

Registered number: 00734421

PENGUIN RANDOM HOUSE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022



PENGUIN RANDOM HOUSE LIMITED

COMPANY INFORMATION

Directors	Mark Gardiner Robert Grant Thomas Weldon
Company secretary	Sinead Martin
Registered number	00734421
Registered office	20 Vauxhall Bridge Road London SW1V 2SA
Independent auditor	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL

PENGUIN RANDOM HOUSE LIMITED

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PENGUIN RANDOM HOUSE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The directors present their Strategic Report for Penguin Random House Limited ("the Company" or "PRHL") for the year ended 31 December 2022.

Principal activities

The Company 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.

Review of the business

The results and financial position of the Company are set out in the attached financial statements. As a result of lower dividends received in 2022 the Company made a reduced profit for the financial year compared to the prior year of £ 53,219,375 (2021 - £ 154,801,939 as restated).

Financial key performance indicators

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPI's 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. The Company's key risk consists of falling portfolio valuations and a lack of exit opportunities with its investments, resulting in the need to impair the carrying value of these investments. These risks are addressed through a standardized investment process and continuous monitoring of investments' performance by management. Another principal risk of the Company is that of potential mistakes when selecting investments and allocating investment funds. This risk is limited by means of strict investment criteria and processes. Integration processes are monitored by management on an ongoing basis to ensure the expected levels of costs and synergies materialize.

PENGUIN RANDOM HOUSE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Directors' statement of compliance with duty to promote the success of the Company

The Directors of the Company must act in accordance with a set of general duties, as detailed in section 172 of the UK Companies Act 2006, summarised as follows:

'A director of a Company must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long-term;
- the interest of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between the shareholders of the Company.

The directors fulfil these duties as follows:

The interest of the Company's employees

The board recognises that employees are central to the long-term success of the Company. The Company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Company plays a major role in maintaining its prosperity. The Company encourages the involvement of employees by means of regular meetings with staff and staff representatives to keep them informed of the Company's progress. The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or sexual orientation.

Business relationships with suppliers, customers and others

The directors appreciate the importance of fostering business relationships with key stakeholders, such as customers and suppliers, and focus on the maintenance and growth of these relationships in their decision-making and strategic planning. The Company employs dedicated relationship managers to foster these relationships which also ensures the board has a high degree of visibility to take stakeholder considerations into account.

PENGUIN RANDOM HOUSE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

PRH Streamlined Energy and Carbon Reporting Disclosure 2022

UK Greenhouse gas emissions and energy use data for the period 1 January 2022 to 31 December 2022. The previous year ending 2021 figures have been included to demonstrate Penguin Random House's commitment to reducing their energy use and greenhouse gas emissions.

The scope of this disclosure includes both production and non-production sites based in multiple locations worldwide. The disclosure below includes worldwide greenhouse gas emissions and energy use data for the entire Penguin Random House Group UK.

Energy Consumption - Green Electricity – PRH made the decision to purchase electricity from Renewable Resources from October 2018 onwards.

	2021	2022
Total Energy Consumption kWh	9,994,580	9,453,796
Total Electricity Procured kWh	5,381,631	5,238,662
Percentage "Green Electricity"	100%	100%
Total Heat Procurement in kWh	4,543,842	4,338,628

In 2022

- Penguin Random House UK Facilities replaced over 135 light fittings with LED lights in 2022.
- The Solar PV installation at the Colchester Distribution Centre produced 387,102 kWh of electricity for the site, 17.7% of the total requirement in 2022.
- PRH achieved ISO14001 accreditation for their Environmental Management System
- There were noticeable increases in Emissions from employee business travel and employee commuting as work returns to normal after the Covid 19 pandemic.
- There are noticeably higher emissions in Scope 1 Stationary fuels in 2022, this is due to PRH incorrectly reporting Natural Gas supplied heating in Scope 2 Heat in previous years.

Targets

Penguin Random House UK is committed to managing environmental issues effectively across our entire value chain. We have set three key targets for the future. The details of these are outlined in the PRH Sustainability Policy https://wp.penguin.co.uk/wp-content/uploads/2022/06/Penguin_Sustainability_Policy_Spring_22-3.pdf

- **Zero by 30:** reduce our carbon footprint to become climate neutral in our direct operations by 2021, and in our wider supply chain by 2030
- **Sustainable sourcing:** ensure 100% of our paper and other core materials continue to be ethically and sustainably sourced.
- **Content:** use the power of our brand, books, and authors to amplify the climate emergency and encourage positive behaviour change

