

Registered number: SC027389

HarperCollins Publishers Limited

Report and financial statements

for the year ended 30 June 2015

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HarperCollins Publishers Limited

Contents

	Page
Strategic report	1 - 3
Directors' report	4 - 5
Independent auditor's report	6 - 7
Profit and Loss Account	8
Statement of Total Recognised Gains and Losses	9
Balance Sheet	10
Notes to the financial statements	11 - 28

HarperCollins Publishers Limited

Strategic report for the year ended 30 June 2015

The directors present their Strategic report and the financial statements of the company for the year ended 30 June 2015.

Principal activity and business review

The principal activity of the company is the publishing of printed books and e-books along with the ancillary services of warehousing and distribution. HarperCollins distributes these products in the UK and internationally through a combination of in-house subsidiaries and marketing teams as well as third party distributors.

The HarperCollins worldwide group is the second largest consumer book publisher in the world, with operations in 18 countries. With more than 120 branded imprints around the world, HarperCollins publishes approximately 10,000 new books every year in 17 languages and has a print and digital catalogue of more than 200,000 titles.

HarperCollins UK has a heritage stretching back nearly 200 years since William Collins set up his bible, atlas and dictionary publishing business in Glasgow in 1819. The business publishes a wide range of books and digital products, from cutting-edge contemporary fiction to blockbuster thrillers, from fantasy literature and children's stories to enduring classics. HarperCollins also publishes a range of non-fiction, including history, memoirs, popular science, dictionaries, reference titles and education textbooks. The company is proud to publish some of the world's foremost authors including, Bernard Cornwell, Wilbur Smith, Patricia Cornwell, Chimamanda Ngozi Adichie, Stuart MacBride, Josephine Cox, Dean Koontz, David Walliams, Nigel Slater, George RR Martin, Robin Hobb, Lorraine Pascale, Cecelia Ahern, Jonathan Franzen and Hilary Mantel, as well as the works of Agatha Christie, JRR Tolkien and CS Lewis. During the year HarperCollins acquired the rights to commence publishing bestselling crime writer Karin Slaughter.

During the last year revenues grew by £6,556,000 and profit before tax by £8,885,000. The primary drivers of this success were the Childrens and Collins Learning divisions. Within Childrens there was continued high performance from David Walliams, with Awful Auntie outselling any other title published in 2014, along with strong sales from Veronica Roth, John Green and Michael Bond. Collins Learning grew primarily as a result of strong export sales and curriculum change here in the UK.

Achievements in the year included winning Children's Publisher of the Year for the second year running, while in the Sunday Times bestseller charts HarperCollins had 69 books listed with 12 reaching number one. Other awards won by HarperCollins books in 2015 included the Pulitzer Prize for Fiction for All The Light We Cannot See by Anthony Doerr; the Waterstones Children's Book Prize for Blown Away by Rob Biddulph, Popular Fiction Book of the Year at the Irish Book Awards for The Year I Met You by Cecelia Ahern; and at the National Book Awards, Popular Fiction Book of the Year for The Shock of the Fall by Nathan Filer and Children's Book of the Year and Audiobook of the Year for Awful Auntie by David Walliams.

Continuing its innovation in the online festival space, HarperCollins collaborated with the British Film Institute and retailer Waterstones for the BFI Voyager and Killer Crime festivals respectively, with an online reach of over 130million. In September 2014 HarperCollins launched a new-look website, featuring a direct-to-consumer sales function for both physical and digital books. The company also claimed the highest ever number of shortlist nominations in the four years of the FutureBook Innovation Awards, with the Collins Bird Guide app going on to win Best Non-Fiction Digital Book.

In January 2015, HarperCollins moved to new headquarters in The News Building at London Bridge, joining fellow News Corp companies Dow Jones and News UK. Positioned in the most vibrant part of London, the new premises offer unprecedented opportunities for collaboration between the News Corp businesses, as well as stunning views of the capital.

HarperCollins Publishers Limited

Strategic report (continued) for the year ended 30 June 2015

Principal activity and business review (continued)

HarperCollins takes paper procurement and usage very seriously, with all printing activities concerned with environmentally sustainable fibre use, reduction of pollution and the conservation of natural resources through recycling and waste reduction. HarperCollins uses FSC™ certified materials where possible and stipulates that materials must conform to EU Timber regulations in Europe and the Lacey Act in the US to ensure that no illegal or unsustainable wood fibre enter its supply chain. In the UK HarperCollins has seen the percentage of its books made from FSC chain of custody certified paper rising from 70% in 2013 to 82% in 2014, with a target of at least 90% for 2015. In 2015 HarperCollins was recognised for its sustainability by the World Wide Fund For Nature (WWF).

HarperCollins continues to work closely with literacy charity Beanstalk as a Corporate Champion, providing fundraising and reading helper volunteers from its staff. In 2015 HarperCollins joined with fellow News Corp companies News UK and Dow Jones to allocate a fund of £100,000 to various charitable organisations, voted for by staff in all three companies. Meanwhile charity title The Queen's Orang-Utan by David Walliams raised over £300,000 for Comic Relief.

