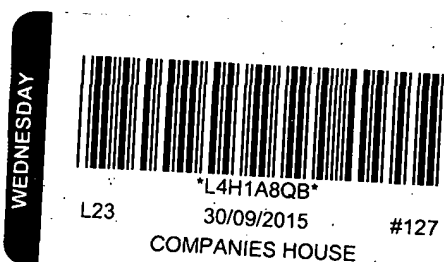


Company no.: 00734421

**PENGUIN RANDOM HOUSE LIMITED**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2014**



## **PENGUIN RANDOM HOUSE LIMITED**

### **STRATEGIC REPORT** **FOR THE YEAR ENDED 31 DECEMBER 2014**

The directors present their Strategic Report for the year ended 31 December 2014.

#### **Principal activities**

Penguin Random House Limited acts as the intermediate holding company for entities under the Penguin Random House Group, except for those entities within the United States of America. The principal activity of the company's subsidiaries continues to be publishing, warehousing and the distribution of books. The company is also the holding company for several dormant entities.

#### **Results**

The results and financial position of the company are set out in the attached financial statements and in the Report of the Directors. As a result of dividends received, the company made a profit in the year of £16.5m (2013: £3.7m).


#### **Key Performance Indicators ("KPI's")**

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using Key Performance Indicators is not necessary for an understanding of the development, performance or position of the business.

#### **Principal risks and uncertainties**

The company is subject to risk management procedures and an annual risk assessment implemented by the ultimate parent company, Bertelsmann SE & Co KGaA. By nature of its business the company is exposed to direct risks, but exposed to business risk at a statutory level. The company's only significant risk is that the results of its subsidiaries might deteriorate with the consequent need for the company to impair its investments. There is a similar risk with the company's loans to group undertakings.

On behalf of the Board



M ALBERTI  
Director

30 September 2015

# PENGUIN RANDOM HOUSE LIMITED

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2014

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

### Business review

The results of the company for the year are set out in the attached financial statements.

As a result of dividends received, the company made a profit in the year of £16.5m (2013: £3.7m).

During the year, the company sold all of its shares in Penguin Canada Books Inc. to Random House of Canada Limited and it increased its investment in Penguin Random House Holdings (Brazil) Ltda.

At 31 December 2014, the company had borrowings of £115m (2013: £40m) from its shareholders, Bertelsmann UK Limited and Pearson PRH Holdings Limited.

No funds were raised through the issue of shares in the current financial year (2013: £667.6m).

### Future developments

The directors do not anticipate any significant changes in the activities of the company.

### Dividend

Interim dividends of £33.7m (2013: £25.7m) were paid during the year. A final dividend of £29.1m (2013: nil) was declared after year end and was paid to the shareholders on 27 February 2015.

### Directors

The directors who held office during the year and up to the date of signing this report were as follows:

Milena Alberti	Appointed on 1 July 2015
John Joseph Fallon	
Markus Franz-Josef Dohle	
Thomas Andreas Gotz	Appointed on 1 January 2014
Judith Hartmann	Resigned on 10 January 2015
Thomas Hermann Rabe	
Philip Joseph Hoffman	
John Makinson	
Gail Rebuck	
Coram Williams	Resigned on 30 June 2015
Bettina Wulf	Appointed on 11 January 2015
Lauren Zalaznick	Appointed on 23 May 2014

### Financial risk management

It is the Company's policy to implement financial risk management objectives and policies, for each major type of forecasted transaction for which hedge accounting is used. The directors consider the entity's exposure to price risk, credit risk, liquidity risk and cash flow risk.

### Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Report of the Directors 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

## PENGUIN RANDOM HOUSE LIMITED

### REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2014

(continued)

#### Statement of directors' responsibilities (continued)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

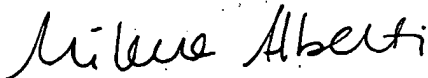
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;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

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On Behalf of the Board



M ALBERTI  
Director

80 Strand  
London  
WC2R 0RL

30 September 2015

# ***Independent auditors' report to the members of Penguin Random House Limited***

## **Report on the financial statements**

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### **Our opinion**

In our opinion, Penguin Random House Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit and cash flows 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.
- 

### **What we have audited**

Penguin Random House Limited's financial statements comprise:

- the Balance Sheet as at 31 December 2014;
- the Profit and Loss Account for the year then ended;
- the Cash Flow Statement for the year then ended;
- the Reconciliation of Movements in Shareholders' Funds for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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### **Opinion on other matter prescribed by the Companies Act 2006**

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

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### **Other matters on which we are required to report by exception**

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#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

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#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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## Responsibilities for the financial statements and the audit

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### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibility set out on pages 2 and 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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### What an audit of financial statements involves

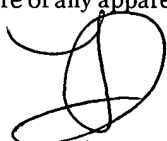
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Strategic Report 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.