Site related emissions	unit	2020	2021	2022	% Diff
Scope 1 Stationary Fuels *	t CO2e	21	32	784	2350%
Scope 1 Refrigerant Losses	t CO2e	141	36	97	169%
Scope 2 Electricity	t CO2e	-	-	-	-
Scope 2 Heat *	t CO2e	982	1,178	111	-91%
Total	t CO2e	1,144	1,246	992	-20%

PENGUIN RANDOM HOUSE LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

PRH Streamlined Energy and Carbon Reporting Disclosure 2022 (continued)

Employee related emissions	unit	2020	2021	2022	% Diff
Scope 1 Mobile Fuels	t CO2e	32	33	60	82%
Scope 3 Business Travel	t CO2e	55	82	1,041	1170%
Scope 3 Employee Commuting	t CO2e	1,018	1,413	1,890	34%
Scope 3 IT Devices	t CO2e	499	229	315	38%
Scope 3 Office Paper	t CO2e	43	37	45	21%
Total	t CO2e	1,647	1,794	3,351	87%

Product related emissions	unit	2020	2021	2022	% Diff
Scope 3 Paper Manufacture	t CO2e	14,412	21,284	20,511	-4%
Scope 3 Printers / Print Materials	t CO2e	11,163	14,059	13,982	-1%
Scope 3 CD/DVD Manufacturing	t CO2e	-	65	165	154%
Scope 3 Warehouse Services	t CO2e	-	461	464	1%
Scope 3 Transport	t CO2e	5,833	9,278	9,114	-2%
<i>Paper Mill to Printer</i>	<i>t CO2e</i>	<i>2,365</i>	<i>3,645</i>	<i>3,312</i>	<i>-9%</i>
<i>Other Materials to Printer</i>	<i>t CO2e</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Printer to Warehouse</i>	<i>t CO2e</i>	<i>2,114</i>	<i>4,070</i>	<i>4,199</i>	<i>3%</i>
<i>Distribution (Delivery & Returns)</i>	<i>t CO2e</i>	<i>1,353</i>	<i>1,563</i>	<i>1,603</i>	<i>3%</i>
Scope 3 Packaging & Transport Materials	t CO2e	-	785	939	20%
Scope 3 Video Production	t CO2e	-	-	-	-
Total before consolidation	t CO2e	31,407	45,932	45,175	-2%

PENGUIN RANDOM HOUSE LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

PRH Streamlined Energy and Carbon Reporting Disclosure 2022 (continued)

Other Scope 3 Emissions	unit	2020	2021	2022	% Diff
Scope 3 Waste	t CO2e	83	168	199	18%
Scope 3 Energy related emissions	t CO2e	125	151	165	9%
Scope 3 End of Life (product waste)	t CO2e	900	889	922	4%
Total	t CO2e	1,108	1,208	1,286	6%

Total Emissions	t CO2e	35,307	50,180	50,806	1%
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Total Emissions	unit	2020	2021	2022	% Diff
Scope 1	t CO2e	194	101	942	833%
Scope 2	t CO2e	982	1,178	111	-91%
thereof heat	t CO2e	982	1,178	111	-91%
Scope 3	t CO2e	34,131	48,901	49,753	2%
Sum S1+S2+S3	t CO2e	35,307	50,180	50,806	1%

Intensity Ratio	Unit	2020	2021	2022	% Diff
Tonnes of CO2e per £M Revenue	t CO2e	63.99	96.87	95.57	1.35%

PENGUIN RANDOM HOUSE LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

PRH Streamlined Energy and Carbon Reporting Disclosure 2022 (continued)

Reporting Methodology

We have followed the UK BEIS (Department Business, Energy & Industrial Strategy) 2019 guidance. The Management provides assurance that these disclosures are true and correct to the best of their knowledge as the energy and emission figures provided are taken from Bertelsmann's "Green Screen". This is a Bertelsmann owned internal recording application used by all companies within the Bertelsmann Group including Penguin Random House UK and adequate procedures are performed by Management to review the accuracy. All conversions are completed using government guidance ratios and the scopes 1, 2 and 3 are as outlined by BEIS guidance pages 50 and 51.

In addition to the above, PRH have begun to offset site related emissions as of 2021.

Total	Offsetting	Unit	2021	2022	% Diff
Site related		t CO2e	1,279	1,053	-18%
Employee related		t CO2e	-	-	-
Product related		t CO2e	-	22	-

- * Pre 2022 gas supplies purchased direct from a supplier were reported as Scope 2 Heat instead of Scope 1 Stationary Fuels

PENGUIN RANDOM HOUSE LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

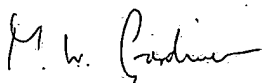
Community and environment

The Company's approach is to use its position of strength to ensure it is an asset to the communities and people with which it interacts. The board ensures significant consideration is given to the impact of the Company's operations on the community and environment in their decision-making. The Company strives to create positive change in reducing the environmental impact of its businesses and to meet the highest level of health and safety and environmental standards, whilst maintaining effective and continuing business practices.

