

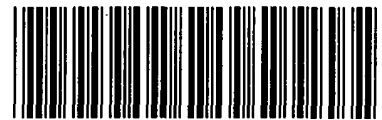
Registered number: 00861590

**PENGUIN BOOKS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**PENGUIN BOOKS LIMITED**

**COMPANY INFORMATION**

<b>Directors</b>	M Dohle M Gardiner R Waddington T Weldon
<b>Company secretary</b>	S Martin
<b>Registered number</b>	00861590
<b>Registered office</b>	20 Vauxhall Bridge Road London SW1V 2SA
<b>Independent auditor</b>	KPMG LLP 15 Canada Square London E14 5GL

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**PENGUIN BOOKS LIMITED**

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**PENGUIN BOOKS LIMITED**

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**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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### **Introduction**

The directors present their Strategic Report for Penguin Books Limited ('the Company' or 'PBL') for the year ended 31 December 2021.

The Company is a subsidiary of Penguin Random House Limited ("PRHL"), a company registered in the United Kingdom. The Company is UK domiciled and registered in the United Kingdom. The principal activity of the Company continues to be book publishing.

### **Business review**

The results and financial position of the Company are set out in the attached financial statements. The Company made a profit for the financial year of £25,759,000 (2020: £39,022,000).

### **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 has procedures in place to make the directors aware of the various risks to the Company's business. The risks are monitored and reported to Penguin management. The changing book market and particularly the transition to digital is creating both challenges and opportunities for the Company, notably regarding the latter in terms of new markets and sales channels. Other risks arise from the entry of non-traditional publishers into the market, the decline in retail space in high street bookshops and economic uncertainty.

### **Covid - 19**

The safety of our employees is a major concern for us and the Company has implemented a comprehensive program of employee safety management and communication through each developing stage in the fight against this global pandemic. We follow governmental advice on safe working conditions and good business practice.

The directors of the Company do not see COVID-19 impacting their view that the Company will continue to operate as a going concern through 2022 and the foreseeable future.

### **Key performance indicators**

The Company monitors progress and performance during the year using KPI's. During the year, the Company's turnover was £ 226,777,000 (2020: £ 229,622,000). During the year the gross profit margin was 55.94% (2020: 55.87%).

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**PENGUIN BOOKS LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**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 BOOKS LIMITED

STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021

**PRH Streamlined Energy and Carbon Reporting Disclosure 2021**

UK Greenhouse gas emissions and energy use data for the period 1 January 2021 to 31 December 2021. The previous year 2020 have been included to demonstrate Penguin Random House's commitment to reducing their energy use and greenhouse gas emissions.

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

	2020	2021
Total Energy Consumption kWh	10,962,570	9,994,580
Total Electricity Procurement kWh	5,959,860	5,314,610
Percentage "Green Electricity"	100%	100%
Total Heat Procurement in kWh	4,809,220	4,446,640
Primary Energy Consumption in kWh	193,490	233,330

**In 2021**

- Penguin Random House UK Facilities replace end of life lighting with LED lights as standard practice reducing usage year on year.
- Installed Solar PV panels on the roof of one of the Distribution Centres. This is predicted to provide 13.5% of that site's total electricity usage.
- Due to the Covid 19 Virus Penguin Random House employee travel and commuting increased slightly but was still not as high as in pre pandemic years.
- There are noticeably higher emissions in scope 3 in 2021, this is due to higher CO2 factors for paper suppliers, distribution packaging, and transport.

**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://www.penguin.co.uk/content/dam/company-pages/sustainability-hub/Spring\\_21\\_Penguin\\_Sustainability\\_Policy.pdf](https://www.penguin.co.uk/content/dam/company-pages/sustainability-hub/Spring_21_Penguin_Sustainability_Policy.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 are ethically and sustainably sourced
- **Content:** use the power of our brand, books and authors to amplify the climate emergency and encourage positive behaviour change

**PENGUIN BOOKS LIMITED**

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**PRH Streamlined Energy and Carbon Reporting Disclosure 2021 (continued)**

<b>Site related emissions</b>	<b>unit</b>	<b>2020n</b>	<b>2021</b>	<b>D</b>
Scope 1 Stationary Fuels	t CO2e	21	32	52%
Scope 1 Refrigerant Losses	t CO2e	141	36	-74%
Scope 2 Electricity	t CO2e	-	-	-
Scope 2 Heat	t CO2e	982	1,178	20%
<b>Total</b>	<b>t CO2e</b>	<b>1,144</b>	<b>1,246</b>	<b>9%</b>

<b>Employee related emissions</b>	<b>unit</b>	<b>2020n</b>	<b>2021</b>	<b>D</b>
Scope 1 Mobile Fuels	t CO2e	32	33	3%
Scope 3 Business Travel	t CO2e	55	82	49%
Scope 3 Employee Commuting	t CO2e	1,018	1,413	39%
Scope 3 IT Devices	t CO2e	499	229	-54%
Scope 3 Office Paper	t CO2e	43	37	-14%
<b>Total</b>	<b>t CO2e</b>	<b>1,647</b>	<b>1,794</b>	<b>9%</b>

<b>Product related emissions</b>	<b>unit</b>	<b>2020n</b>	<b>2021</b>	<b>D</b>
Scope 3 Paper Manufacture	t CO2e	14,412	21,284	48%
Scope 3 Printers / Print Materials	t CO2e	11,163	14,059	26%
Scope 3 CD/DVD Manufacturing	t CO2e	-	65	-
Scope 3 Warehouse Services	t CO2e	-	461	-
Scope 3 Transport	t CO2e	5,832	9,278	59%
Paper Mill to Printer	t CO2e	2,365	3,645	54%
Other Materials to Printer	t CO2e	-	-	-
Printer to Warehouse	t CO2e	2,114	4,070	92%
Distribution (Delivery & Returns)	t CO2e	1,353	1,563	16%
Scope 3 Packaging & Transport Materials	t CO2e	-	785	-
Scope 3 Video Production	t CO2e	-	-	-
<b>Total before consolidation</b>	<b>t CO2e</b>	<b>31,407</b>	<b>45,932</b>	<b>46%</b>

<b>Other Scope 3 Emissions</b>	<b>unit</b>	<b>2020n</b>	<b>2021</b>	<b>D</b>
Scope 3 Waste	t CO2e	83	168	102%
Scope 3 Energy related emissions	t CO2e	125	151	21%
Scope 3 End of Life (product waste)	t CO2e	900	889	-1%
<b>Total</b>	<b>t CO2e</b>	<b>1,108</b>	<b>1,208</b>	<b>9%</b>

<b>Total Emissions</b>	<b>t CO2e</b>	<b>35,306</b>	<b>50,180</b>	<b>42%</b>
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PENGUIN BOOKS LIMITED

STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021

PRH Streamlined Energy and Carbon Reporting Disclosure 2021 (continued)

Total Emissions	unit	2020n	2021	D
Scope 1	t CO2e	194	101	-48%
Scope 2	t CO2e	982	1,178	20%
thereof heat	t CO2e	982	1,178	20%
Scope 3	t CO2e	34,130	48,901	43%
Sum S1+S2+S3	t CO2e	35,306	50,180	42%

Intensity Ratio	Unit	2020	2021	D
Tonnes of CO2e per £M Revenue	t CO2e	63.99	96.87	51%

Reporting Methodology

We have followed the UK BEIS (Department Business, Energy & Industrial Strategy) 2019 guidance. The energy and emission figures provided are taken from Bertelsmann's "Green Screen", this a Bertelsmann owned internal recording application used by all companies within the Bertelsmann Group including Penguin Random House UK. 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.