Fiona Dolan (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

September 2015

30

# PENGUIN RANDOM HOUSE LIMITED

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 2014

	Note	2014 £	2013 £
Administrative expenses	2	(473,895)	(532,950)
Operating loss		(473,895)	(532,950)
Amounts written off investments		(2,270,000)	-
Income from shares in group undertaking		18,332,437	4,800,000
Operating profit after investment activities		15,588,542	4,267,050
Profit on sale of fixed assets	5	933,316	19,020
Interest receivable and similar income	2	8,756,925	2,832,389
Interest payable and similar charges	2	(8,163,483)	(3,617,986)
<b>Profit on ordinary activities before taxation</b>		17,115,300	3,500,473
Tax on profit on ordinary activities	3	(608,050)	245,992
<b>Profit for the financial year</b>	9	<u>16,507,250</u>	<u>3,746,465</u>

The results above are all derived from continuing activities. The company has no recognised gains or losses other than as disclosed in the profit and loss account for the financial years ended 31 December 2014 and 31 December 2013.

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical costs equivalents.

The notes on pages 10 to 23 are an integrated part of these financial statements.

## PENGUIN RANDOM HOUSE LIMITED

### RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS for the year ended 31 December 2014

	Note	2014 £	2013 £
Shareholders' funds at beginning of year		730,983,983	85,334,775
Share issue		-	667,613,899
Profit for the financial year	9	16,507,250	3,746,465
Dividends paid	4	(33,745,042)	(25,711,156)
Shareholders' funds at end of year		<u>713,746,191</u>	<u>730,983,983</u>

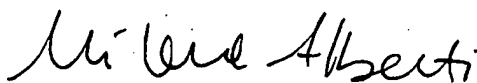
The notes on pages 10 to 23 are an integrated part of these financial statements.



**PENGUIN RANDOM HOUSE LIMITED****BALANCE SHEET**  
**As at 31 December 2014**

	Note	2014 £	2013 £
<b>Fixed assets</b>			
Investments	5	719,037,319	738,921,032
		<u>719,037,319</u>	<u>738,921,032</u>
<b>Current assets</b>			
Debtors	6	139,449,283	73,665,718
Cash at bank and in hand		57,428,639	69,059,486
		<u>196,877,922</u>	<u>142,725,204</u>
Creditors: amounts falling due within one year	7	(202,169,050)	(150,662,253)
<b>Net current liabilities</b>		<u>(5,291,128)</u>	<u>(7,937,049)</u>
<b>Total assets less current liabilities</b>		<u>713,746,191</u>	<u>730,983,983</u>
<b>Capital and reserves</b>			
Called up share capital	8	75,000,000	75,000,000
Share premium account		618,153,899	618,153,899
Profit and loss account	9	20,592,292	37,830,084
<b>Total shareholders' funds</b>		<u>713,746,191</u>	<u>730,983,983</u>

These financial statements on pages 6 to 23 were approved by the board of directors on 30 September 2015 and were signed on its behalf by



M ALBERTI  
Director

# PENGUIN RANDOM HOUSE LIMITED

## CASH FLOW STATEMENT for the year ended 31 December 2014

	Notes	2014 £	2013 £
<b>Cash flows from operating activities</b>			
Operating loss		(473,895)	(532,950)
(Increase) in debtors	6	(48,637,704)	(25,577,915)
(Decrease) / increase in creditors	7	(8,970,471)	71,633,112
Taxation	3	(468,218)	245,992
<b>Net cash (outflow) / inflow from operating activities</b>		(58,550,288)	45,768,239
<b>Cash flows from investing activities</b>			
Dividends received from fixed asset investments		8,340,814	4,800,000
Purchase of fixed asset investments	5	(3,261,396)	-
Interest received	2	8,748,548	2,832,389
Interest paid	2	(8,163,483)	(3,617,986)
<b>Net cash (outflow) / inflow from investing activities</b>		5,664,483	4,014,403
<b>Cash flows from financing activities</b>			
Proceeds from increased borrowings	8	75,000,000	40,100,000
Dividends paid to shareholders	4	(33,745,042)	(20,823,156)
<b>Net cash (outflow) / inflow from financing activities</b>		41,254,958	19,276,844
<b>Cash (decrease) / increase in the year</b>		(11,630,847)	69,059,486
 Net debt as at 1 January 2014		 28,959,486	
(Decrease) in cash at bank and in hand		(11,630,847)	
(Increase) in loans to group undertakings		(75,000,000)	
<b>Net debt as at 31 December 2014</b>		<b>(57,671,361)</b>	

The notes on pages 10 to 23 are an integrated part of these financial statements.