Shareholders

The board recognises the importance of regular and open dialogue with the shareholders and the need to ensure the strategy and goals of the Company are effectively communicated to them. Feedback on these plans and objectives is welcomed by the directors and major business decisions are made closely and with the approval of the shareholders.

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



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Mark Gardiner
Director

Date: 6 July 2023

PENGUIN RANDOM HOUSE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Results and dividends

The profit for the year, after taxation, amounted to £53,219,375 (2021 - £154,801,939 as restated).

Dividends of £100,000,000 were paid during the year (2021 - none).

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate given the following considerations.

The Company acts as the intermediate holding company for entities under the Penguin Random House Group, except for those entities within the United States of America, headed by Bertelsmann SE & Co. KGaA, the ultimate parent company. The Company's cash flows are therefore dependent on the dividend income of the subsidiaries.

The Company meets its day to day working capital requirements from cash pool arrangement, together with dividend income from the group headed by Bertelsmann SE & Co. KGaA.

Directors considered the current global economic uncertainty along with the outstanding inter-company payables and inter-company receivables for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds through funding from its ultimate parent Bertelsmann SE & Co. KGaA and repayment of outstanding balances from fellow subsidiaries to meet its liabilities as they fall due for that period. Those forecasts are dependent on Bertelsmann SE & Co. KGaA not seeking repayment of the amounts currently due to the group and providing additional financial support during that period.

Bertelsmann SE & Co. KGaA has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any Company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Notwithstanding the current intercompany loan of £ 200 million as at 31 December 2022 paid subsequent to the report date, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Further details regarding the adoption of the going concern basis can be found in note 2 to the financial statements.

Directors

The directors who served during the year were:

Mark Gardiner
Robert Grant
Thomas Weldon

PENGUIN RANDOM HOUSE LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

Future developments

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

Financial instruments

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 as not significant.

Disclosure of information to auditor

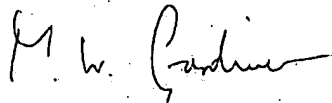
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Following completion of the current year audit, KPMG LLP will step down as the Company's auditors. The Board intends to subsequently appoint Grant Thornton UK LLP as the Company's successor auditor.

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



Mark Gardiner
Director

Date: 6 July 2023

20 Vauxhall Bridge Road
London
SW1V 2SA

PENGUIN RANDOM HOUSE LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

PENGUIN RANDOM HOUSE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENGUIN RANDOM HOUSE LIMITED

Opinion

We have audited the financial statements of PENGUIN RANDOM HOUSE LIMITED ("the Company") for the year ended 31 December 2022 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

PENGUIN RANDOM HOUSE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENGUIN RANDOM HOUSE LIMITED

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Penguin Random House Limited's ("PRHL") policies and procedures to prevent and detect fraud that apply to this group company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no revenue transactions.

We did not identify any additional fraud risks.

We performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by specific users and those posted to unrelated accounts.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing noncompliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

PENGUIN RANDOM HOUSE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENGUIN RANDOM HOUSE LIMITED

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 10, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

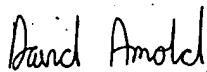
A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

PENGUIN RANDOM HOUSE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENGUIN RANDOM HOUSE LIMITED

The purpose of our audit work and to whom we owe our responsibilities

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



David Arnold (Senior statutory auditor)

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square

Canary Wharf

London

E14 5GL

Date: 7 July 2023

PENGUIN RANDOM HOUSE LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	As restated 2021 £
Administrative expenses		(28,603)	(201,670)
Operating loss	4	(28,603)	(201,670)
Income from other fixed asset investments	6	150,000,000	271,936,679
Amounts written off investments	7	(91,262,000)	(99,722,000)
Interest receivable and similar income	8	4,628,361	454,956
Interest payable and similar expenses	9	(11,249,203)	(19,252,896)
Profit before tax		52,088,555	153,215,069
Tax on profit	10	1,130,820	1,586,870
Profit for the financial year		53,219,375	154,801,939

The notes on pages 19 to 37 form part of these financial statements.

Prior year balances have been restated as detailed in note 20.

PENGUIN RANDOM HOUSE LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	As restated 2021 £
Profit for the financial year		53,219,375	154,801,939
Other comprehensive income			
Total comprehensive income for the year		53,219,375	154,801,939

There were no recognised gains and losses for 2022 or 2021 other than those included in the profit and loss account.

The notes on pages 19 to 37 form part of these financial statements.

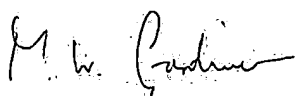
Prior year balances have been restated as detailed in note 20.