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**PENGUIN BOOKS LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**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 on 6 July 2022 and signed on its behalf.



**M Gardiner**  
Director

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**PENGUIN BOOKS LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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The directors present their report and the financial statements for the year ended 31 December 2021.

**Future developments**

The Company will continue to seek suitable publishing opportunities to ensure growth. The directors do not anticipate any significant changes in the activities of the Company. The directors of the Company do not see COVID-19 impacting their view that the Company will continue to operate as a going concern through 2022 and 2023 and the foreseeable future.

**Going concern**

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

Directors considered the operating nature of the entity and expectations for the future trading 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.

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

**Dividends**

Dividends of £70,000,000 were paid during the financial year (2020: £Nil).

**Financial instruments**

It is the Company's policy to implement financial risk management objectives and policies for each major type of transaction. The directors consider the entity's exposure to price risk, credit risk, liquidity risk and cash flow risk as not significant.

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<b>PENGUIN BOOKS LIMITED</b>
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**DIRECTORS' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**Employees**

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 operates a pension scheme for which all employees are eligible.

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. The Company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. If members of staff become disabled the Company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

**Engagement with customers, suppliers and other stakeholders**

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.

**Directors**

The directors who served during the year were:

M Dohle  
M Gardiner  
R Waddington  
T Weldon

**PENGUIN BOOKS LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**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**

Under section 487(2) of the Companies Act 2006, KPMG LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 6 July 2022 and signed on its behalf.



**M Gardiner**  
Director

20 Vauxhall Bridge Road  
London  
SW1V 2SA

**PENGUIN BOOKS LIMITED**

**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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**PENGUIN BOOKS LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENGUIN BOOKS LIMITED**

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**Opinion**

We have audited the financial statements of PENGUIN BOOKS LIMITED ("the Company") for the year ended 31 December 2021 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 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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.

**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

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**PENGUIN BOOKS LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENGUIN BOOKS LIMITED**

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company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.

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 of the limited rationalizations and opportunities to fraudulently recognize revenue.

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, those posted to unrelated accounts and those posted unusually to cash or borrowings.

*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 non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

**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

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PENGUIN BOOKS LIMITED

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENGUIN BOOKS LIMITED

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- 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 , 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](http://www.frc.org.uk/auditorsresponsibilities)

**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, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL

7 July 2022



**PENGUIN BOOKS LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £000	As restated 2020 £000
Turnover	4	226,777	229,622
Cost of sales		(100,124)	(101,574)
<b>Gross profit</b>		<b>126,653</b>	<b>128,048</b>
Distribution costs		(12,126)	(19,493)
Administrative expenses		(80,298)	(69,003)
Other operating income		6,059	8,421
<b>Operating profit</b>	5	<b>40,288</b>	<b>47,973</b>
Profit on disposal of fixed assets		-	528
Amounts written off investments	13	(5,355)	(285)
Interest receivable and similar income	7	59	405
Interest payable and similar expenses	8	(427)	(503)
<b>Profit before tax</b>		<b>34,565</b>	<b>48,118</b>
Tax on profit	9	(7,259)	(9,096)
<b>Profit for the financial year</b>		<b>27,306</b>	<b>39,022</b>

The notes on pages 19 to 57 form part of these financial statements.

Prior year balances have been restated, as detailed in note 25.

**PENGUIN BOOKS LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £000	<i>As restated</i> 2020 £000
Profit for the financial year		27,306	39,022
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial gain/(loss) on defined benefit schemes	17	2,943	(4,291)
Movement of deferred tax relating to pension (deficit)/surplus	14	(442)	815
		2,501	(3,476)
<b>Total comprehensive income for the year</b>		<b>29,807</b>	<b>35,546</b>

The notes on pages 19 to 57 form part of these financial statements.

**PENGUIN BOOKS LIMITED**  
**REGISTERED NUMBER: 00861590**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2021**

	Note	2021 £000	As restated 2020 £000
<b>Fixed assets</b>			
Intangible assets	11	-	-
Tangible assets	12	6,745	7,365
Right-of-use asset	12	14,514	16,392
Investments	13	9,748	15,103
Deferred tax assets		1,179	2,102
		<u>32,186</u>	<u>40,962</u>
<b>Current assets</b>			
Stocks	15	17,008	14,503
Debtors: amounts falling due within one year	16	223,193	267,232
Cash at bank and in hand		277	4,379
		<u>240,478</u>	<u>286,114</u>
Creditors: amounts falling due within one year	18	(105,072)	(113,767)
<b>Net current assets</b>		<u>135,406</u>	<u>172,347</u>
<b>Total assets less current liabilities</b>		<u>167,592</u>	<u>213,309</u>
Creditors: amounts falling due after more than one year	19	(24,045)	(28,836)
		<u>143,547</u>	<u>184,473</u>
<b>Provisions for liabilities</b>			
Other provisions	21	(17,807)	(18,540)
		<u>(17,807)</u>	<u>(18,540)</u>
<b>Net assets</b>		<u><u>125,740</u></u>	<u><u>165,933</u></u>

**PENGUIN BOOKS LIMITED**  
**REGISTERED NUMBER: 00861590**

**BALANCE SHEET (CONTINUED)**  
**AS AT 31 DECEMBER 2021**

	Note	2021 £000	<i>As restated</i> 2020 £000
<b>Capital and reserves</b>			
Called up share capital		88,300	88,300
Share premium account		1,139	1,139
Profit and loss account		36,301	76,494
		<u>125,740</u>	<u>165,933</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 6 July 2022.



**M Gardiner**  
Director

The notes on pages 19 to 57 form part of these financial statements.

Prior year balances have been restated, as detailed in note 25.