Post Balance Sheet Events

Subsequent to the 12 month period ending 28 June 2015, the ownership of Harlequin (UK) Ltd and Harlequin Enterprises UK Limited were transferred from a fellow group company to HarperCollins Publishers Ltd. The transaction went through after the year end, and will be reflected in the 2016 accounts.

Principal risks and uncertainties

The company's policy does not permit trading in any financial instruments. The company's principal financial instruments comprise cash, short term deposits and/or borrowings and forward currency contracts, the main purpose of which is to provide finance for its normal trading operations and to reduce the impact of currency exchange rate movements on trading results.

The company has various other financial instruments such as trade debtors and creditors that arise directly from its trading operations.

The main risks arising from the company's financial instruments are liquidity, foreign currency and credit risks. The company has clear policies for managing each of these risks, as summarised below:

a) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets. Investment is carefully controlled with authorisation limits operating at different levels up to board level and with hurdle rates of return and cash payback periods applied as part of the investment appraisal process.

b) Foreign currency risk

The company buys and sells goods and services denominated in currencies other than sterling. The company manages such receipts and payments through the operation of other denominated currency bank accounts and sterling settlement of foreign exchange contracts. As a result of the value of the company's non-sterling revenues, purchases, financial assets and liabilities, cash flows can be affected significantly by movements in exchange rates.

The company seeks to mitigate its exposure to currency movements by entering into forward currency contracts, denominated in the same currency as the operating funds flow, to match the exposures anticipated in the business. The forward contracts are entered into on the basis of new orders and regularly updated forecast information on the level of trading in each denominated currency.

The company will seek to have all material current exposures matched to forward contracts, with a significant percentage of non-current exposures matched for up to one year ahead and selectively beyond this.

**Strategic report (continued)
for the year ended 30 June 2015**

Principal risks and uncertainties (continued)

c) Credit risk


Credit risk is being the risk of financial loss due to a counterparty's failure to honour its obligations arises principally in relation to transactions where the company provides goods and services on deferred credit terms.

Company policies are aimed at minimising such losses, and require that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Individual exposures are monitored with customers subject to credit limits to ensure the company's exposure to bad debts is not significant. Goods may be sold on a cash-with-order basis or subject to guaranteed letters of credit to mitigate credit risk.

Credit insurance is also operated on a selective customer basis.

In agreeing annual budgets, the company sets limits for debtors' days and doubtful debt expense against which performance is monitored and reported to senior management in order to reduce the likelihood of an unmanaged concentration of credit risk.

This report was approved by the board and signed on its behalf.



E. Kielbasiewicz
Director

Date: 4 December 2015

HarperCollins Publishers Limited

Directors' report 30 June 2015

The directors present their report and the financial statements for the year ended 30 June 2015.

Going concern

In line with the FRC guidance on Going Concern issued in November 2009, the directors have undertaken an exercise to review the appropriateness of the continued use of the Going Concern basis.

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to liquidity, foreign currency and credit risk are described in the Strategic report.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Results and dividends

The profit for the year, after taxation, amounted to £13,134,000 (2014 - £4,233,000).

The directors do not recommend a dividend.

Directors

The directors who served during the year were:

K. R Murdoch
B. Murray
C. Redmayne
E. Kielbasiewicz
J. Gervasio
S. Johnson (resigned 2 October 2014)
S. Dowson-Collins (appointed 22 October 2014)

Except as indicated above, all directors served throughout the year and are still directors at the date of this report.

The Articles of Association do not require directors to retire either by rotation or in the year of appointment.

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

Directors' report (continued)
30 June 2015

Directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Disclosure of information to the auditor

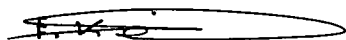
Each of the persons who is a director at the date of approval of this report confirm that:

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

Auditor

The directors have passed a resolution to dispense with the requirement to reappoint auditors annually. Ernst & Young LLP are deemed to be reappointed as auditor in the absence of a notice that the appointment is to be terminated.

This report was approved by the board and signed on its behalf.



E. Kielbasiewicz
Director

Date: 4 December 2015

Registered office:
103 Westerhill Road
Bishopbriggs
Glasgow
G64 2QT

Independent auditor's report to the shareholders of HarperCollins Publishers Limited

We have audited the financial statements of HarperCollins Publishers Limited for the year ended 30 June 2015 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities set out on page 5, they are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

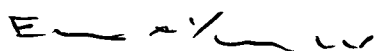
In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the shareholders of HarperCollins Publishers Limited (continued)

Matters on which we are required to report by exception

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

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



Ian McDowall (Senior statutory auditor)
for and on behalf of
Ernst & Young LLP
Statutory Auditor
Glasgow

7 December 2015

HarperCollins Publishers Limited

**Profit and Loss Account
Year ended 30 June 2015**

	Note	2015 £000	2014 £000
Turnover	1,2	186,122	179,566
Net operating expenses	3	(173,223)	(174,633)
Operating profit	4	12,899	4,933
Amounts written off investments	7	-	(1,419)
Interest receivable	8	1,163	1,156
Interest payable	9	(1,691)	(1,780)
Other finance income and charges	10	3,736	4,332
Profit on ordinary activities before taxation		16,107	7,222
Tax on profit on ordinary activities	11	(2,973)	(2,989)
Profit for the financial year		13,134	4,233

All amounts relate to continuing operations.

