>
Related party loan payables (Note 13)	141,394	136,254

Of the €141.4m non-current loan payables, €56.2m consists of a loan from Springer Nature Publishers Holdings Limited and €84.1 consists of a loan from Springer Nature Limited. These loans relate to loans that are funded through Springer Nature Finance B.V. by a syndicate of third party banks. These loans mature in August 2022 and had an interest approximating 3.9% during 2019. The remaining €1.1m consists of a fixed loan contribution of £0.5m made by each of Springer Nature Publishers Holdings Limited and Springer Nature Limited under a respective German partnership agreement which governs the repayment, interest, and profit share terms.

## Springer Nature Two Limited

**Notes to the financial statements**

for the year ended 31 December 2019

**12. Financial risk management objectives and policies**

The main risk arising from the Company's financial instruments is liquidity risk. The Company is not considered to be materially exposed to foreign currency, interest rate or credit risk. The board reviews and agrees the policy for managing the risk and this is summarised below. The Company also monitors the market price arising from all financial instruments.

**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.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2019 and 2018 based on contractual undiscounted payments.

As at 31 December 2019	Within	1 to 5	More than	Total
	1 Year	Years		
	€000	€000	€000	€000
Non-derivative financial liabilities				
Related party loan payables	-	140,305	1,089	141,394
Total	-	140,305	1,089	141,394

## Springer Nature Two Limited

**Notes to the financial statements**

for the year ended 31 December 2019

**12. Financial risk management objectives and policies (Continued)**

As at 31 December 2018	<i>Within</i>	<i>1 to 5</i>	<i>More than</i>	
	<i>1 Year</i>	<i>Years</i>		<i>Total</i>
	<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>
Non-derivative financial liabilities				
Related party loan payables	-	-	136,254	136,254
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	-	-	136,254	136,254
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**Currency risk**

The majority of the Company's financial instruments are denominated in Euro, which is the Company's functional currency. Therefore, the Company's exposure to currency risk is immaterial.

**Fair value of recognised financial instruments**

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

## Springer Nature Two Limited

## Notes to the financial statements

for the year ended 31 December 2019

## 13. Related Party disclosures

## a) Subsidiary undertakings

At 31 December the following companies were principal subsidiaries:

		<i>Country of incorporation/ registration</i>	<i>Class of share</i>	<i>Proportion of voting rights held by the Group</i>	
	Note			2019	2018
Springer Nature Limited		England and Wales	Ordinary	100.00%	100.00%
Macmillan Education Limited (formerly Macmillan Publishers Holdings Limited)	1	England and Wales	Ordinary	100.00%	100.00%
Macmillan (SLP) General Partner Limited	1	England and Wales	Ordinary	100.00%	100.00%
Macmillan Magazines Limited	1	England and Wales	Ordinary	100.00%	100.00%
Macmillan Pension Plan Limited	1	England and Wales	Ordinary	100.00%	100.00%
Macmillan Subscriptions Limited		England and Wales	Ordinary	100.00%	100.00%
Macmillan Scottish Limited		Scotland	Ordinary	100.00%	100.00%
Partnership		England and Wales	Ordinary	100.00%	100.00%
Springer Nature Two Limited					
Macmillan Iberia S.A.U.		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.		USA	Ordinary	100.00%	100.00%
Springer Nature 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) Limited		Namibia	Ordinary	100.00%	100.00%
Edumeds (Pty) Limited		Namibia	Ordinary	100.00%	100.00%
Edumeds (Rundu) (Pty) Limited		Namibia	Ordinary	100.00%	100.00%
Namibia Educational Services (Proprietary) Limited		Namibia	Ordinary	100.00%	100.00%
Namibia Publishing House (Proprietary) Limited		Namibia	Ordinary	100.00%	100.00%

## Springer Nature Two Limited

**Notes to the financial statements**

for the year ended 31 December 2019

**13. Related party disclosures (continued)**

	<i>Note</i>	<i>Country of incorporation/ registration</i>	<i>Class of share</i>	<i>Proportion of voting rights held by the Group</i>	
				<i>2019</i>	<i>2018</i>
Macmillan South Africa (Pty) Limited	2	South Africa	Ordinary	75.00%	75.00%
Macmillan Educacao Mozambique Ltda		Mozambique	Ordinary	80.00%	80.00%
Editora Nacional de Mocambique		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 Information Consulting Services (Shanghai) Co. Limited		China	Ordinary	100.00%	100.00%
Macmillan Publishers India (Private) Limited		India	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 (Thailand) Limited		Thailand	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 Administracion Corporativa, SA de CV		Mexico	Ordinary	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 The Company holds non-voting preference shares in Macmillan Education Limited, which is not a subsidiary of the Company and no ordinary shares are held.

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 statement of financial position date.

The principal activity of the above subsidiaries is the publishing of books and periodicals.

## Springer Nature Two Limited

**Notes to the financial statements**

for the year ended 31 December 2019

**13. Related party disclosures (continued)****(b) Associated Undertakings**

The following companies were considered to be associated undertakings:

	<i>Country of Incorporation/ Registration</i>	<i>Class of share</i>	<i>Proportion of shares held by the Group as at 31 December</i>	
			<i>2019</i>	<i>2018</i>
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 in the entities above are held by subsidiary undertakings

The Company's immediate parent undertaking is Springer Nature Holdings Limited, a company incorporated in the United Kingdom

*The ultimate parent*

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

## Springer Nature Two Limited

**Notes to the financial statements**

for the year ended 31 December 2019

**13. 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 period:

<i>Related party</i>		<i>Income from related parties</i>	<i>Expenses from related parties</i>	<i>Amounts owed by related parties</i>	<i>Amounts owed to related parties</i>
		<i>€000</i>	<i>€000</i>	<i>€000</i>	<i>€000</i>
<b>Immediate parent company:</b>					
Springer Nature Limited					
	2019	-	3,134	-	84,664
	2018	-	3,116	-	81,574
<b>Fellow undertakings:</b>					
Springer Nature Publishers Holdings Limited					
	2019	-	2,093	-	56,730
	2018	-	2,079	-	54,680
Springer Nature Three GmbH					
	2019	35	-	3,227	-
	2018	35	-	1,151	-
Macmillan Education Limited (formerly Macmillan Publishers Holdings Limited)					
	2019	-	-	-	-
	2018	8,329	-	-	-
<b>Total:</b>	<b>2019</b>	<b>35</b>	<b>5,227</b>	<b>3,227</b>	<b>141,394</b>
	<b>2018</b>	<b>8,364</b>	<b>5,195</b>	<b>1,151</b>	<b>136,254</b>

Springer Nature Limited and Springer Nature Holdings Limited have each, as intercompany partners, contributed £500,000 (€566,000) which has been recorded as additional loan capital in the Company. These amounts are included within amounts owed to related parties

## Springer Nature Two Limited

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# Notes to the financial statements

for the year ended 31 December 2019

### 14. Events after the year end

On 11 March 2020, the World Health Organization declared COVID-19 a global pandemic, the UK Government moved to a 'delay' phase on 12 March, announced social distancing measures on 16 March, and unprecedented 'stay at home' restrictions on 23 March. As set out in Note 2, the extent of government and international interventions in response to the Covid-19 pandemic only became apparent after the balance sheet date and represent a non-adjusting post balance sheet event. Given these events are of such significance additional considerations are given for the most significant impacted accounts.

Recoverability of non-current assets are supported by the long term sustainable nature of the business and its operations which is supported by an assessment made by management.

Trade and other receivables are mainly composed of intercompany balances due from Group entities. The recoverability of intercompany balances is supported by an assessment made and the reliance given by the parent entity.