**PENGUIN BOOKS LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
<b>At 1 January 2020 (as previously stated)</b>	88,300	1,139	40,447	129,886
Prior year adjustment	-	-	501	501
<b>At 1 January 2020 (as restated)</b>	88,300	1,139	40,948	130,387
Profit for the year	-	-	39,022	39,022
Actuarial losses on pension scheme	-	-	(3,476)	(3,476)
<b>Total comprehensive income for the year</b>	-	-	35,546	35,546
<b>At 1 January 2021 (as previously stated)</b>	88,300	1,139	76,330	165,769
Prior year adjustment	-	-	164	164
<b>At 1 January 2021 (as restated)</b>	88,300	1,139	76,494	165,933
Profit for the year	-	-	27,306	27,306
Actuarial gains on pension scheme	-	-	2,501	2,501
<b>Total comprehensive income for the year</b>	-	-	29,807	29,807
Dividends: Equity capital	-	-	(70,000)	(70,000)
<b>At 31 December 2021</b>	88,300	1,139	36,301	125,740

The notes on pages 19 to 57 form part of these financial statements.

**Called up share capital**

The called up share capital account records the nominal value of shares issued.

**Share premium account**

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

**Profit and loss account**

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

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**PENGUIN BOOKS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**1. General information**

Penguin Books Limited is a book publisher. The Company sells its books globally with the majority of the sales in the UK. The Company is a private company limited by shares and is incorporated in the United Kingdom. The address of its registered office is 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 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

**2.2 Financial reporting standard 101 - reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

**2. Accounting policies (continued)**

**2.3 Going concern**

The directors have considered the operating nature of the entity and expectations for future trading for a period of 12 months from the date of approval of these financial statements. It indicates that, taking account of reasonably possible downsides, the company will have sufficient funds through funding from its ultimate parent Bertelsmann SE & Co. KGaA to realise its assets and settle its liabilities in the ordinary course of business for that period.

This is dependent upon Bertelsmann SE & Co. KGaA providing the required funding through this period through the cash pooling arrangement. Bertelsmann SE & Co. KGaA has indicated its intention to continue to make available such funds as are needed by the company. 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.

Given the dependency on the Ultimate Parent the directors have also considered the work carried out by Group management in relation to the Group's going concern assessment focusing on cash flow, liquidity position and the ability of the Group to meet known and potential liabilities and concluded that having analysed the impact of COVID 19, the Group has sufficient headroom and will be able to provide support to the company.

**2.4 Impact of new international reporting standards, amendments and interpretations**

There are no new amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2020 that have had a material impact on the Company's financial statements.

**2.5 Foreign 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 in pound sterling, which is also 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 spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. 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 the profit and loss account within 'Administrative expenses'.

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**PENGUIN BOOKS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**2. Accounting policies (continued)**

**2.6 Turnover**

Turnover is measured at the fair value of the consideration received or receivable for the sale of goods and services net of value-added tax, rebates, trade marketing costs and discounts. Turnover from the sale of books is recognised when title passes. A provision for anticipated returns is made, based primarily on historical return rates. If these estimates do not reflect actual returns in future periods, then turnover could be understated or overstated for a particular period.

On certain contracts, where the Company acts as agent, turnover is recognised inclusive of any commissions and fees receivable for services rendered. Any third party costs incurred on behalf of the principal that are rechargeable under the contractual arrangement are included in turnover with a corresponding expense recognised in administrative expenses in the income statement.

**2.7 Income from sub rights**

Fees charged for the use of rights granted by the agreement and related services are recognised as turnover as the rights are used and the right to receive payment is established.

An assessment is made on the nature of each licence to determine if the customer receives a right to access or use of the company's intellectual property. The point of recognition is dependent upon this assessment when the rights are transferred and used.

**2.8 Royalty advances**

Advances of royalties paid to authors are recognised once a contract is approved within the royalty system, provided it is a signature advance or has had a manuscript accepted on the work. These become payable once a manuscript is marked as accepted in the future.

For unpublished titles, the contracts are assessed twice a year, to determine whether the value of a title is diminished from its original acquisition value.

For published titles, the Company assesses bi-yearly the difference between the gross advance paid and the royalty earnings and sub rights income at the point of review. A provision is then applied to bring the advances to their net realisable value.

Once the author advance is earned out, future author payments are expensed at the contracted or effective royalty rate as the related turnover is earned.

**2.9 Dividend income**

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

**2.10 Other Operating Income**

Other operating income consists of income not directly related to the Company's principal activity in relation to the publication of books.

It mainly comprises of the recharge of administrative, distribution and other operating expenses incurred by the Company on behalf of other group undertakings as a management charge. The management charge is a combination of certain fixed costs and the allocation of expenses calculated using agreed specific percentages within a recharge model.



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PENGUIN BOOKS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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2. Accounting policies (continued)

2.11 Employee Benefits

The Company operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

*Pension obligations*

The Company operates a defined contribution plan for certain employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

The Company also operates a defined benefit plan to certain employees. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The amount charged or credited to finance costs is a net interest amount calculated by applying the liability discount rate to the net defined benefit liability or asset. Past-service costs are recognised immediately in the income statement.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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**PENGUIN BOOKS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**2. Accounting policies (continued)**

**2.12 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.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

**2.13 Leases**

The Company leases various offices, equipment and vehicles. Rental contracts are typically made for fixed periods of 6 months to 10 years but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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**PENGUIN BOOKS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**2. Accounting policies (continued)**

**2.13 Leases (continued)**

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The Company has chosen not to do so for the right-of-use buildings held by the Company.

The company does not recognise a right-of-use asset in respect of the lease of premises which it has granted occupation under licence to another group company. The right of-use asset is recognised by the licensee in this scenario. The company recognises the net present value of the lease receivable due from the licensee under the licence to occupy agreement. The lease receivable is discounted using the interest rate implicit in the lease. The finance income is credited to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the receivable for each period.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small

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**PENGUIN BOOKS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**2. Accounting policies (continued)**

**2.13 Leases (continued)**

items of office furniture. There were no short term or low value leases in the year.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Company as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

**2.14 Intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

**Computer Software**

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use it or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs are written off over the assets useful life. Note 5

**2.15 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.15 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

leasehold property	- Over the life of lease
Plant and machinery	- 10-33% straight line
Fixtures and fittings	- 10-25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Assets under construction are not depreciated. Borrowing costs attributable to assets under construction are recognised as an expense when incurred.

2.16 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

At each year-end, management review the investments in order to determine whether there is any objective evidence present that in accordance with IAS 36 would lead to an impairment being charged.

Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversals at each reporting date, where a favourable event or change in circumstance has materialised that would indicate loss no longer exists or has decreased in size

2.17 Impairment of non-financial assets

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which they are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date, if there have been favourable events or changes in circumstances, since the impairment loss was recognised that would indicate that the impairment loss no longer exists or might have decreased.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.18 Stocks

Stocks mainly comprise finished goods and work in progress in respect of books, and are stated at the lower of cost and net realisable value.

Cost is determined using FIFO method.

Cost includes the direct costs of paper, printing and binding incurred on a title by title basis. Plant costs, which do not vary with the number of copies printed (for example typesetting, origination and illustration), are charged to the income statement in full on publication.

A provision is made for excess, obsolete and slow moving stocks. Net realisable value is calculated as the estimated selling price in the ordinary course of business less applicable variable selling expenses.