The notes on pages 11 to 28 form part of these financial statements.

HarperCollins Publishers Limited

**Statement of Total Recognised Gains and Losses
Year ended 30 June 2015**

	Note	2015 £000	2014 £000
Profit for the financial year		13,134	4,233
Actuarial loss in respect of defined benefit pension scheme	21	(12,426)	(18,007)
Actuarial loss in respect of unapproved pension scheme	22	(501)	(334)
Tax credit on actuarial loss on unapproved pension scheme		104	75
Impact of rate change on deferred tax		(95)	(1,730)
Restriction of defined benefit pension scheme surplus		326	2,265
Impact of deferred tax on restriction of scheme surplus		(68)	(510)
Tax credit on actuarial loss on defined benefit pension scheme		2,578	2,488
Current tax relief on defined benefit pension scheme		-	1,564
Currency translation differences on foreign currency loans and deferred trading balances		(34)	215
Total recognised gains and losses relating to the year		3,018	(9,741)

The notes on pages 11 to 28 form part of these financial statements.

HarperCollins Publishers Limited
Registered number: SC027389

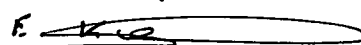
Balance Sheet
30 June 2015

	Note	£000	2015 £000	2014 £000
Fixed assets				
Intangible assets	12		287	347
Tangible assets	13		11,343	13,023
Investments	14		45,488	44,667
			<u>57,118</u>	<u>58,037</u>
Current assets				
Stocks	15	18,915		19,792
Debtors	16	376,068		388,242
Cash at bank		5,036		2,656
		<u>400,019</u>		<u>410,690</u>
Creditors: amounts falling due within one year	18	(136,539)		(156,966)
Net current assets			<u>263,480</u>	<u>253,724</u>
Total assets less current liabilities			<u>320,598</u>	<u>311,761</u>
Provisions for liabilities				
Other provisions	19		(11,810)	(12,763)
Net assets excluding pension scheme liability			<u>308,788</u>	<u>298,998</u>
Defined benefit pension scheme liability	21		(13,898)	(7,352)
Net assets including pension scheme liability			<u>294,890</u>	<u>291,646</u>
Capital and reserves				
Called up equity share capital	25		13,245	13,245
Share premium account	26		23,782	23,782
Revaluation reserve	26		2,188	2,188
Other reserves	26		(72,486)	(72,486)
Equity share-based payments	26		(109)	(335)
Profit and loss account	26		328,270	325,252
Shareholders' funds	27		<u>294,890</u>	<u>291,646</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 4 December 2015.



C. Redmayne
Director



E. Kielbasiewicz
Director

The notes on pages 11 to 28 form part of these financial statements.

Notes to the financial statements
30 June 2015

1. Accounting policies

1.1 Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Principles.

The Company maintains a 52-53 week financial year ending on the Sunday nearest to 30 June in each year. All references to 30 June 2015, 30 June 2014 and 30 June 2013 relate to the 12 month periods ended 28 June 2015, 29 June 2014 and 30 June 2013, respectively. For convenience purposes, the Company continues to date its financial statements as of 30 June.

1.2 Going concern

After making enquiries, the directors have a reasonable expectation that the company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

1.3 Consolidated financial statements

Under Section 401 of the Companies Act 2006 the company is exempt from the requirement to prepare and deliver group financial statements since it is a wholly owned subsidiary of News Corporation which is incorporated in the United States of America and prepares consolidated financial statements. Accordingly, these financial statements present information about the company as an individual undertaking and not about its group.

1.4 Cash flow statement

The Company is exempt from the requirement of FRS 1 'Cash Flow Statements' to include a cash flow statement as part of its financial statements because it is a wholly owned subsidiary undertaking of a body corporate, and a consolidated cash flow statement is included in the financial statements of News Corporation.

1.5 Related party transactions

As a wholly owned subsidiary undertaking of News Corporation whose financial statements are publicly available, the Company has taken advantage of the exemption in FRS 8 'Related Party Disclosures' not to disclose transactions with other wholly owned members of the group headed by News Corporation.

1.6 Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, on dispatch of the goods or upon publication date of the title whichever is the later.

Subsidiary rights

Income derived from the granting of publishing and other subsidiary rights to third parties is recognised on a cash basis as other operating income.