PENGUIN RANDOM HOUSE LIMITED
REGISTERED NUMBER: 00734421

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £	As restated 2021 £
Fixed assets			
Investments	11	487,990,454	602,412,289
		<u>487,990,454</u>	<u>602,412,289</u>
Current assets			
Debtors: amounts falling due within one year	12	185,970,798	122,035,034
		<u>185,970,798</u>	<u>122,035,034</u>
Creditors: amounts falling due within one year	13	(217,417,839)	(20,677,095)
Net current (liabilities)/assets		<u>(31,447,041)</u>	<u>101,357,939</u>
Total assets less current liabilities		<u>456,543,413</u>	<u>703,770,228</u>
Creditors: amounts falling due after more than one year	14	-	(200,446,190)
Net assets		<u><u>456,543,413</u></u>	<u><u>503,324,038</u></u>
Capital and reserves			
Called up share capital	16	75,400,000	75,400,000
Share premium account	17	20,400,546	20,400,546
Profit and loss account	17	360,742,867	407,523,492
		<u><u>456,543,413</u></u>	<u><u>503,324,038</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



.....
Mark Gardiner
 Director

Date: 6 July 2023

The notes on pages 19 to 37 form part of these financial statements.

Prior year balances have been restated as detailed in note 20.

PENGUIN RANDOM HOUSE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2021	75,400,000	20,400,546	252,721,553	348,522,099
Comprehensive income for the year				
Profit for the year (restated)	-	-	154,801,939	154,801,939
At 1 January 2022 (restated)	75,400,000	20,400,546	407,523,492	503,324,038
Comprehensive income for the year				
Profit for the year	-	-	53,219,375	53,219,375
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(100,000,000)	(100,000,000)
At 31 December 2022	75,400,000	20,400,546	360,742,867	456,543,413

The notes on pages 19 to 37 form part of these financial statements.

Prior year balances have been restated as detailed in note 20.

PENGUIN RANDOM HOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. General information

Penguin Random House Limited is a private company limited by shares, incorporated in the United Kingdom. Its registered office and principal place of business at 31 December 2022 was 20 Vauxhall Bridge Road, London, SW1V 2SA.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("UK-adopted IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 102 disclosure exemptions has been taken.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Bertelsmann SE & Co KGaA as at 31 December 2022 and these financial statements may be obtained from Bertelsmann SE & Co KGaA, Corporate Communications, Carl Bertelsmann Strasse 270, Postfach 111, D-33311 Gütersloh, Germany.

2.3 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of a larger group by a parent undertaking established under the law of any part of the United Kingdom and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

PENGUIN RANDOM HOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.4 Going concern

The Company acts as the intermediate holding company for entities under the Penguin Random House Group, except for those entities within the United States of America, headed by Bertelsmann SE & Co. KGaA, the ultimate parent company. The Company's cash flows are therefore dependent on the dividend income of the subsidiaries.

The Company meets its day to day working capital requirements from cash pool arrangement, together with dividend income from the group headed by Bertelsmann SE & Co. KGaA.

Directors considered the current global economic uncertainty along with the outstanding inter-company payables and inter-company receivables for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds through funding from its ultimate parent Bertelsmann SE & Co. KGaA and repayment of outstanding balances from fellow subsidiaries to meet its liabilities as they fall due for that period. Those forecasts are dependent on Bertelsmann SE & Co. KGaA not seeking repayment of the amounts currently due to the group and providing additional financial support during that period.

Bertelsmann SE & Co. KGaA has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any Company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Notwithstanding current intercompany loan of £ 200 million as at 31 December 2022 paid subsequent to the report date, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

PENGUIN RANDOM HOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and Loss Account within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.6 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.7 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

PENGUIN RANDOM HOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.8 Valuation of investments

Investments in subsidiaries and associates are stated at cost less a provision made for impairment. Investments are tested for a triggering event and reflect changes in circumstances that indicate the carrying value may not be recoverable at each balance sheet date. 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. The Company uses budgeted profits, projected cash flows and weighted average cost of capital in order to determine whether any impairment is required. If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior periods. A reversal of impairment loss is recognised in the profit and loss account.

2.9 Common control transactions

The company's business combinations are transactions arising from transfers of interests in entities, with entities that are under control of the related parties ultimately controlled by Bertelsmann SE & Co KGaA. Interests in entities acquired in these transactions are recognised at book value.

2.10 Financial assets

Basic financial assets, including debtors, cash and bank balances, are initially recognised at transaction price and subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit and loss account.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit and loss account.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

2.11 Financial liabilities

Basic financial liabilities, including creditors, are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the liability is extinguished. This occurs when the contractual obligation is discharged, cancelled or expires.