2.19 Financial assets

The company classifies its financial assets in the following categories:

Amortised cost.

Fair Value through profit or loss (FVTPL)

Fair Value through other comprehensive income (FVOCI)

The classification depends on the purpose for which the financial assets were acquired i.e. the entity's business model for managing the financial assets and/or the contractual cash flow characteristics of the financial asset.

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met (and are not designated as FVTPL):

- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest.

Subsequent to initial recognition these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (expenses)/income together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the profit or loss under 'net impairment losses on financial and contract assets'.

The company does not have any assets classified at FVOCI nor FVTPL.

The company assesses at the end of each reporting period whether there is objective evidence that one or more event has occurred which has impacted on the estimated cash flows of the financial asset.

Financial assets are impaired and impairment losses are incurred only if such objective evidence of impairment can be reliably measured.

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**PENGUIN BOOKS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**2. Accounting policies (continued)**

**2.20 Debtors**

Trade debtors and amounts owed by group undertakings are stated at amortised cost after provision for bad and doubtful debts. The provision for such events is shown separately in provisions for other liabilities.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for insignificant trade debtors and a risk score on an individual basis for significant trade debtors. To measure the expected credit losses, trade debtors are grouped based on shared credit risk characteristics and the balance of uninsured debt across the Company.

No impairment provision is made on amounts owed by group undertakings on the grounds that they are repayable on demand.

**2.21 Creditors**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**2.22 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

**2.23 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.

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**PENGUIN BOOKS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

In the application of the Company's accounting policies, which are described in note 2, 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) Advances**

Advances of royalties paid to authors are recognised once a contract is approved within the royalty system, provided it is a signature advance or has had a manuscript accepted on the work, less any provision required to adjust the advance to its net realisable value for unpublished titles. The realisable value of royalty advances relies on a degree of management judgement in determining the profitability of individual author contracts. If the estimated realisable value of author contracts is overstated then this will have an adverse effect on operating profits as these excess amounts will be written off. The recoverability of royalty advances is assessed twice a year and is based upon a detailed management review of the age of the advance, the future sales projections for new authors and prior sales history of repeat authors. The realisable value will then be adjusted on a title by title basis to reflect the result of this analysis. The royalty advance is expensed at the contracted or effective royalty rate as the related turnover is earned. The carrying amount of royalty advances are included in other debtors, see note 16 for reference.

**(ii) Returns provisioning**

The Company has agreements in place to allow customers to return books. As a result the Company makes an estimate of future returns based on historic data, the ageing of sales and business experience. See note 21 for details of the returns provision value.

**(iii) Defined benefit scheme**

The Company has obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors including life expectancy, salary increases, asset valuations and the discount rate on corporation bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 17 for the disclosures of the defined benefit pension scheme.

**(iv) 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 Company uses budgeted profits, projected cash flows and weighted average cost of capital in order to determine whether any impairment is required. See note 13 for the carrying amount of investments and associated provision.



PENGUIN BOOKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

4. Turnover

Analysis of turnover by country of destination:

	2021 £000	2020 £000
United Kingdom	134,995	136,192
Rest of the world	91,782	93,430
	<u>226,777</u>	<u>229,622</u>

Turnover includes supplies made to geographical locations worldwide. The products sold, means of selling and commercial terms are similar across the various markets and, in the opinion of the directors, the geographical markets supplied are not substantially different from each other.

**PENGUIN BOOKS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**5. Operating profit**

The operating profit is stated after charging:

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	22,950	20,792
Social security costs	2,489	2,413
Other pension costs	3,776	3,601
Statutory audit	220	220
Reversal of impairment of trade receivables	1,240	(1,156)
Depreciation of tangible fixed assets	796	276
Depreciation of right-of-use assets	1,868	3,045
Exchange differences	161	160
Cost of stocks recognised as an expense	49,487	46,948
Impairment of stocks	383	409

As the primary operating Company in the Penguin and Dorling Kindersley Group of companies (UK), the Company incurs administrative, distribution and other operating expenses on behalf of the following:

Penguin Random House Limited  
Dorling Kindersley Limited  
Frederick Warne & Co Limited  
Ladybird Books Limited  
Salspot Limited  
Ventura Publishing Limited  
Children's Character Books Limited  
Snowman Enterprises Limited  
Snowdog Enterprises Limited

Costs incurred in 2021 of £6,529,573 were recharged to the associate group companies as a management charge (2020: £8,364,000).

The reversal of impairment on trade receivables was due to customers having lower uninsured debt.

**PENGUIN BOOKS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**6. Employees**

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

	2021 No.	2020 No.
Production	52	50
Selling and distribution	84	111
Administration	140	93
Editorial	139	139
	<u>415</u>	<u>393</u>

	2021 £000	2020 £000
Directors' remuneration:		
Aggregate emoluments	791	765
Amounts receivable under long term incentives	52	52
Company pension contributions to money purchase schemes	61	56
	<u>904</u>	<u>873</u>

Retirement benefits are accruing to 1 director (2020: 1) under defined benefit pension schemes and to 1 director (2020: 1) under a money purchase scheme.

	2021 £000	2020 £000
Highest paid director:		
Emoluments	439	423
Defined benefit pension scheme accrued at the end of the year	18	15
	<u>457</u>	<u>438</u>

Two directors were paid by The Random House Group Limited and two directors were paid by other companies as follows:

**PENGUIN BOOKS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**Director**

M Dohle  
M Gardiner  
R Waddington  
T Weldon

**Paid by**

Penguin Random House LLC  
The Random House Group Limited  
The Random House Group Limited  
Penguin Books Limited

**7. Interest receivable**

	<b>2021</b>	<i>2020</i>
	<b>£000</b>	<i>£000</i>
Interest on pensions	-	38
Interest on amounts owed by group under takings	59	313
Interest income - lease receivable	-	54
	<u>59</u>	<u>405</u>

**8. Interest payable and similar expenses**

	<b>2021</b>	<i>2020</i>
	<b>£000</b>	<i>£000</i>
Interest on lease liabilities	402	503
Interest on pensions	25	-
	<u>427</u>	<u>503</u>

**PENGUIN BOOKS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**9. Taxation**

	<b>2021</b>	<i>As restated</i>
	<b>£000</b>	<b>2020</b>
		<b>£000</b>
<b>Corporation tax</b>		
Corp tax - current yr	7,000	9,237
Adjustments in respect of previous periods	(302)	(171)
	<u>6,698</u>	<u>9,066</u>
 Double taxation relief	 (319)	 (281)
	<u>6,379</u>	<u>8,785</u>
 <b>Foreign tax</b>		
Foreign tax on income for the year	399	313
	<u>399</u>	<u>313</u>
 <b>Total current tax</b>	<u>6,778</u>	<u>9,098</u>
 <b>Deferred tax</b>		
Origination and reversal of timing differences	458	88
Changes to tax rates	23	(90)
	<u>481</u>	<u>(2)</u>
 <b>Total deferred tax</b>	<u>481</u>	<u>(2)</u>
 <b>Taxation on profit on ordinary activities</b>	<u>7,259</u>	<u>9,096</u>

**PENGUIN BOOKS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**9. Taxation (continued)**

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2020 - *lower than*) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £000	2020 £000
Profit on ordinary activities before tax	34,565	48,118
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	6,567	9,142
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1,058	301
Withholding tax	80	31
Non-taxable income	-	(105)
Adjustment in respect of prior years - current tax	(302)	(138)
Adjustments in respect of prior years - deferred tax	24	-
Deferred tax rate difference	(168)	(135)
<b>Total tax charge for the year</b>	<b>7,259</b>	<b>9,096</b>

**Factors that may affect future tax charges**

The current year tax charge represents amounts payable to fellow UK subsidiaries of the Bertelsmann group in respect of current year tax losses surrendered in the UK..