# PENGUIN RANDOM HOUSE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

### 1 ACCOUNTING POLICIES

#### Basis of preparation of financial statements

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently, are set out below.

The company is exempt, by virtue of section 400 of the Companies Act 2006, from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about the group.

#### *Going concern*

The financial statements are prepared on a going concern basis. The Company has a facility of US\$250m of which US\$186.2m was utilised at year end. This facility is valid until 1 July 2018 and is available to PRH worldwide from the shareholders in line with the respective shareholding. As a result, the directors are of the opinion that this facility will meet the cash requirements of the company.

#### Investments

Investments are stated at cost. Provision is made for impairment. Investments are tested for impairment annually or on a triggering event and reflect changes in circumstances that indicate the carrying value may not be recoverable. For the purposes of assessing the impairment of investments, the company performs discounted cash flows to compare the carrying amount of the investment value to the equity value.

#### Derivative financial instruments and hedging activities

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The company designates each hedge as either: (a) fair value hedge; (b) cash flow hedge; or (c) net investment hedge.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

The company documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedge transactions. The company also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months. The fair value of a trading derivative is presented as a current asset or liability.

#### *Currency Forwards*

The company has entered into currency forwards that qualify as cash flow hedges against highly probable forecasted transactions in foreign currencies. Transactions in foreign currency are converted to sterling at the rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated into sterling at the rates of exchange ruling at the date of the balance sheet. Any differences are taken to the profit and loss account.

#### *Fair value estimation of financial assets and liabilities*

The fair values of currency forwards are determined using actively quoted forward exchange rates. The fair values of interest rate swaps are calculated as the present value of the estimated future cash flows discounted at actively quoted interest rates.

# PENGUIN RANDOM HOUSE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

(continued)

### 1 ACCOUNTING POLICIES (continued)

#### Currency translation

##### *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented sterling, which is the functional currency of the company.

##### *Transactions and balances*

Transactions in a currency other than the functional currency ('foreign currency') are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

	2014 £	2013 £
<b>2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		
The profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration:		
Audit of Consolidated Group accounts	43,081	110,300
Audit of these financial statements	51,157	50,056
	<hr/>	<hr/>
Interest receivable:		
Interest on loans to group undertakings	4,027,616	1,236,481
Other interest receivable	67,964	49,372
Gain on derivative	4,661,345	1,546,536
	<hr/>	<hr/>
	8,756,925	2,832,389
	<hr/>	<hr/>
Interest payable and similar charges:		
Interest on loans from group undertakings	1,203,567	66,696
Interest on loans from shareholders	450,273	337,839
Interest on payment due to shareholders	54,572	267,200
Commitment fees payable	594,317	196,363
Other interest payable	377,037	-
Loss on foreign exchange	5,483,717	2,749,888
	<hr/>	<hr/>
	8,163,483	3,617,986
	<hr/>	<hr/>

The company had no employees during 2014 (2013: nil).

#### *Directors' remuneration*

The emoluments of the directors are paid by the other group companies. Directors' services to this company are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the company that employs them. Accordingly, the amounts above include no emoluments in respect of the directors.

# PENGUIN RANDOM HOUSE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

(continued)

	2014 £	2013 £
<b>3 TAX ON PROFIT ON ORDINARY ACTIVITIES</b>		
(a) Analysis of tax charge / (credit) for the year		
Amount payable / (receivable) for UK group		
relief and corporation tax	(25,127)	(245,992)
Overseas Tax	336,463	
Adjustments in respect of prior years	296,714	-
	608,050	(245,992)
(b) The tax assessment for the year is lower (2013: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2014 of 21.5% (2013: 23.25%). Factors affecting the tax charge for the year:		
Profit on ordinary activities before taxation	17,115,300	3,500,473
Corporation tax at standard rate of 21.5% (2013: 23.25%)	3,679,790	813,860
Effects of:		
Expenses not deductible for tax purposes	972,774	60,570
Income not taxable	(4,677,691)	(1,120,422)
Withholding tax	336,463	-
Adjustments in respect of prior year	296,714	-
Current tax charge / (credit) for year	608,050	(245,992)

### *Current tax*

The standard rate of corporation tax in the United Kingdom changed from 23% to 21% with effect from 1 April 2014. Accordingly the company's profits / losses are taxed at an effective rate of 21.5%.