Rendering of services

Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Notes to the financial statements
30 June 2015

1. Accounting policies (continued)

1.7 Intangible fixed assets and amortisation

Publishing rights represent the value assigned to rights to titles in print on the acquisition of a business or a publishing list. The company's policy for calculating the value of publishing rights complies with the requirements of Financial Reporting Standard 10 "Goodwill and Intangible Assets".

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Publishing rights	-	5 - 10 years
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1.8 Tangible fixed assets and depreciation

All tangible fixed assets are initially recorded at cost.

The useful lives of tangible assets are subject to periodic appraisal and depreciation is revised accordingly and spread over the remaining revised useful life. Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold property	-	20 years
Leasehold buildings	-	Term of lease
Plant and equipment	-	10 years maximum

1.9 Stocks, work in progress and publishing plant

Stocks are valued at the lower of cost and net realisable value. Cost consists of the purchase price of direct materials or completed books. Provision is made for slow-moving, obsolete or damaged items where appropriate.

Work in progress and publishing plant are valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

1.10 Operating leases

Operating lease rentals are charged to net operating expenses on a straight line basis over the term of the lease.

**Notes to the financial statements
30 June 2015**

1. Accounting policies (continued)

1.11 Pensions

The company operated two defined benefit pension schemes, which required contributions to be made to administered funds until the decision to close both pension schemes was effected on 31 December 2012. The UK schemes were closed to new members in April 2002 from which time membership of a defined contribution plan was available. A new defined contribution plan was introduced on 1 January 2013 for all members of the schemes.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in the profit and loss account on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occurs the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the profit and loss account. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transactions.

The interest element of the defined benefit cost represents the change in present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate of the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the income statement as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of recognised gains and losses in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair-value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

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

1.12 Interest receivable and payable

Interest receivable and payable is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

1.13 Dividend income

Revenue is recognised when the company's right to receive payment is established.

1.14 Advances

Advances are written down to the extent that they are not expected to become earned in the future.

Notes to the financial statements
30 June 2015

1. Accounting policies (continued)

1.15 Taxation

Corporation tax is provided at amounts expected to be paid (or recovered) using the rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1.16 Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

2. Turnover

Turnover is the total of goods and services invoiced to customers and is exclusive of value added tax and trade discounts.

Turnover and operating profit is attributable to book publishing and related activities.

Turnover by origin was all from the United Kingdom.

A geographical analysis of turnover is as follows:

	2015 £000	2014 £000
United Kingdom	127,776	126,906
Europe	11,844	11,551
North America	11,575	10,835
Australia	13,238	15,274
New Zealand	903	891
Africa	2,430	1,927
Middle east	11,116	4,463
Other export markets	7,240	7,719
	<u>186,122</u>	<u>179,566</u>

HarperCollins Publishers Limited

Notes to the financial statements 30 June 2015

3. Net operating expenses

	2015 £000	2014 £000
Change in stocks of finished goods and work in progress	311	912
Other external charges	86,706	85,893
Staff costs	49,906	48,694
Amortisation of publishing rights	60	60
Depreciation of owned assets	2,815	2,878
Other operating charges	39,279	43,046
	<u>179,077</u>	<u>181,483</u>
Other operating income	(5,854)	(6,850)
	<u>173,223</u>	<u>174,633</u>

4. Operating profit

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

	2015 £000	2014 £000
Amortisation - intangible fixed assets	60	60
Depreciation of owned assets	2,815	2,878
Auditor's remuneration	83	98
Auditor's remuneration - non-audit	10	6
Operating lease rentals:		
- plant and equipment	5,616	8,767
- other operating leases	249	323
Difference on foreign exchange	(823)	1,248
	<u></u>	<u></u>

5. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2015 £000	2014 £000
Wages and salaries	38,062	37,865
Social security costs	3,597	3,612
Other pension costs	4,463	4,054
Equity settled share-based payments (note 20)	463	150
Other staff costs	3,321	3,013
	<u>49,906</u>	<u>48,694</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2015 No.	2014 No.
Distribution	289	294
Administration	168	164
Selling	148	161
Publishing	282	287
	<u>887</u>	<u>906</u>

HarperCollins Publishers Limited

**Notes to the financial statements
30 June 2015**

6. Directors' remuneration

	2015 £000	2014 £000
Remuneration	<u>1,523</u>	<u>1,792</u>

During the year retirement benefits were accruing to 4 directors (2014 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration (excluding pension contributions) of £660,000 (2014 - £818,000).

Benefits are accruing under a defined benefit pension scheme and at the year end the accrued pension amounted to £Nil (2014 - £228,000).