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 and deferred tax charges accordingly.

**10. Dividends**

	2021 £000	2020 £000
Dividends	70,000	-
	<b>70,000</b>	<b>-</b>

PENGUIN BOOKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

11. Intangible assets

	Computer software £000
<b>Cost</b>	
At 1 January 2021	12,437
At 31 December 2021	12,437
<b>Amortisation</b>	
At 1 January 2021	12,437
At 31 December 2021	12,437
<b>Net book value</b>	
At 31 December 2021	-
At 31 December 2020	-

The company has no intangible assets whose titles are restricted and none pledged as security for liabilities.

**PENGUIN BOOKS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**12. Tangible fixed assets**

	Plant and machinery £000	Fixtures and fittings £000	Assets under construction £000	Right of use assets £000	Total £000
<b>Cost or valuation</b>					
At 1 January 2021	7,208	5,401	7,445	18,533	38,587
Additions	-	-	176	44	220
Disposals	-	(5,150)	-	-	(5,150)
Transfers between classes	7,621	-	(7,621)	-	-
Revaluations	-	-	-	(53)	(53)
At 31 December 2021	14,829	251	-	18,524	33,604
<b>Depreciation</b>					
At 1 January 2021	7,208	5,233	248	2,141	14,830
Charge for the year on owned assets	783	13	-	1,869	2,665
Disposals	-	(5,150)	-	-	(5,150)
Transfers between classes	248	-	(248)	-	-
At 31 December 2021	8,239	96	-	4,010	12,345
<b>Net book value</b>					
At 31 December 2021	6,590	155	-	14,514	21,259
At 31 December 2020	-	168	7,197	16,392	23,757



**PENGUIN BOOKS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**13. Fixed asset investments**

	Investments in subsidiary companies £000
<b>Cost or valuation</b>	
At 1 January 2021	30,762
At 31 December 2021	<u>30,762</u>
<b>Impairment</b>	
At 1 January 2021	15,659
Charge for the period	5,355
At 31 December 2021	<u>21,014</u>
<b>Net book value</b>	
At 31 December 2021	<u><u>9,748</u></u>
At 31 December 2020	<u><u>15,103</u></u>

The Company's subsidiaries are listed in note 26. None of the investments are publicly traded.

An impairment test was carried out in accordance with International Accounting Standard 36. The carrying amount and the recoverable amount of each investment was compared to ascertain if impairment is necessary. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The impairment charge of £5,355,000 relates to a decline in the recoverable amount of the Company's subsidiary undertaking Ladybird Books Limited, as a result of the expected downturn in the performance of the company.

**PENGUIN BOOKS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**14. Deferred tax assets and liabilities**

Movement in recognised deferred tax during the year:	1 January 2021 £000	Tax credit relating to OCI £000	Income statement movement £000	31 December 2021 £000
Property plant and equipment	904	-	68	972
Provisions	244	-	105	349
Pension scheme	954	(442)	(654)	(142)
	<u>2,102</u>	<u>(442)</u>	<u>(481)</u>	<u>1,179</u>

There are no unused tax losses or unused tax credits.

Movement in recognised deferred tax during the year:	1 January 2020 £000	Tax credit relating to OCI £000	Income statement movement £000	Change of rate £000	Prior year adjustment £000	31 December 2020 £000
Property plant and equipment	1,107	-	(296)	95	(2)	904
Provisions	128	-	122	26	(32)	244
Pension scheme	38	815	86	15	-	954
	<u>1,273</u>	<u>815</u>	<u>(88)</u>	<u>136</u>	<u>(34)</u>	<u>2,102</u>

**15. Stocks**

	2021 £000	2020 £000
Raw materials and consumables	2,120	2,920
Work in progress	3,593	2,454
Finished goods and goods for resale	11,295	9,129
	<u>17,008</u>	<u>14,503</u>

There is no significant difference between the replacement cost of work in progress and finished goods and their carrying amounts.

Stocks are stated after provisions for impairment of £2,344,000 (2020: £3,131,000). No inventories have been pledged as security for liabilities.

# PENGUIN BOOKS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 16. Debtors

	2021 £000	As restated 2020 £000
Trade debtors	2,947	1,362
Advance royalties	41,914	36,113
Amounts owed by group undertakings	170,952	222,718
Other debtors	3,546	3,924
Prepayments and accrued income	3,834	3,115
	<u>223,193</u>	<u>267,232</u>

Amounts owed by group undertakings are unsecured and repayable on demand. Included within this is £43,916,000 (2020: £86,175,000) owed from Bertelsmann UK Limited in respect of cash pooling agreements. From the 1 July 2020 the cash pooling arrangement has been moved from Penguin Random House Limited to Bertelsmann UK Limited. An average interest rate of 0.05% (2020: 2.89%) was received on cash pooling balances due to the company, and a rate of 2.79% (2020: 0.26%) was incurred on any balances payable by the company. Also included in amounts owed by group undertakings is £93,087,000 (2020: £118,793,000) owed by The Book Service Limited ("TBS"). These amounts include trade debtor balances which are held in TBS. As of 31 December 2021, amounts owed by TBS are stated after provision for impairment of £2,611,000 (2020: £4,264,000).

Prior year balances for Advance Royalties and Other Debtors have been restated to present Royalty Advances separately. The impact of these movements was a decrease of 'Other debtors' by £36,113,000 and an increase of Royalty advances by the same amount. There is no impact on the Company's net assets at 1 January or 31 December 2020 or resultant tax impact for 2020.

At 31 December 2021 the advance royalties balances were reviewed for impairment. The amount of the provision was £195,240,000 (2020: £192,500,000).

### 17. Post employment benefits

#### Penguin Random House – Penguin Pension Plan

The Penguin Pension Plan is a funded pension plan, with assets held in a separate trustee administered fund. It provides final salary benefits through the Final Pay and Penguin sections, and money purchase benefits with a defined benefit underpin through the Money Purchase Section. Plan assets held in the fund are governed by local regulations and practice in the United Kingdom. Responsibility for the governance of the plan including investment decisions and contribution schedules lies jointly with the company and the board of trustees of the fund.