### *Deferred tax*

During 2013 changes to the UK main corporation tax rate were enacted. The tax rate has fallen to 21% with effect from 1 April 2014 and to 20% with effect from 1 April 2015.

	2014 £	2013 £
<b>4 DIVIDENDS</b>		
Equity - Dividend		
Final for the prior year: 13.24p (2013: 5.52p) per share	9,927,789	4,888,000
Interim: 31.76p (2013: 27.76p) per share	23,817,253	20,823,156
	33,745,042	25,711,156

# PENGUIN RANDOM HOUSE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014 (continued)

5 INVESTMENTS	Shares in group undertakings £
Cost:	
At 1 January 2014	738,921,032
Additions	3,261,396
Disposals	(20,875,109)
	<hr/>
At 31 December 2014	721,307,319
	<hr/>
Provision for impairment:	
At 1 January 2014	-
Additions	(2,270,000)
	<hr/>
At 31 December 2014	(2,270,000)
	<hr/>
Net book value:	
At 31 December 2014	719,037,319
	<hr/>
At 31 December 2013	738,921,032
	<hr/>

The company's investments in group undertakings are listed on in note 13.

An impairment test was carried out in accordance with Financial Reporting Standard 11. The carrying amount and the equity value of each investment have been compared to ascertain if impairment is necessary. The investment in Penguin Random House Holdings (Brazil) Ltda has been partially impaired to the value subsequently realised in 2015 (refer note 12).

The additions of £3.3m relate to an increase in the investment in Penguin Random House Holdings (Brazil) Ltda. During the year the company also sold its shares in Penguin Canada Books Inc. to Random House of Canada Limited for £18.7m creating a profit on disposal of £0.9m.

	2014 £	2013 £
6 DEBTORS		
Amounts owed by group undertakings	127,293,435	66,681,122
Other debtors	2,560,126	1,446,939
Group relief receivable	9,595,722	5,537,657
	<hr/>	<hr/>
	139,449,283	73,665,718
	<hr/>	<hr/>

Amounts owing by group undertakings are unsecured, repayable on demand and incur interest. The majority of the balance relates to funds owed under cash pooling agreements. Also included in this balance are dividends receivable of £10m from The Random House Group Limited and tax payable of £3.2m to Bertelsmann UK Limited.

Included in other debtors is the revaluation increase on derivative instruments held.

# PENGUIN RANDOM HOUSE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

(continued)

	2014 £	2013 £
<b>7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		
Amounts owed to group undertakings	190,857,126	143,045,049
Corporation tax payable	2,006,370	66,242
Group relief payable	7,496,517	5,238,748
Other creditors	1,503,216	1,442,384
Accruals and deferred income	305,821	869,830
	<hr/> 202,169,050	<hr/> 150,662,253

Amounts owed to group undertakings are unsecured, repayable on demand and incur interest. Included within this balance is £115m (2013: £40m) under the facility agreement with shareholders disclosed in Note 1. The remaining amounts owed to group undertakings are balances owed under cash pooling agreements.

Included in other creditors is the revaluation decrease on derivative instruments held.

	2014 £	2013 £
<b>8 CALLED UP SHARE CAPITAL</b>		
Authorised, allotted, called up and fully paid:		
Balance at the beginning of the year	75,000,000	25,540,000
Issued during the year:		
Ordinary shares of £1 each	-	49,460,000
Balance at the end of the year	<hr/> 75,000,000	<hr/> 75,000,000
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<hr/> 75,000,000	<hr/> 75,000,000

<b>9 PROFIT AND LOSS ACCOUNT</b>	£
Balance at 1 January 2014	37,830,084
Profit for the financial year	16,507,250
Dividend paid	(33,745,042)
	<hr/>
Balance at 31 December 2014.	20,592,292

## PENGUIN RANDOM HOUSE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

(continued)

#### 10 RELATED PARTIES

The company's immediate parent company is Bertelsmann UK Limited, which owns 53%, and Pearson PRH Holdings Limited owns the remaining 47%. The company's ultimate parent Company is Bertelsmann SE & Co KGaA, which is incorporated in Germany, copies of whose consolidated financial statements (the smallest and largest financial statements in which the company is consolidated) can be obtained from.