7. Amounts written off investments

	2015 £000	2014 £000
Amounts written off investments	<u>-</u>	<u>1,419</u>

8. Interest receivable

	2015 £000	2014 £000
Interest on loans to group undertakings	<u>1,163</u>	<u>1,156</u>

9. Interest payable

	2015 £000	2014 £000
Interest payable to fellow subsidiary undertakings	684	769
Interest on amounts payable to group undertakings	1,000	1,000
Other interest	7	11
	<u>1,691</u>	<u>1,780</u>

10. Other finance income

	2015 £000	2014 £000
Unwinding of discount on surplus property provisions (note 19)	(961)	(1,017)
Net finance income in respect of defined benefit pension schemes (note 21)	5,055	5,704
Other finance charges – unapproved pension scheme (note 22)	(358)	(355)
	<u>3,736</u>	<u>4,332</u>

HarperCollins Publishers Limited

Notes to the financial statements 30 June 2015

11. Taxation

	2015 £000	2014 £000
(a) Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	-	1,564
	-	1,564
Foreign tax on income for the year	352	308
Total current tax	352	1,872
Deferred tax		
Origination and reversal of timing differences	2,621	933
Effect of increased tax rate on opening liability	-	184
Total deferred tax	2,621	1,117
Tax on profit on ordinary activities	2,973	2,989
(b) Factors affecting tax charge for the year		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 20.75% (2014 - 22.50%). The differences are explained below:		
	2015 £000	2014 £000
Profit on ordinary activities before tax	16,107	7,222
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.75% (2014 - 22.50%)	3,342	1,625
Effects of:		
Net movement on general provisions	(635)	141
Decelerated capital allowances	190	200
Other timing differences - share-based payments	96	34
Expenses not deductible for tax purposes	84	448
Actuarial adjustment not taxable	(1,049)	(1,283)
Pension contributions in excess of pension charge	(1,259)	(1,622)
Overseas withholding tax	285	254
Unrelieved tax losses carried forward	-	1,546
Trading losses brought forward	(622)	-
Exercise of stock options	(49)	(175)
Group relief claimed	(677)	-
Transfer pricing adjustment on intercompany balance	646	704
Current tax charge for the year (see note above)	352	1,872

Notes to the financial statements
30 June 2015

11. Taxation (continued)

(c) Factors that may affect future tax charges

The standard rate of UK corporation tax reduced from 21% to 20% on 1 April 2015. The Finance Act (No.2) 2015 includes legislation which will reduce the rate further to 19%, from 1 April 2017, and to 18%, from 1 April 2020. The Finance Act (No.2) 2015 was substantively enacted on 26 October 2015. As the reductions in tax rates were not substantively enacted at the balance sheet date, deferred tax balances in these financial statements have been calculated at the 20% rate.

12. Intangible fixed assets

	Publishing rights £000
Cost	
At 1 July 2014 and 30 June 2015	604
Amortisation	
At 1 July 2014	257
Charge for the year	60
At 30 June 2015	317
Net book value	
At 30 June 2015	287
At 30 June 2014	347

HarperCollins Publishers Limited

Notes to the financial statements 30 June 2015

13. Tangible fixed assets

	Freehold land & buildings £000	Short leasehold land & buildings £000	Plant and equipment £000	Total £000
Cost or valuation				
At 1 July 2014	384	14,387	35,340	50,111
Additions	-	129	1,006	1,135
Disposals	-	-	(252)	(252)
Transfers	-	1,242	(1,242)	-
At 30 June 2015	<u>384</u>	<u>15,758</u>	<u>34,852</u>	<u>50,994</u>
Depreciation				
At 1 July 2014	-	9,968	27,120	37,088
Charge for the year	-	701	2,114	2,815
On disposals	-	-	(252)	(252)
At 30 June 2015	<u>-</u>	<u>10,669</u>	<u>28,982</u>	<u>39,651</u>
Net book value				
At 30 June 2015	<u>384</u>	<u>5,089</u>	<u>5,870</u>	<u>11,343</u>
At 30 June 2014	<u>384</u>	<u>4,419</u>	<u>8,220</u>	<u>13,023</u>

There were no capital commitments for plant and equipment at 30 June 2015 (2014 - £Nil).

14. Fixed asset investments

	Investments in subsidiary undertakings £000	Loans to subsidiaries £000	Total £000
Cost or valuation			
At 1 July 2014	34,667	10,000	44,667
Additions	959	-	959
Disposals	(138)	-	(138)
At 30 June 2015	<u>35,488</u>	<u>10,000</u>	<u>45,488</u>
Net book value			
At 30 June 2015	<u>35,488</u>	<u>10,000</u>	<u>45,488</u>
At 30 June 2014	<u>34,667</u>	<u>10,000</u>	<u>44,667</u>

During the year additions to investments in subsidiary undertakings amounted to £959,000. Disposals amounted to £138,000 in the year and relate to the disposal of the 12% shareholding in Anobii Limited.