The Penguin Pension Plan was established in July 2013 for the Company employees who had previously earned benefits in the Pearson Group Pension Plan. The first full actuarial valuation of the Penguin Pension Plan at 30 June 2015 was completed on 30 September 2016.

The expected contributions by the employer to plan assets in next financial year is £5,243,000. The following information shows the maturity analysis of the expected benefit payments. Less than 1 year - £1,420,000, less than 2 years - £432,000, less than 3 years - £886,000, less than 4 years - £1,202,000, less than 5 years - £919,000 and less than 10 years - £14,725,000. The risks of the scheme are as follows:

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**PENGUIN BOOKS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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*Investment Strategy*

The plan liabilities are calculated using a discount rate set with reference to gilt yields, but the plan assets include return-seeking and other assets; if the plan assets underperform this yield, this will create a deficit.

*Gilt Yields*

Asset values and plan liabilities do not move in line as a result of changes in the yields available on fixed interest and index-linked gilts. This may arise because of a mismatch between the plan's holding in gilts and its liabilities in terms of their nature (ie fixed or inflation-linked) and/or their duration.

*Life Expectancy*

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

*Inflation Risk*

The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities.

<b>PENGUIN BOOKS LIMITED</b>
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A comprehensive actuarial valuation of the Company pension scheme, using the projected unit basis, was carried out at 30 June 2020 by Lane Clark & Peacock LLP, independent consulting actuaries.

Adjustments to the valuation at that date have been made based on the following assumptions:

	<b>2021</b>	<b>2020</b>
	<b>%</b>	<b>%</b>
Discount rate	<b>1.80</b>	<b>1.40</b>
Rate of price inflation (CPI)	<b>2.60</b>	<b>2.10</b>
Rate of increase in salaries	<b>2.60</b>	<b>2.10</b>
Rate of increase of pensions in payment:		
- Final Pay Section	<b>3.10</b>	<b>2.70</b>
- Penguin Section	<b>3.70</b>	<b>2.00</b>
- Underpin of the Money Purchase Section	<b>2.60</b>	<b>2.20</b>
- Final Pay, Penguin Section & Underpin of the Money Purchase Section	<b>2.00</b>	<b>1.70</b>

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in the UK. These assumptions translate into a life expectancy for a male aged 65 as follows:

	<b>2021</b>	<b>2020</b>
	<b>years</b>	<b>years</b>
Current age 65	<b>88.60</b>	<b>88.45</b>
Current age 45	<b>89.95</b>	<b>89.80</b>

**PENGUIN BOOKS LIMITED**

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	Fair value of plan assets £000	Present value of obligations £000	Total £000
At 1 January 2021	97,504	(102,532)	(5,028)
Current service cost	-	(3,776)	(3,776)
Interest income/ (expense)	1,396	(1,421)	(25)
	<u>98,900</u>	<u>(107,729)</u>	<u>(8,829)</u>
Remeasurements:			
Gain from change in demographic assumptions	-	(1,576)	(1,576)
Loss from change in financial assumptions	-	722	722
Loss from experience adjustments	-	(9,002)	(9,002)
Return on plan assets, excluding amounts included in interest expense	<u>12,799</u>	<u>-</u>	<u>12,799</u>
	<u>12,799</u>	<u>(9,856)</u>	<u>2,943</u>
Contributions:			
Employers	5,491	-	5,491
Plan participants	1,048	(1,048)	-
Payments from plan:			
Benefit payments	<u>(2,092)</u>	<u>2,092</u>	<u>-</u>
	<u>4,447</u>	<u>1,044</u>	<u>5,491</u>
<b>At 31 December 2021</b>	<u><u>116,146</u></u>	<u><u>(116,541)</u></u>	<u><u>(395)</u></u>

**PENGUIN BOOKS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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	Fair value of plan assets £000	Present value of obligations £000	Total £000
At 1 January 2020	88,547	(88,777)	(230)
Current service cost	-	(3,601)	(3,601)
Interest income / (expense)	1,881	(1,843)	38
	<u>90,428</u>	<u>(94,221)</u>	<u>(3,793)</u>
Remeasurements:			
Gain from change in demographic assumptions	-	459	459
Loss from change in financial assumptions	-	(7,960)	(7,960)
Loss from experience adjustments	-	(1,770)	(1,770)
Return on plan assets, excluding amounts included in interest expense	<u>4,980</u>	<u>-</u>	<u>4,980</u>
	<u>4,980</u>	<u>(9,271)</u>	<u>(4,291)</u>
Contributions:			
Employers	3,056	-	3,056
Plan participants	1,049	(1,049)	-
Payments from plan: Benefit payments	<u>(2,009)</u>	<u>2,009</u>	<u>-</u>
	<u>2,096</u>	<u>960</u>	<u>3,056</u>
<b>At 31 December 2020</b>	<u><u>97,504</u></u>	<u><u>(102,532)</u></u>	<u><u>(5,028)</u></u>

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The sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

Impact on defined benefit obligation	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	(7,300)	9,325
Salary growth rate	0.50%	4,475	(3,921)
Pension growth rate	0.50%	2,429	(1,835)
Life expectancy	+/- by 1 year	2,313	(2,261)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

Total cost recognised as an expense:	2021 £000	2020 £000
Current service cost	(3,776)	(3,601)
Interest cost	(25)	(1,843)
	<u>(3,801)</u>	<u>(5,444)</u>

The current service cost has been presented in admin expenses and interest cost under interest expenses.

The fair value of plan assets was:

	2021 £000	2020 £000
Equity instruments	65,156	60,889
Bonds	21,376	18,079
Property	503	438
Cash and cash equivalents	617	1,099
Investment funds	28,494	16,999
	<u>116,146</u>	<u>97,504</u>



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**NOTES TO THE FINANCIAL STATEMENTS  
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The return on the plan assets was:

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Interest income	<b>1,396</b>	<b>1,881</b>
Re-measurements	<b>(12,799)</b>	<b>(4,980)</b>
	<b>(11,403)</b>	<b>(3,099)</b>

**Defined contribution scheme**

Following the closure of the defined benefit scheme to new entrants, the Company provided a defined contribution scheme for its employees, administered by Capita. The defined contribution scheme was replaced in March 2016 by a money purchase scheme administered by Aviva. The amount recognised as an expense for the defined contribution & money purchase schemes was:

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Current year contributions	<b>1,048</b>	<b>1,049</b>
	<b>1,048</b>	<b>1,049</b>

**PENGUIN BOOKS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**18. Creditors: Amounts falling due within one year**

	<b>2021</b>	<i>As restated</i> <b>2020</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	10,293	14,668
Royalty Creditor	34,359	39,809
Amounts owed to group undertakings	29,795	31,575
Corporation tax	6,719	8,956
Lease liabilities	2,045	1,218
Other creditors	4,529	2,623
Accruals and deferred income	17,332	14,918
	<u><b>105,072</b></u>	<u><b>113,767</b></u>

Amounts owed to group undertakings are unsecured and repayable on demand.