Bertelsmann SE & Co KGaA  
Corporate Communications  
Carl Bertelsmann Strasse 270  
Postfach 111  
D-33311 Gütersloh  
Germany

During the year the company entered into the following transactions with related parties:

	2014	2013
	£	£
Administrative expenses:		
RTL Group Support Services Limited	160,900	83,500
Bertelsmann SE & Co KGaA	160,000	70,865
Interest income:		
Penguin Australia Pty Limited	2,732,293	761,159
Penguin Publishing Singapore Pte Limited	229,445	63,875
The Random House Group Limited	985,443	375,152
Interest expense:		
Random House of Canada Limited	165,753	38,793
Penguin Books Limited	172,520	22,859
Bertelsmann UK Limited	54,717	267,200
Bertelsmann SE & Co KGaA	524,962	283,127
Penguin Random House LLC	731,191	-
Pearson Plc	478,422	251,074
Dividend Received:		
The Random House Group Limited	10,000,000	4,800,000
Penguin Books Limited	7,500,000	-
Penguin Books Canada Inc.	3,087,796	-
Penguin Books (SA) Pty.	832,437	-
Dividend paid:		
Bertelsmann UK Limited	17,884,872	14,674,883
Pearson Plc	15,860,170	11,036,273



# PENGUIN RANDOM HOUSE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

(continued)

### 10 RELATED PARTIES (continued)

#### Debtors:

Penguin Books Canada Inc.	4,392,648	-
The Random House Group Limited	50,711,929	10,006,202
Random House New Zealand Limited	1,001,555	-
Penguin Random House Grupo Editorial, S.A	1,935,753	-
Penguin Australia Limited	55,106,778	49,407,744
Penguin Random House Pte Limited	8,718,372	6,475,618
Penguin New Zealand Limited	364,250	764,343
Penguin Random House Grupo Editorial Unipessoal, Lda.	1,094,565	-
Bertelsmann UK Limited	3,176,770	-

#### Creditors:

Random House of Canada Limited	-	10,835,393
Random House Australia Pty Limited	1,582,516	-
Random House New Zealand Limited	-	895,779
Penguin Random House Grupo Editorial, S.A	-	15,011,138
Penguin Random House Grupo Editorial, S.A de C.V.	4,391,964	-
Penguin Books Limited	63,393,223	49,499,104
Dorling Kindersley Verlag GmbH	2,338,017	-
Penguin Books Deutschland GmbH	1,324,540	-
Penguin Books Benelux B.V.	311,692	-
Penguin Random House LLC	302,451	-
Penguin Books Canada Inc.	7,673	2,916,809
Penguin Books Malaysia Sdn Bhd	200,814	195,160
Santillana Ediciones Generales, S.A. de C.V.	1,522,572	-
Bertelsmann UK Limited	-	23,320,749
Pearson Plc	54,182,408	18,913,228
Bertelsmann SE & Co KGaA	61,259,311	21,453,835
Random House Holdings Limited	100,000	100,000

### 11 MAJOR NON-CASH TRANSACTIONS

During the year the company received a capital return of £3.1m from Penguin Canada Books Inc. Subsequent to this transaction the company sold its investment in Penguin Canada Books Inc. to Random House of Canada Limited. Both transactions were settled by way of the group's cash pooling facility.

## **PENGUIN RANDOM HOUSE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 December 2014**

(continued)

#### **12 POST BALANCE SHEET DATE EVENTS**

A final dividend of £29.1m (2013: nil) was paid to the shareholders on 27 February 2015.

Since the year end, the company has increased its investment in Penguin Random House Holdings (Brazil) Ltda. Following this, the wholly owned subsidiary merged with Editora Schwarcz S.A. resulting in Penguin Random House Limited holding 45% of the shares in the newly merged company. Once the merger was finalised on 31 March 2015, the company then further increased its investment in Editora Schwarcz S.A.

In May 2015, the shareholders increased their shareholding in the company by £27.3m. The percentages of ownership were not affected.

#### **13 INVESTMENTS IN GROUP UNDERTAKINGS**

Refer to the following table for the company's investments at 31 December 2014.

The Group maintains an interest in undertakings which would normally be classified as associate undertakings. These undertakings are listed under "Investments" and "Indirect investments" in the table on the following pages.