HarperCollins Publishers Limited

Notes to the financial statements 30 June 2015

14. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Principal activity	Holding
HarperCollins Publishers India Limited (India)	Publishers	100%
Fourth Estate Limited (England & Wales)	Non trading	100%
William Collins Sons & Company Limited (England & Wales)	Non trading	100%
William Collins International Limited (England & Wales)	Non trading	100%
Letts Educational Limited (England & Wales)	Non trading	100%
Leckie & Leckie Limited (Scotland)	Non trading	100%
Bookarmy Limited (England & Wales)	Non trading	100%
* HarperCollins Publishers Australia Pty Limited (Australia)	Publishers	100%
* HarperCollins Publishers (New Zealand) Limited (New Zealand)	Publishers	100%
* HarperCollins Canada Limited (Canada)	Publishers	100%

* Held by a subsidiary undertaking

15. Stocks

	2015 £000	2014 £000
Raw materials	426	433
Work in progress	1,345	1,204
Finished goods and goods for resale	9,950	10,401
Publishing plant	7,194	7,754
	<u>18,915</u>	<u>19,792</u>

16. Debtors

	2015 £000	2014 £000
Trade debtors	29,599	27,215
Amounts due by parent undertakings	212,503	212,489
Amounts due by subsidiary undertakings	86,591	88,197
Amounts due by fellow subsidiary undertakings	11,991	19,252
Advances	20,417	22,467
Other debtors	3,504	3,618
Prepayments and accrued income	2,282	4,084
Deferred tax asset (note 17)	9,181	10,920
	<u>376,068</u>	<u>388,242</u>

HarperCollins Publishers Limited

Notes to the financial statements 30 June 2015

17. Deferred taxation

	2015 £000	2014 £000
At beginning of year	10,920	12,148
Charged for year (P&L)	(1,739)	(1,228)
At end of year	<u>9,181</u>	<u>10,920</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2015 £000	2014 £000
Excess of taxation allowances over depreciation on fixed assets	(162)	(259)
Tax losses available	3,018	2,914
Share-based payments	72	27
Other timing differences	6,253	8,238
	<u>9,181</u>	<u>10,920</u>

A deferred tax asset has been recognised as the directors are of the opinion that the level of future taxable profits and deferred tax liabilities within the company will be sufficient to utilise the deferred tax asset being recognised.

18. Creditors: Amounts falling due within one year

	2015 £000	2014 £000
Bank overdrafts	-	42,436
Trade creditors	3,229	4,901
Amounts due to parent undertakings	40,582	17,487
Amounts due to subsidiary undertakings	43,034	43,115
Sterling short-term loans due to parent undertakings	4,000	4,000
Other taxation and social security	58	22
Royalty creditor	14,595	14,361
Other creditors and accruals	31,041	30,644
	<u>136,539</u>	<u>156,966</u>

19. Provisions

	Provision for property costs £000
At 1 July 2014	12,763
Utilised in year	(1,914)
Unwinding of discount on surplus property provision (note 10)	961
At 30 June 2015	<u>11,810</u>

Notes to the financial statements
30 June 2015

19. Provisions (continued)

Provision for property costs

The property provision relates to the company's Glasgow site. The provision reflects future rental costs in excess of market levels to the extent the full cost would make activities operated from the premise uneconomic. The utilisation in the year to 30 June 2015 of £1,914,000 is the excess rent for the Glasgow property. In the opinion of the directors, it is expected that the economic benefits of this provision will be realised over future accounting periods.

20. Share-based payments

Restricted stock units (RSUs)

Restricted stock unit awards are grants that entitle the holder to shares of Class A Common stock of News Corporation based on the expected vesting date. Any employee who holds RSUs shall have no ownership interest in the shares to which such RSUs relate until and unless shares are delivered to the holder. RSUs are issued under the plans of fiscal 2014, 2013 and 2012. RSUs typically vest over a period of 4 years, with 25% of units vesting each year.

Performance stock units (PSUs)

The performance stock units are granted to eligible employees who were awarded a target number of PSUs at the beginning of a 3 year performance period. The number of shares vesting after the completion of the 3 year performance period can range from 0% to 200% of the target award subject to the achievement of pre-defined performance measures for the applicable performance period. The number of shares expected to vest is estimated based on management's determination of the probable outcome of the performance condition.

Share options and average share price

Details on the number of share options and weighted average exercise price (WAEP) outstanding during the year are as follows:

	2015		2014	
	No	WAEP (£)	No	WAEP (£)
Outstanding at the beginning of the year	75,678	9.34	190,430	6.22
Granted during the year	52,199	10.14	46,667	11.29
Forfeited during the year	(22,573)	6.22	(161,419)	6.22
Exercised during the year	(31,481)	8.95	-	-
Outstanding at the end of the year	<u>73,823</u>	<u>11.03</u>	<u>75,678</u>	<u>9.34</u>
Exercisable at the end of the year	<u>73,823</u>	<u>11.03</u>	<u>75,678</u>	<u>9.34</u>

The weighted average fair value of RSUs and PSUs granted during the year was £10.14 (2014 - £11.29).

Financial impact

The expense recognised for share-based payments in respect of employee services received during the year to 30 June 2015 is £463,000 (2014 - £149,818).

HarperCollins Publishers Limited

Notes to the financial statements 30 June 2015

21. Pension commitments

The company operates a Defined benefit pension scheme.