Prior year balances for Royalty creditors and Trade creditors have been restated in order to present Royalty creditors separately. The impact of these movements was a decrease of 'Trade creditors' by £39,809,000 and an increase of Royalty creditors by the same amount. There is no impact on the Company's net assets at 1 January or 31 December 2020 or resultant tax impact for 2020.

**19. Creditors: Amounts falling due after more than one year**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Lease liabilities	14,654	16,572
Trade creditors	8,996	7,236
Pensions and similar obligations	395	5,028
	<u><b>24,045</b></u>	<u><b>28,836</b></u>

The returns provision, as shown in note 22, is expected to be utilised within the next 12 months and therefore no amount of the provision is included in 'creditors: amounts falling due after more than one year'.

**PENGUIN BOOKS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**20. Leases**

The company has entered into lease contracts for various office floors, known as Embassy Gardens, with a fellow subsidiary company of Penguin Random House Limited, under a licence agreement granted to the company. In accordance with the provisions of 'IFRS 16: Leases', the company recognises a right-of-use asset for the leased premises which it occupies under licence by another group company. The company recognises a lease liability for the net present value of future rent payments due under the licence agreement, discounted using the interest rate implicit in the lease. The company has no risk as the sub lease terms are the same as the head lease terms.

	2021 £000	2020 £000
Not later than one year	2,068	1,218
Between one and two years	2,104	2,074
Between two and three years	2,139	2,086
Between three and four years	2,177	2,124
Between four and five years	2,219	2,137
More than five years	5,991	8,151
	<u>16,698</u>	<u>17,790</u>

Contractual undiscounted cash flows are due as follows:

	2021 £000	2020 £000
Not later than one year	(2,362)	(1,575)
Between one and two years	(2,362)	(2,362)
Between two and three years	(2,362)	(2,362)
Between three and four years	(2,362)	(2,362)
Between four and five years	(2,362)	(2,362)
More than five years	(6,102)	(8,464)
	<u>(17,912)</u>	<u>(19,487)</u>

The total cash outflow for leases for 2021 was £1,499 (2020: £2,006)

**PENGUIN BOOKS LIMITED**

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The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	2021 £000	2020 £000
Interest income (included in finance income)	-	54
Interest expense (included in finance costs)	(333)	(503)
Depreciation - Buildings	(1,857)	(3,039)
Depreciation - Cars	(11)	(6)
	<u>(2,201)</u>	<u>(3,494)</u>

**21. Provisions**

	At 1 January 2021 £000	Additions to the income statement £000	Additions to right-of-use assets £000	Re- assessment £000	Amounts utilised £000	At 31 December 2021 £000
Discount provision	3,456	4,024	-	-	(3,456)	4,024
Returns provision	12,344	11,000	-	-	(12,344)	11,000
Onerous contract on advances provision	1,936	72	-	-	-	2,008
Dilapidations provision	804	-	26	(55)	-	775
Total	<u>18,540</u>	<u>15,096</u>	<u>26</u>	<u>(55)</u>	<u>(15,800)</u>	<u>17,807</u>

**Embassy Gardens dilapidation provision**

The company has provided for the estimated restoration costs on Embassy Gardens for any obligations arising on fit-out works completed at the year end. Any future restoration obligations will be recognised at the point the works are completed.

**Discount provision**

The company has agreements in place to offer discounts on goods offered to customers, usually as a reward for repeated business. The provision is expected to be utilised within 12 months from the balance sheet date.

**PENGUIN BOOKS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**Returns provision**

The Company has agreements in place to allow customers to return books. As a result the Company makes an estimate of future returns based on historic data, the ageing of sales and business experience. The provision is expected to be utilised within 12 months from the balance sheet date.

**Onerous contracts**

Where a provision is greater than the advance paid on manuscripts which have not yet been delivered, the company recognises the excess as an onerous contract rather than disclosing in the total unpublished provision included in debtors. These are utilised on various timescales based on manuscript delivery and performance. Management estimates the future recoverability based on performance within the contract.

**22. Share capital**

	2021 £000	2020 £000
<b>Allotted, called up and fully paid</b>		
88,299,900 (2020 - 88,299,900) Ordinary Shares shares of £1 each	<b>88,300</b>	<b>88,300</b>

**23. Commitments**

There are commitments to authors for the payment of royalty advances amounting to £39,302,000 (2020: £49,131,000) at 31 December 2021. Together with the advances already paid these will be charged against sales of future accounting periods as the books are published.

**24. Related party transactions**

The Company's immediate parent company is Penguin Random House Limited ("PRHL"). At the balance sheet date PRHL was owned by Bertelsmann UK Limited 100%. On 1 April 2020 the Company's intermediate parent company, Bertelsmann UK Limited, acquired the remaining 25% of Penguin Random House Limited, the Company's parent company.

The Company's ultimate parent company is Bertelsmann SE & Co KGaA, which is incorporated in Germany. Copies of Bertelsmann SE & Co KGaA's 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 33311 Gütersloh, Germany

The Company is wholly-owned by PRHL and, as such, has taken advantage of exemptions under the terms of Financial Reporting Standard 101 from disclosing related party transactions with other wholly-owned subsidiaries of PRHL.

During the year the Company entered into the following material transactions with related parties not wholly owned by PRHL. All these entities are subsidiaries within the Bertelsmann SE & Co KGaA group:

**PENGUIN BOOKS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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	2021 £000	2020 £000
<b>Sale of books</b>		
Ikar, AS	-	5
Penguin Random House LLC	6,887	3,505
	<u>6,887</u>	<u>3,510</u>
<b>Rights income</b>		
Editora Schwacz S.A	17	-
Prisma Media SNC	116	-
	<u>133</u>	<u>-</u>
<b>Other income</b>		
Children's Character Books Limited	202	147
Woodlands Books Limited	25	26
	<u>227</u>	<u>173</u>
<b>Cost of sales</b>		
GGP Media GmbH	-	1,098
	<u>-</u>	<u>1,098</u>
<b>Purchases</b>		
Mohn Media Mohndruck GmbH	874	974
GGP Media GmbH	252	-
Penguin Random House LLC	632	641
	<u>1,758</u>	<u>1,615</u>
<b>Debtors</b>		
Penguin Random House LLC	21	100
Editora Schwacz S.A	17	14
	<u>38</u>	<u>114</u>
<b>Creditors</b>		
GGP Media GmbH	6	54
Mohn Media Mohndruck GmbH	-	34
Penguin Random House LLC	160	141
Children's Character Books Limited	149	-
Woodlands Books Limited	23	-
	<u>338</u>	<u>229</u>

<b>PENGUIN BOOKS LIMITED</b>
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Purchases relate to inventory.