# PENGUIN RANDOM HOUSE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

(continued)

### 13 INVESTMENTS IN GROUP UNDERTAKINGS (continued)

Name	Principle Activity	Holding	Class of shares	Registered Address
<b><u>Subsidiary undertakings</u></b>				
Author Solutions Limited	Treasury Services	100	Ordinary	80 Strand, London, United Kingdom, WC2R 0RL
Author Solutions Philippines, Inc.	Editorial services	100	Ordinary	6/F TGU Tower, Cebu IT Park, Cebu City, Philippines
Dorling Kindersley Limited	Book Publishing	100	Ordinary	80 Strand, London, United Kingdom, WC2R 0RL
Dorling Kindersley Publishing Private Limited	Book Publishing	100	Ordinary	7th Floor, Infinity Tower C, DLF Cyber City, Gurgaon, India, 122 002, Haryana
Hugo's Language Books Limited	Dormant Entity	100	Ordinary	80 Strand, London, United Kingdom, WC2R 0RL
Penguin Australia Pty Limited	Book Publishing	100	Ordinary	707 Collins St, Melbourne, Australia, 3008
Penguin Books Benelux B.V.	Book Publishing	100	Nominal	Herengracht 418 2, Amsterdam, Netherland, 1017BZ
Penguin Books India Private Limited	Book Publishing	100	Ordinary	7th Floor, Infinity Tower C, DLF Cyber City, Gurgaon, India, 122 002, Haryana
Penguin Books Limited	Book Publishing	100	Ordinary	80 Strand, London, United Kingdom, WC2R 0RL
Penguin Books Malaysia Sdn Bhd	Sales and Marketing Services	100	Ordinary	Level 1, Tower 2A, avenue 5, Bangsar South, No 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia
Penguin Books S.A.	Book Distribution	100	Ordinary	9 Glorieta de Quevedo, 7th Floor, Madrid, Spain, 28015
Penguin Group (Hongkong) Limited	Holding Company	100	Ordinary	Suite 3313, Tower One, Times Square, 1 Matheson Street, Causeway Bay, HK
Penguin New Zealand Pty Limited	Book Publishing	100	Ordinary	67 Apollo Drive, Rosedale, Auckland, New Zealand, 0632
Penguin Random House Pte. Limited	Sales and Marketing Services	100	Ordinary	9 North Buona Vista Drive, #13-01, The Metropolis Tower One, Singapore, Singapore, 138588
Penguin Random House South Africa (Pty) Limited	Book Publishing	100	Ordinary	Rosebank Office Park, Block D, 181 Jan Smuts Avenue, Parktown North, Johannesburg, South Africa, 2193
Random House Holdings Limited	Holding Company	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
The Random House Group Limited	Book Publishing	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA

# PENGUIN RANDOM HOUSE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

(continued)

### 13 INVESTMENTS IN GROUP UNDERTAKINGS (continued)

Name	Principle Activity	Holding	Class of shares	Registered Address
<b><u>Indirect subsidiary undertakings</u></b>				
Aguilar, Altea, Taurus, Alfaguara S.A. de Ediciones	Book Publishing	100	Ordinary	Avenida Leandro N. Alem 720, Buenos Aires, Argentina, C1053CABA
Allen Lane The Penguin Press Limited	Dormant Entity	100	Ordinary	80 Strand, London, United Kingdom, WC2R 0RL
Arrow Books Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Bantam Books Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Barrie & Jenkins Limited	Dormant Entity	98	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Bartlett Bliss Productions Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Bellew & Higon Publishers Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Business Books Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Carousel Books Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Century Benham Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Century Hutchinson Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Century Hutchinson Publishing Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Century Publishing Co. Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Chatto and Windus Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Children's Character Books Limited	Book Publishing	75	Ordinary	80 Strand, London, United Kingdom, WC2R 0RL
Corgi Books Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Direct Group Grandes Obras, S.L.	Holding Company	100	Ordinary	Calle Travessera de Gracia, 47-49, Barcelona, Spain, 08021
Distribuidora Digital de Libros, S.A.	Ebook Distribution	53.32	Ordinary	Via Augusta, 48-50, Barcelona, Spain, 08006
Distribuidora Penguin Random House S.A.S.	Distribution Services	100	Nominal	Aut. Medellin KM 1.7 Terrapuerto Industrial el Dorado BG 4, Cota (Cundinamarca), Columbia

# **PENGUIN RANDOM HOUSE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** **for the year ended 31 December 2014** (continued)