PENGUIN RANDOM HOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.12 Derivative financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments, selecting the option to apply the recognition and measurement provisions of IAS 39 (as adopted for use in the EU) and the disclosure requirements of FRS 102.

A derivative financial instrument is initially recognised at its fair value, which is usually the transaction price, on the date the contract is entered into and is subsequently carried at its fair value.

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

Currency Forwards

The Company has entered into currency forwards 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.

2.13 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates, underlying assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and relevant under the circumstances.

Key accounting estimates and assumptions

(i) Impairment of Investments

Investments in subsidiary companies are held at cost less accumulated impairment losses. The Company tests annually whether investments have suffered any impairment, with the carrying amount being written down for any impairment highlighted.

The key estimates and assumptions for the Company in respect of the impairment of investments are the budgeted profits, projected cash flows and weighted average cost of capital used in order to determine whether any impairment is required. See note 11 for the carrying amount of investments and associated provision.

PENGUIN RANDOM HOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

4. Operating loss

The operating loss is stated after charging:

	2022 £	2021 £
Auditors' remuneration - statutory audit	39,330	39,330

5. Employees and directors

The Company has no employees other than the directors, who did not receive any remuneration (2021 - *£nil*).

Director's services to the Company and to a number of fellow subsidiaries, and their emoluments, are deemed to be trivial to the Company. Accordingly, there are no emoluments in respect of the directors (2021 : NIL).

PENGUIN RANDOM HOUSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

6. Income from shares in group undertakings

Dividends receivable from unlisted investments:

	2022 £	2021 £
The Random House Group Limited	120,000,000	200,000,000
Penguin Books Limited	30,000,000	70,000,000
Editora Schwarcz S.A	-	1,936,679
	<u>150,000,000</u>	<u>271,936,679</u>

7. Amounts written off investments

Amounts written off the carrying value of investments during the year:

	2022 £	(As restated) 2021 £
The Random House Group Limited	91,029,000	99,722,000
Penguin Books (SA) Pty Ltd	233,000	-
	<u>91,262,000</u>	<u>99,722,000</u>

Impairment charges on The Random House Group Limited and Penguin Books (SA) Pty Ltd were recognised as a result of a reduction in the estimated recoverable amount of the investments at the balance sheet date.

Prior year balances have been restated as detailed in note 20.

8. Interest receivable and similar income

	2022 £	2021 £
Interest receivable from group companies	2,296,972	24,708
Gain on foreign exchange	-	300,042
Other interest receivable	2,331,389	130,206
	<u>4,628,361</u>	<u>454,956</u>

PENGUIN RANDOM HOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

9. Interest payable and similar expenses

	2022 £	2021 £
Loss on foreign exchange	1,985,988	-
Interest on loans from group undertakings	-	2,417,080
Other interest payable	-	5,647,043
Interest on loans from shareholders	6,431,851	6,414,278
Loss on derivatives	2,831,364	4,774,495
	<u>11,249,203</u>	<u>19,252,896</u>

10. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	(1,125,124)	(1,628,737)
Adjustments in respect of previous periods	(5,696)	41,867
	<u>(1,130,820)</u>	<u>(1,586,870)</u>
Total current tax	<u>(1,130,820)</u>	<u>(1,586,870)</u>

PENGUIN RANDOM HOUSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

10. Taxation (continued)

The current year tax charge represents corporation tax payable and amounts receivable from fellow UK subsidiaries of the Bertelsmann group in respect of group relief.

Factors affecting tax charge for the year

The tax assessed for the year is lower than (*2021 - lower than*) the standard rate of corporation tax in the UK of 19% (*2021 - 19%*). The differences are explained below:

	2022	<i>As restated</i>
	£	2021
		£
Profit on ordinary activities before tax	52,088,555	153,215,069
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (<i>2021 - 19%</i>)	9,896,825	29,110,863
Effects of:		
Expenses not deductible for tax purposes	17,478,050	20,928,369
Adjustments to tax charge in respect of prior periods	(5,696)	41,867
Non-taxable income	(28,499,999)	(51,667,969)
Total tax charge for the year	(1,130,820)	(1,586,870)

Prior year balances have been restated as detailed in note 20.

Factors that may affect future tax charges

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will impact the company's future current tax charges accordingly.