Creditor balances are unsecured and no guarantees have been received. Creditor balances will be settled in cash

There were no transactions with the pension scheme during the year other than those disclosed in note 17.

**NOTES TO THE FINANCIAL STATEMENTS  
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**25. Prior year adjustments**

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

**Recognition of sub-rights income**

The directors have reassessed the information available to them at the time of signing the 31 December 2020 financial statements and restated its sub-rights income and related costs to ensure revenue is recognised in the period within which the performance obligations are satisfied.

The impact of the restatement as at 1 January 2020 was to increase 'Retained earnings' by £501,000, 'Prepayments and accrued income' by £2,118,000 and 'Accruals and deferred income' by £1,617,000.

There were further impacts in the year ended 31 December 2020 increasing 'Turnover' and 'Prepayments and accrued income' by £808,000, increasing 'Cost of sales' and 'Accruals and deferred income' by £606,000 and increasing 'Tax on profit' and 'Corporation tax payable' by £38,000.

The total impact on 'Retained earnings' following the restatements as at 1 January and 31 December 2020 detailed above was an increase of £665,000.



**PENGUIN BOOKS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**Presentation of royalty advance balances**

In the course of the preparation of these financial statements, due to the material size the directors decided to present the Royalty advances and Royalty creditors separately from within Other debtors and Trade creditors respectively. The impact of these movements was a decrease of 'Other debtors' by £36,113,000 and an increase of Royalty advances by the same amount; and A decrease of 'Trade creditors' by £39,809,000 and an increase of Royalty creditors by the same amount. There was no impact on the Company's net assets at 1 January or 31 December 2020 or resultant tax impact for 2020.

**Erroneous classification**

In the course of the preparation of these financial statements, the directors became aware that by oversight an erroneous classification between administrative expenses and other operating income was made in the profit and loss account in the previous year. Accordingly a prior year restatement has been made to decrease other operating income and administrative expenses by £8,121,071. There was no impact on the Company's net assets at 1 January or 31 December 2020 or resultant tax impact for 2020.

	<i>Previously reported 2020</i>	<i>Restated 2020</i>
	<b>£000</b>	<b>£000</b>
(i) Impact of restatements on Profit and Loss Account and Other Comprehensive Income		
Turnover	228,813	229,622
Cost of Sales	<u>(100,968)</u>	<u>(101,574)</u>
Gross profit	127,845	128,048
Distribution costs	(19,493)	(19,493)
Administrative expenses	(77,124)	(69,003)
Other operating income	<u>16,542</u>	<u>8,421</u>
Operating profit	47,770	47,973
Profit on disposal of fixed assets	528	528
Amounts written off investments	(285)	(285)
Interest receivable	405	405
Interest payable	<u>(503)</u>	<u>(503)</u>
Profit before taxation	47,915	48,118
Tax on profit	(9,058)	(9,096)
<b>Profit for the financial year</b>	<u><u>38,857</u></u>	<u><u>39,022</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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	<i>Previously reported 2020 £000</i>	<i>Restated 2020 £000</i>
(ii) Impact of restatements on Balance Sheet		
<b>Fixed assets</b>		
Intangible assets	-	-
Tangible assets	7,365	7,365
Right-of-use assets	16,392	16,392
Investments	15,103	15,103
Deferred tax asset	<u>2,102</u>	<u>2,102</u>
	40,962	40,962
<b>Current assets</b>		
Stocks	14,503	14,503
Debtors	264,306	267,232
Cash at bank and in hand	<u>4,379</u>	<u>4,379</u>
	283,188	286,114
Creditors: amounts falling due within one year	<u>(111,507)</u>	<u>(113,767)</u>
<b>Net current assets</b>	<u>171,681</u>	<u>172,347</u>
<b>Total assets less current liabilities</b>	212,643	213,309
Creditors: amounts falling due after more than one year	(28,836)	(28,836)
Provisions for liabilities	<u>(18,540)</u>	<u>(18,540)</u>
<b>Net assets</b>	<u>165,267</u>	<u>165,933</u>
<b>Capital and Reserves</b>		
Called up share capital	88,300	88,300
Shared Premium	1,139	1,139
Profit and loss account	<u>75,828</u>	<u>76,494</u>
<b>Total equity</b>	<u>165,267</u>	<u>165,933</u>

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	<i>Previously reported 2020 £000</i>	<i>Restated 2020 £000</i>
(i) Impact on debtors note		
Trade debtors	1,362	1,362
Advance royalties	-	36,113
Amounts owed by group undertakings	222,717	222,718
Other debtors	40,038	3,924
Prepayments and accrued income	189	3,115
	<u>264,306</u>	<u>267,232</u>

	<i>Previously reported 2020 £000</i>	<i>Restated 2020 £000</i>
(i) Impact of restatements on creditors note		
Trade creditors	54,477	14,668
Royalty creditors	-	39,809
Amounts owed to group undertakings	31,575	31,575
Corporation tax	8,918	8,956
Other creditors	2,623	2,623
Accruals and deferred income	12,696	14,918
Lease liabilities	1,218	1,218
	<u>111,507</u>	<u>113,767</u>

	<i>Previously reported 2020 £000</i>	<i>Restated 2020 £000</i>
(v) Impact of restatements on Tax on Profit		
UK corporation tax on profit for the year	9,199	9,237
Overseas tax	313	313
Double tax relief	(281)	(281)
Adjustments in respect of prior years	(171)	(171)
Total Amount payable for group relief and UK corporation tax	9,060	9,098
Deferred tax current year	88	88
Adjustments in respect of prior years	(90)	(90)
Total Deferred tax	(2)	(2)
	<u>9,058</u>	<u>9,096</u>

**PENGUIN BOOKS LIMITED**

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**26. Subsidiary undertakings**

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

<b>Name</b>	<b>Registered office</b>	<b>Class of shares</b>	<b>Holding</b>
Allen Lane The Penguin Press Limited	20 Vauxhall Bridge Road, London, SW1V 2SA	Ordinary	100%
Frederick Warne & Co Limited	20 Vauxhall Bridge Road, London, SW1V 2SA	Ordinary	100%
Michael Joseph Limited	20 Vauxhall Bridge Road, London, SW1V 2SA	Ordinary	100%
Hamish Hamilton Limited	20 Vauxhall Bridge Road, London, SW1V 2SA	Ordinary	100%
Ventura Publishing Limited	20 Vauxhall Bridge Road, London, SW1V 2SA	Ordinary	100%
Ladybird Books Limited	20 Vauxhall Bridge Road, London, SW1V 2SA	Ordinary	100%
Snowman Enterprises Limited	20 Vauxhall Bridge Road, London, SW1V 2SA	Ordinary	100%
Children's Character Books Limited	20 Vauxhall Bridge Road, London, SW1V 2SA	Ordinary	75%