### 13 INVESTMENTS IN GROUP UNDERTAKINGS (continued)

Name	Principle Activity	Holding	Class of shares	Registered Address
Dorling Kindersley Publishers (South Africa) Pty Limited	Dormant Entity	100	Ordinary	Rosebank Office Park, Block D, 181 Jan Smuts Avenue, Parktown North, Johannesburg, South Africa, 2193
Dorling Kindersley Verlag GmbH	Book Publishing	100	Ordinary	Arnulfstraße 124, München, Germany, 80636
Dorling Kindersley Vision Limited	Dormant Entity	100	Ordinary	80 Strand, London, United Kingdom, WC2R 0RL
Editorial Sudamericana Uruguay S.A.	Book Publishing	100	Ordinary	Yaguaron 1568, Montevideo, Uruguay
Frederick Warne & Co Limited	Book Publishing	100	Preference / Ordinary	80 Strand, London, United Kingdom, WC2R 0RL
Funfax Limited	Dormant Entity	100	Ordinary	80 Strand, London, United Kingdom, WC2R 0RL
Grantham Book Services Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Hamish Hamilton Children's Books Limited	Dormant Entity	100	Ordinary	80 Strand, London, United Kingdom, WC2R 0RL
Hamish Hamilton Limited	Dormant Entity	100	Ordinary	80 Strand, London, United Kingdom, WC2R 0RL
Hammond, Hammond and Company, Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Herbert Jenkins Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Hurst & Blackett Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Hutchinson & Co. (Publishers) Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Hutchinson Books Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Hutchinson Childrens Books Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Jackdaw Publications Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Jonathan Cape Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Ladybird Books Limited	Book Publishing	100	Ordinary	80 Strand, London, United Kingdom, WC2R 0RL
Mainstream Publishing Company (Edinburgh) Limited	Book Publishing	100	Ordinary	54-66 Frederick Street, Edinburgh, United Kingdom, EH2 1LS
Market Self S.A.	Distribution Services	50	Ordinary	Av. Paseo Colón 221, 6th Floor, Buenos Aires, Argentina, C1063ACC

# PENGUIN RANDOM HOUSE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014 (continued)

### 13 INVESTMENTS IN GROUP UNDERTAKINGS (continued)

Name	Principle Activity	Holding	Class of shares	Registered Address
Martin Secker and Warburg Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Michael Joseph Limited	Dormant Entity	100	Ordinary	80 Strand, London, United Kingdom, WC2R 0RL
Pelham Books Limited	Dormant Entity	100	Ordinary	80 Strand, London, United Kingdom, WC2R 0RL
Penguin (Beijing) Culture Development Co., Limited	Publishing Services	100	Ordinary	Room 1211, Tower D, Beijing Global Trade Centre, 36 North Third Ring Road East, Dongchang District, Beijing, China
Penguin Books Deutschland Gesellschaft mit beschränkter Haftung	Sales and Marketing Services	100	Ordinary	Arnulfstraße 124, München, Germany, 80636
Penguin Books Hellas Limited i.L.	Liquidated	100	Ordinary	3a Fragoklisias str & Granicou, Athen, Greece, 151 25
Penguin Random House Canada Limited	Book Publishing	100	Ordinary	1 Toronto Street, Suite 300, Toronto, Canada, M5C2V6
Penguin Random House Grupo Editorial S.A.	Book Publishing	100	Ordinary	Calle Humberto Primo 545, Buenos Aires, Argentina, C1103ACK
Penguin Random House Grupo Editorial S.A.	Book Publishing	100	Ordinary	Av. Ricardo Palma 341, Of. 601, Miraflores, Lima, Peru
Penguin Random House Grupo Editorial S.A.S.	Book Publishing	100	Ordinary	Terrapuerto Industrial El Dorado Bodega No. 4, Autopista Medellin Km 1.7 Entrada Parque La Florida, Cota (Cundinamarca), Columbia
Penguin Random House Grupo Editorial, S.A.	Book Distribution	100	Ordinary	Merced 280, 6th Floor, Santiago de Chile, Chile, 8320128
Penguin Random House Grupo Editorial, S.A.	Book Distribution	100	Ordinary	Calle Travessera de Gracia, 47-49, Barcelona, Spain, 08021
Penguin Random House Grupo Editorial, S.A.	Book Distribution	100	Ordinary	Av. Venezuela, Edificio Atrium, piso 3, oficina única. Urb. El Rosal, Caracas, Venezuela, 1060
Penguin Random House Grupo Editorial, S.A. de C.V.	Book Publishing	100	Ordinary	Miguel de Cervantes Saavedra 301, piso 1, col. Granada, del. Miguel Hidalgo, Mexiko-Stadt, Mexico, 11520
Penguin Random House Grupo Editorial, Unipessoal Lda.	Book Publishing	100	Ordinary	Praca Marques de Pombal, numero 1, 8º planta, Lissabon, Portugal, 1250-160
Plane Tree Publishers Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA

# **PENGUIN RANDOM HOUSE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** **for the year ended 31 December 2014** (continued)

### 13 INVESTMENTS IN GROUP UNDERTAKINGS (continued)

Name	Principle Activity	Holding	Class of shares	Registered Address
Random House Australia Pty Limited	Book Publishing	100	Ordinary	Level 3 100 Pacific Highway, North Sydney, Australia, NSW 2060
Random House New Zealand Limited	Book Publishing	100	Ordinary	67 Apollo Drive, Rosedale, Auckland, New Zealand, 0632
Random House Properties Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Random House Publishers India Private Limited	Book Publishing	100	Ordinary	7th Floor, Infinity Tower C, DLF Cyber City, Gurgaon, India, 122 002, Haryana
Random House Publishing Group Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Random House Struik Proprietary Limited	Book Publishing	100	Ordinary	The Estuaries No 4, Oxbow Crescent, Century Avenue, Century City, Cape Town, South Africa, 8000
Random House UK Ventures Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
RHA Holdings Pty Limited	Dormant Entity	100	Ordinary	16 Dalmore Drive, Scoresby (Melbourne), Victoria 3179, Australia, 3179
Salspot Limited	Merchandising	100	Ordinary	80 Strand, London, United Kingdom, WC2R 0RL
Sinclair - Stevenson Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Smashing Ideas UK Limited	Book Publishing	100	Ordinary	7-15 Pink Lane, Newcastle upon Tyne, United Kingdom, NE1-5DW
Snowdog Enterprises Limited	Merchandising	100	Ordinary	80 Strand, London, United Kingdom, WC2R 0RL
Snowman Enterprises Limited	Book Publishing	100	Ordinary	80 Strand, London, United Kingdom, WC2R 0RL
Stanley Paul & Company Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
T. Werner Laurie, Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Tamarind Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
The Bodley Head Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
The Book Service Limited	Distribution and Support Services	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
The Cresset Press Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA

# **PENGUIN RANDOM HOUSE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 December 2014**

(continued)

### **13 INVESTMENTS IN GROUP UNDERTAKINGS (continued)**

<b>Name</b>	<b>Principle Activity</b>	<b>Holding</b>	<b>Class of shares</b>	<b>Registered Address</b>
The Harvill Press Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
The Hogarth Press Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
The Rough Guides Limited	Book Publishing	100	Ordinary	80 Strand, London, United Kingdom, WC2R 0RL
Transworld Publishers Ireland Limited	Editorial services	100	Ordinary	c/o EUGENE F. COLLINS Solicitors, Temple Chambers, 3 Burlington Road, Dublin, Ireland, 4
Transworld Publishers Limited	Book Publishing	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Tundra Books of Northern New York, Inc.	Book Publishing	100	Common	18 Cornelia Street, Plattsburgh, County of Clinton, State of New York, USA, 12901
Ventura Publishing Limited	Book Publishing	100	Ordinary	80 Strand, London, United Kingdom, WC2R 0RL
Virgin Books Limited	Book Publishing	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
WH Allen General Books Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Woodlands Books Limited	Book Publishing	85	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA

### **Indirect investments**

Bounce! Sales & Marketing Limited	Book Sales and Marketing	30.00	Ordinary	Hathaway House, Popes Drive, London, N3 1QF
Centro de Exportacion de Libros Espanoles, S.A.	Distribution Services	6.56	Ordinary	Calle Moratines, 11, 1B, Madrid, Spain, 28005
Editora Fontanar, Ltda.	Book Publishing	44.82	Ordinary	Rua Cosme Velho, No. 103, Rio de Janeiro, Brazil, 22241-090
Editora Objetiva, Ltda	Book Publishing	45.00	Ordinary	Rua Cosme Velho, No. 89 and 103, Rio de Janeiro, Brazil, 22241-090
Editora Schwarcz S.A.	Book Publishing	45.00	Common	Rua Djalma Dutra, no. 192, Luz, Sao Paulo, Brazil, 01103-010