PENGUIN RANDOM HOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

11. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2022	800,513,409
Additions	953,803
Return of investment	(24,113,638)
At 31 December 2022	<u>777,353,574</u>
Impairment	
At 1 January 2022 (as previously stated)	158,342,120
Prior Year Adjustment	39,759,000
At 1 January 2022 (as restated)	<u>198,101,120</u>
Charge for the period	91,262,000
At 31 December 2022	<u>289,363,120</u>
Net book value	
At 31 December 2022	<u><u>487,990,454</u></u>
At 31 December 2021 (as restated)	<u><u>602,412,289</u></u>

PENGUIN RANDOM HOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

11. Fixed asset investments (continued)

On 6 July 2022, the Company acquired the entire share capital of Little Tiger Press Limited (LTP) at book value of £56,100 from Little Tiger Group Limited (LTG), resulting in LTP changing from an indirect to a direct subsidiary of the Company. The directors have considered the value of their investment in LTG at the date of this transaction, identifying that the investment carrying value is not supportable due to the disposal of LTP. However, as there has been no overall change in control of the subsidiaries, the resulting investment value (£10,158,904) has been re-allocated to the entities investment in LTP.

On 31 July 2022, LTG's two remaining subsidiary companies, Stripes Publishing Limited and Caterpillar Books Limited ceased trading, with all their assets and liabilities sold to LTP at fair value. Following this, a dividend of £24,113,638 was paid from LTG to the Company which has been recognised as a return on the investment the company held in LTG.

On 15 December 2022 the Company made a capital injection of £897,703 to its subsidiary company Editora Schwarcz S.A.

An impairment test was carried out in accordance with Financial Reporting Standard 102. The carrying amount and recoverable amount of each investment has been compared to ascertain if impairment is required. Refer to note 7 for impairment charges recognised during the year totalling £91,262,000 (2021 - £99,722,000 as restated).

Prior year balances have been restated as detailed in note 20.

PENGUIN RANDOM HOUSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Dorling Kindersley Limited	One Embassy Gardens, 8 Viaduct Gardens, London, SW11 7BW	Book Publishing	Ordinary	100%
Dorling Kindersley Publishing Private Limited	7th Floor, Infinity Tower C, DLF Cyber City, Gurgaon, India, 122 002, Haryana	Book Publishing	Ordinary	100%
Hugo's Language Books Limited	One Embassy Gardens, 8 Viaduct Gardens, London, SW11 7BW	Dormant Entity	Ordinary	100%
Penguin Australia Pty Limited	707 Collins St, Melbourne, Australia, 3008	Book Publishing	Ordinary	100%
Penguin Books Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Book Publishing	Ordinary	100%
Penguin Random House SEA Pte.Ltd	30 Raffles Place, 11-00 Chevron House, Singapore, 048622	Book Publishing	Ordinary	100%
Penguin Group (Hongkong) Limited	Suite 3313, Tower One, Times Square, 1, Matheson Street, Causeway Bay, HK	Holding Company	Ordinary	100%
Penguin Random House India Private Limited	7th Floor, Infinity Tower C, DLF Cyber City, Gurgaon, India, 122 002, Haryana	Book Publishing	Ordinary	100%
Penguin Random House Korea LLC	7th Floor, AIA Tower, 16 Tongil-ro-2-gil, Jung-gu, Seoul	Book Publishing	Ordinary	100%
The Random House Group Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Book Publishing	Ordinary	100%
Flaname 0 Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Real Estate	Ordinary	100%
Flaname 1 Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Real Estate	Ordinary	100%
Flaname 2 Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Real Estate	Ordinary	100%
Flaname 3 Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Real Estate	Ordinary	100%

PENGUIN RANDOM HOUSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. Fixed asset investments (continued)

Subsidiary undertakings (continued)

Name	Registered office	Principal activity	Class of shares	Holding
Flaname 4 Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Real Estate	Ordinary	100%
Flaname 5 Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Real Estate	Ordinary	100%
Flaname 6 Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Real Estate	Ordinary	100%
Flaname 7 Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Real Estate	Ordinary	100%
Flaname 8 Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Dormant Entity	Ordinary	100%
Little Tiger Group Limited	1 Coda Studios, 189 Munster Road, London, United Kingdom, SW6 6AW	Holding Company	Ordinary	100%
Little Tiger Press Limited	1 Coda Studios, 189 Munster Road, London, United Kingdom, SW6 6AW	Book Publishing	Ordinary	100%
Editora Schwarcz S.A	Rua Bandeira Paulista, 702, Suite 11/3, 04532-002, São Paulo, Brazil	Book Publishing	Ordinary	70%

Associate undertakings

The following were associate undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Penguin Random House South Africa (Pty) Limited	Rosebank Office Park, Block D, 181 Jan Smuts Avenue, Parktown North, Johannesburg, South Africa, 2193	Book Publishing	Ordinary	47 %

PENGUIN RANDOM HOUSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

12. Debtors

	2022 £	2021 £
Amounts owed by group undertakings	182,788,010	118,433,442
Other debtors	2,514,830	1,972,855
Group relief receivable	667,958	1,628,737
	<u>185,970,798</u>	<u>122,035,034</u>

Amounts owed by group undertakings are, unless noted below, unsecured, repayable on demand and incur interest. The balance relates to funds owed to the Company under cash pooling agreements with Bertelsmann UK Limited and Penguin Random House Korea LLC. At the balance sheet date Bertelsmann UK Limited owed £182,448,332 (2021 - £118,126,509) and Penguin Random House Korea LLC owed £339,678 (2021 - £306,933). The average interest rate received on cash pooling receivables during the year was 1.23% (2021 - 0.05%).