The company sponsors the HarperCollins Pensions and Life Assurance Scheme (the "Staff Scheme") and the HarperCollins Executive Pensions and Life Assurance Scheme (the "Executive Scheme") which are arrangements which provided benefits on a "defined benefit" basis until the schemes' closure to future accrual on 31 December 2012. Both schemes closed to new entrants with effect from 6 April 2002 and, following a consultation process with the members, the schemes were closed to future benefit accrual on 31 December 2012 subject to a salary link remaining in place in respect of the pensions revaluations of the Staff Scheme Employee Deferred Members. Prior to closing the scheme to future benefit accruals, the service cost increased as the remaining members approached retirement under the projected unit method. Following closure, no further benefits are accruing to members aside from pensions revaluations of the Staff Scheme Employee Deferred Members. The company will continue to provide contributions as required.

A full actuarial valuation for both the staff scheme and the executive scheme was carried out as at 31 March 2014 by a qualified actuary. An updated valuation of these schemes for FRS 17 purposes was carried out by a qualified independent actuary as at 30 June 2015.

As a result of employer contributions normally due during the year to June 2015 being accelerated and paid prior to 30 June 2014, the contributions made by the employer over the financial year were £Nil (2014 - £7,857,000).

The amounts recognised in the Balance Sheet are as follows:

	2015 £000	2014 £000
Present value of funded obligations	(272,814)	(256,017)
Fair value of scheme assets	255,441	247,155
Deficit in the scheme	(17,373)	(8,862)
Deficit restriction	-	(326)
Deficit in the scheme after restriction	(17,373)	(9,188)
Related deferred tax asset	3,475	1,836
Net liability	(13,898)	(7,352)

The amounts recognised in profit or loss are as follows:

	2015 £000	2014 £000
Current service cost	(1,140)	(904)
Interest on obligation	(10,685)	(10,501)
Expected return on scheme assets	15,740	16,205
Total	3,915	4,800

HarperCollins Publishers Limited

**Notes to the financial statements
30 June 2015**

21. Pension commitments (continued)

Movements in the present value of the defined benefit obligation were as follows:

	2015 £000	2014 £000
Opening defined benefit obligation	256,017	237,904
Current service cost	1,140	904
Interest cost	10,685	10,501
Actuarial Losses	14,991	16,703
Benefits paid	(10,019)	(9,995)
Closing defined benefit obligation	<u>272,814</u>	<u>256,017</u>

Changes in the fair value of scheme assets were as follows:

	2015 £000	2014 £000
Opening fair value of scheme assets	247,155	234,392
Expected return on assets	15,740	16,205
Actuarial gains and (losses)	2,565	(1,304)
Contributions by employer	-	7,857
Benefits paid	(10,019)	(9,995)
	<u>255,441</u>	<u>247,155</u>

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2015	2014
Global equities	29.95%	32.40%
Bonds	51.53%	48.99%
Absolute return funds	15.17%	14.73%
Other assets	3.35%	3.88%

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages):

	2015	2014
Discount rate at 30 June	3.75%	4.25%
Expected return on scheme assets at 30 June	6.75%	7.00%
Rate of increase in salaries *	3.25%	3.25%
Rate of increase in pensions in payment	2.50%	2.75%
Rate of increase in deferred pensions **	3.25%	2.75%
Inflation	3.25%	3.25%

Notes to the financial statements
30 June 2015

21. Pension commitments (continued)

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	2015	2014
Current pensioners at age 65		
Males	22.45	22.45
Females	24.85	24.70
Future pensioners currently aged 45 at age 65		
Males	24.25	24.25
Females	26.75	26.70

* From 1 July 2009 future salary increases for pension purposes will be increased annually to the lower of actual salary increases and the annual charge in RPI, adjusted for a 2% underpin in RPI.

** For LPI, otherwise fixed rates

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Defined benefit obligation	(272,814)	(256,017)	(237,904)	(222,635)	(197,245)
Scheme assets	255,441	247,155	234,392	189,078	186,210
Restriction of surplus	-	(326)	(2,590)	-	-
Deficit	<u>(17,373)</u>	<u>(9,188)</u>	<u>(6,102)</u>	<u>(33,557)</u>	<u>(11,035)</u>
Difference between actual and expected return on scheme assets	2,565	(1,304)	6,561	(52,000)	130,000
Experience gains/(losses) on scheme liabilities	<u>(14,991)</u>	<u>(16,703)</u>	<u>(15,106)</u>	<u>(22,700)</u>	<u>(13,200)</u>

22. Unfunded unapproved plan

The company also sponsored an unfunded unapproved plan, which was also a defined benefit pension scheme, in which the actuarial assumptions adopted were the same as those used for the Staff and Executive Pension Schemes. This scheme closed on 30 June 2013.

The unfunded unapproved plan obligation is included in other creditors and accruals (see note 18).