Included in other debtors are dividends receivable of £619,850 (2021 - £898,896) and loan balances receivable of £1,894,981 (2021 - £1,448,101). Interest is charged on the loan balance at a rate of 1.50% (2021 - 1.50%).

13. Creditors: Amounts falling due within one year

	2022 £	2021 £
Amounts owed to group undertakings	202,034,711	1,613,086
Other creditors	15,341,832	13,334,491
Accruals	41,296	5,729,518
	<u>217,417,839</u>	<u>20,677,095</u>

Unless noted below, amounts owed to group undertakings are unsecured, repayable on demand and incur interest.

Amounts owed to group undertakings includes £202,027,793 (2021 - £1,599,176 accrued loan interest, principal of £200,446,190 included in amounts falling due after more than one year, see note 14) payable to Bertelsmann Business Support S.a r.l., a subsidiary of the Company's ultimate parent Company, Bertelsmann SE & Co. KGaA. The loan incurs interest at a rate of 3.20% (2021 - 3.20%) per annum, and was settled in full on 31 March 2023. See note 19 for details of the loan repayment made post balance sheet date.

Included in other creditors is a put option liability of £15,341,832 (2021 - £13,310,436) for the future purchase of the remaining 30% share capital in Editora Schwarcz S.A.

Also included in other creditors are derivative liabilities of nil (2021 - £24,055). See note 15 for details of derivative financial instruments at the balance sheet date.

PENGUIN RANDOM HOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

14. Creditors: Amounts falling due after more than one year

	2022 £	2021 £
Amounts owed to group undertakings	-	200,446,190
	<u>-</u>	<u>200,446,190</u>

15. Financial instruments

	2022 £	As restated 2021 £
Financial assets		
Financial assets measured at fair value through profit or loss	2,514,830	1,972,855
Financial assets measured at amortised cost	182,788,010	118,433,442
	<u>185,302,840</u>	<u>120,406,297</u>
Financial liabilities		
Financial liabilities measured at fair value through profit or loss	15,341,832	13,334,491
Financial liabilities measured at amortised cost	202,076,007	207,788,794
	<u>217,417,839</u>	<u>221,123,285</u>

Financial assets measured at fair value through profit or loss comprise of other debtors.

Financial liabilities measured at fair value through profit or loss comprise of other creditors.

Derivative financial instruments

The Company enters into forward foreign currency contracts with Bertelsmann SE & Co KGaA to mitigate the exchange rate risk for certain foreign currency receivables and payables. At 31 December 2022 the Company had no open derivative contracts (2021 - commitment to sell BRL 10,500,000 to receive a fixed sterling amount on maturity).

The forward currency contracts are measured at fair value which is determined using valuation techniques that utilise observable inputs. The company has no interest rate derivative financial instruments (2021 - none).

See note 9 for details of losses made on derivative financial instruments during the year.

In the course of the preparation of these financial statements, the Directors became aware that by oversight, there had been an omission of non current liabilities for the year ended 31 December 2021 in the financial instruments disclosure. The liability omitted was a loan balance, including accrued interest, due to Bertelsmann Business Support S.a.r.l amounting to £200,446,190. Accordingly a prior year restatement has been made to rectify the prior year error and correctly present financial liabilities in the notes to the financial statements.

PENGUIN RANDOM HOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

16. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
56,550,000 (2021 - 56,550,000) Ordinary A shares of £1.00 each	56,550,000	56,550,000
18,850,000 (2021 - 18,850,000) Ordinary B shares of £1.00 each	18,850,000	18,850,000
	75,400,000	75,400,000

There are two classes of ordinary shares, A shares and B shares. As at 31 December 2022 there were 56,550,000 (2021 - 56,550,000) A shares of £1 each and 18,850,000 (2021 - 18,850,000) B shares of £1 each allotted, called up and fully paid. The A and B shares vote together as a single class. There are no restrictions on the distribution of dividends and the repayment of capital.

17. Reserves

Share premium account

The share premium account is used to record the premium on shares issued.

Profit and loss account

This account includes all current and prior period retained profits and losses. All reserves in respect of profit and loss are distributable reserves.

PENGUIN RANDOM HOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

18. Related party transactions

The Company's immediate parent Company is Bertelsmann UK Limited.

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 groups of undertakings 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

The Company has taken advantage of the exemption, under the terms of FRS 102, not to disclose related party transactions with companies that are wholly owned within the Bertelsmann Group.

During the year the Company entered into the following transactions with related parties not wholly owned within the Bertelsmann Group. The following entities are all subsidiaries within the Bertelsmann Group.

	2022 £	2021 £
Income from shares in group undertakings		
Editora Schwarcz S.A	-	1,936,679
Capital contribution to subsidiary companies		
Editora Schwarcz S.A	897,703	-
Dividend amounts receivable at balance sheet date		
Editora Schwarcz S.A	619,850	524,754
Put option liabilities		
Editora Schwarcz S.A	15,341,832	13,310,436

19. Post balance sheet events

Loan repayment to Bertelsmann Business Support S.a.r.l

On 31 March 2023 the Company settled the loan balance, including accrued interest, due to Bertelsmann Business Support S.a.r.l of £201,975,073. The funding required to settle the liability was provided under the cash pooling arrangements in place with the parent company, Bertelsmann UK Limited.

Acquisition of Stripes Publishing Limited and Caterpillar Books Limited

On 18 April 2023 the Company acquired the entire share capital of Stripes Publishing Limited and Caterpillar Books Limited from Little Tiger Group Limited, for consideration of £1,000 and £100 respectively. Both entities are dormant.

PENGUIN RANDOM HOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

20. Prior year adjustments

The Company has restated certain prior year balances relating to the following issue identified during the course of preparing these financial statements.

Investment impairment

During the course of the impairment test carried out at the balance sheet date on the Company's fixed asset investments, the Directors re-evaluated the fair value of the assets included within the calculation to determine the recoverable amount for each subsidiary undertaking. Specifically this focused on the assessment of the fair value of defined benefit pension scheme net asset/liability positions as at the current and previous balance sheet date. The Directors concluded that in the previous year a pension scheme asset in a subsidiary company was not valued at fair value in accordance with Financial Reporting Standard 102, and therefore have restated for the resultant change to the impairment charge in the prior year.

The impact of the restatement in the year ended 31 December 2021 was to increase 'Amounts written off investments' in the profit and loss account and decrease 'Investments' in the balance sheet by £39,759,000. There was no resultant tax impact and the Company's net assets at 1 January 2021 were not impacted. Net assets as at 31 December 2021 reduced by £39,759,000.

(i) Impact of restatement on Profit and Loss Account and Other Comprehensive Income

	<i>Previously reported 2021 £</i>	<i>Restated 2021 £</i>
Administrative expenses	<u>(201,670)</u>	<u>(201,670)</u>
Operating loss	<u>(201,670)</u>	<u>(201,670)</u>
Income from shares in group undertakings	271,936,679	271,936,679
Amounts written off investments	(59,963,000)	(99,722,000)
Interest receivable and similar income	454,956	454,956
Interest payable and similar expenses	<u>(19,252,896)</u>	<u>(19,252,896)</u>
Profit/(loss) before tax	192,974,069	153,215,069
Tax on profit	1,586,870	1,586,870
Profit/(loss) for the financial year	<u><u>194,560,939</u></u>	<u><u>154,801,939</u></u>

PENGUIN RANDOM HOUSE LIMITED

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(ii) Impact of restatement on Balance Sheet

	Previously reported 2021 £	Restated 2021 £
Fixed assets		
Investments	642,171,289	602,412,289
Current assets/(liabilities)		
Debtors: amounts falling due within one year	122,035,034	122,035,034
Creditors: amounts falling due within one year	(20,677,095)	(20,677,095)
Net current assets/(liabilities)	101,357,939	101,357,939
Creditors: amounts falling due after more than one year	(200,446,190)	(200,446,190)
Net assets	<u>543,083,038</u>	<u>503,324,038</u>
Capital and reserves		
Called up share capital	75,400,000	75,400,000
Share premium account	20,400,546	20,400,546
Profit and loss account	<u>447,282,492</u>	<u>407,523,492</u>
	<u>543,083,038</u>	<u>503,324,038</u>

(iii) Impact of restatement on taxation note (factors affecting tax charge for the year only)

	Previously stated 2021 £	Restated 2021 £
Profit on ordinary activities before tax	192,974,069	153,215,069
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	36,665,073	29,110,863
Effects of:		
Expenses not deductible for tax purposes	13,374,159	20,928,369
Adjustments to tax charge in respect of prior periods	41,867	41,867
Non-taxable income	(51,667,969)	(51,667,969)
Total tax charge for the year	<u>(1,586,870)</u>	<u>(1,586,870)</u>