The pension cost for the year to 30 June 2015 was as follows:

	2015 £000	2014 £000
Interest cost (see note 10)	<u>358</u>	<u>355</u>

HarperCollins Publishers Limited

Notes to the financial statements 30 June 2015

22. Unfunded unapproved plan (continued)

Change in benefit obligation

	2015 £000	2014 £000
Benefit obligation at 1 July 2014	8,530	7,952
Interest on obligations	358	355
Actuarial losses	501	334
Benefits paid	(221)	(111)
Benefit obligation at 30 June 2015	<u>9,168</u>	<u>8,530</u>

Change in plan asset

	2015 £000	2014 £000
Fair value at 1 July 2014	-	-
Employer contributions	221	111
Benefits paid	(221)	(111)
Fair value at 30 June 2015	<u>-</u>	<u>-</u>

23. Commitments under operating leases

The company has annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2015 £000	2014 £000	2015 £000	2014 £000
Expiry date:				
Within 1 year	484	2,324	16	61
Between 2 and 5 years	-	552	233	244
After more than 5 years	5,132	5,132	-	-
Total	<u>5,616</u>	<u>8,008</u>	<u>249</u>	<u>305</u>

24. Contingent liabilities

The company has outstanding forward exchange contracts to buy and sell foreign currency to the value of £5,645,000 (2014 - £1,364,000) and £11,561,000 (2014 - £15,059,000) respectively.

The company has now entered into forward contracts up to March 2016 to limit its exposure to foreign currency fluctuations.

The company has entered into an Omnibus Guarantee and Set-off Agreement with News Corp UK & Ireland Limited and fellow subsidiary undertakings of News Corp UK & Ireland Limited as guarantors of all monies and liabilities owing or incurred by each of the other parties to Lloyds Bank plc.

HarperCollins Publishers Limited

Notes to the financial statements 30 June 2015

25. Share capital

	2015 £000	2014 £000
Authorised		
15,978,482 - Ordinary shares of £0.25 each	3,995	3,995
37,001,102 - Ordinary A shares of £0.25 each	9,250	9,250
15,020,416 - Unclassified shares of £0.25 each	3,755	3,755
	<u>17,000</u>	<u>17,000</u>
Allotted, called up and fully paid		
15,978,482 - Ordinary shares of £0.25 each	3,995	3,995
37,001,102 - Ordinary A shares of £0.25 each	9,250	9,250
	<u>13,245</u>	<u>13,245</u>

26. Reserves

	Share premium account £000	Revaluation reserve £000	Other reserves £000	Equity share-based payments £000	Profit and loss account £000	Total £000
At 1 July 2014	23,782	2,188	(72,486)	(335)	325,252	278,401
Transfer from profit and loss account	-	-	-	-	13,134	13,134
Equity-settled share-based payments	-	-	-	463	-	463
Cash settlement of equity-settled share-based payments	-	-	-	(237)	-	(237)
Actuarial loss on defined benefit pension schemes net of tax	-	-	-	-	(9,848)	(9,848)
Restriction of surplus on defined benefit scheme net of tax	-	-	-	-	258	258
Actuarial loss on unapproved pension scheme	-	-	-	-	(397)	(397)
Impact of rate change on deferred tax	-	-	-	-	(95)	(95)
Currency translation differences on foreign currency loans and deferred trading balances	-	-	-	-	(34)	(34)
At 30 June 2015	<u>23,782</u>	<u>2,188</u>	<u>(72,486)</u>	<u>(109)</u>	<u>328,270</u>	<u>281,645</u>

HarperCollins Publishers Limited

Notes to the financial statements 30 June 2015

27. Reconciliation of movement in shareholders' funds

	2015 £000	2014 £000
Profit for the financial year	13,134	4,233
Equity-settled share-based payments	226	(628)
Actuarial loss on defined benefit pension schemes	(9,848)	(15,519)
Restriction on surplus on defined benefit pension schemes	326	2,265
Impact of deferred tax on restriction of scheme surplus	(68)	(510)
Actuarial loss on unapproved defined benefit pension schemes	(397)	(259)
Current tax relief on defined benefit pension schemes	-	1,564
Impact of rate change on deferred tax	(95)	(1,730)
Other surpluses and deficits	(34)	215
Net reduction to shareholders' funds	3,244	10,369
Opening shareholders' funds	291,646	302,015
Closing shareholders' funds	294,890	291,646

28. Ultimate parent company

The Company's immediate parent is William Collins Holdings Limited, a company incorporated in England.

The ultimate parent company is News Corporation, a company incorporated in Delaware in the United States.

The largest group in which the results of the Company are consolidated is that headed by News Corporation, whose principal place of business is at 1211 Avenue of the Americas, New York, NY 10036. The smallest group in which the results are consolidated is that headed by News Corp UK & Ireland Limited, a company incorporated in England. The consolidated financial statements of these Groups are available to the public and may be obtained from News Corp UK & Ireland Limited, 1 London Bridge Street, London, SE1 9GF.

29. Post Balance Sheet Events

On the 29 June 2015 the company acquired Harlequin (UK) Limited and Harlequin Enterprises UK Limited for a combined consideration of £10,318,000.