

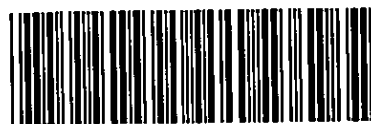
Company no 954009

THE RANDOM HOUSE GROUP LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2010

TUESDAY



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THE RANDOM HOUSE GROUP LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report and audited financial statements for the year ended 31 December 2010

Business review

The principal activity of the company continues to be book publishing

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

2010 was a rollercoaster of a year, quiet at the start but with a very positive end. Sales increased by 2.6% although operating profit was up only 1.1%. The large increase in income from shares in group companies is a result of dividends received from overseas. In sales the company had an almost 30% share of the Sunday Times Bestsellers lists and our authors won 57 literary awards and prizes. Titles of note this year have included *The Grand Design* by Stephen Hawking, *A Journey* by Tony Blair, *The Hare With Amber Eyes* by Edmund De Waal, *The Snowman* by Jo Nesbo and the number one humour title in meerkat Aleksandr Orlov's *A Simple Life*. Sales of ebooks took off this year with an increase of 800% on 2009.

2011 is looking to be another tough year with high street retailers under pressure and fragile consumer confidence. However, the company once again has a strong schedule of titles for publication in 2011. The year has started well for our authors with Edmund De Waal winning the Costa Biography prize for *The Hare With Amber Eyes*, Lindsey Davis being awarded the CWA Cartier Diamond Dagger Award for outstanding achievement in crime writing and Ian McEwan being awarded the Jerusalem prize. Despite the current market difficulties the company is confident it has the resources to continue to be a successful and profitable publisher.

Dividend

An interim dividend of £35,000,000 was paid on 21 December 2010. The directors do not recommend the payment of a final dividend.

Directors

The following were directors during the year

GR REBUCK	Chairman and Chief Executive
BJ DAVIES	
M DOHLE	
M GARDINER	
SH MASTER	

Employee involvement

The company has arrangements for providing information to employees and consulting with employees.

The company operates a pension scheme for which all employees are eligible.

Disabled persons

It is the company's policy to offer the same opportunities to disabled persons as to all others in respect of recruitment and career advancement, provided their disability does not prevent them carrying out the required duties. Employees who become disabled will, wherever possible, be retained and retrained.

THE RANDOM HOUSE GROUP LIMITED

REPORT OF THE DIRECTORS

(continued)

Statement of directors' responsibilities

The directors are responsible for preparing 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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

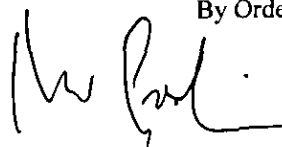
- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They 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.

Disclosure of information to auditors

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

By Order of the Board



M GARDINER
Secretary

Random House
20 Vauxhall Bridge Road
LONDON
SW1V 2SA

12 May 2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE RANDOM HOUSE GROUP LIMITED

We have audited the financial statements of The Random House Group Limited for the year ended 31 December 2010 set out on pages 4 to 19. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and to express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at <http://www.frc.org.uk/apb/scope/private.cfm>

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Richard Bawden (Senior Statutory Auditor),
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL

12 May 2011

THE RANDOM HOUSE GROUP LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2010

	Notes	2010 £	2009 £
Turnover	2	227,332,145	221,593,643
Changes in stocks of finished goods and work in progress		78,125	(1,113,592)
Other operating income	3	9,350,299	11,175,492
Raw materials and consumables		(53,754,466)	(52,712,682)
Other external charges		(110,576,067)	(107,248,648)
Staff costs	4	(35,684,986)	(35,660,955)
Amortise intangible assets	6	-	(94,739)
Depreciation	7	(2,896,042)	(2,458,281)
Trading profit		33,849,008	33,480,238
Provision against investments and amounts due from group companies		-	1,141
Operating profit		33,849,008	33,481,379
Loss on disposal of fixed assets		(81,599)	-
Income from shares in group companies		12,025,047	1,532,791
Income from fixed asset investments		32,063	32,093
Interest received		439,029	667,189
Interest payable	3	(10)	(8,511)
Other finance expense	3	(2,072,836)	(3,131,056)
Profit on ordinary activities before taxation	3	44,190,702	32,573,885
Taxation on profit on ordinary activities	5	(7,263,045)	(8,853,826)
Profit on ordinary activities after taxation		36,927,657	23,720,059

The results above are all derived from continuing activities

THE RANDOM HOUSE GROUP LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2010

	Notes	2010 £	2009 £
Profit on ordinary activities after taxation		36,927,657	23,720,059
Actuarial gain/(loss) on defined benefit pensions	4	10,034,000	(8,237,000)
Deferred tax associated with defined benefit pensions		(3,250,000)	2,306,360
Total recognised income and expense for the year		<u>43,711,657</u>	<u>17,789,419</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Shareholders' funds at beginning of period	180,034,651	185,245,232
Profit on ordinary activities after taxation	36,927,657	23,720,059
Net actuarial gain/(loss)	6,784,000	(5,930,640)
Dividend paid	(35,000,000)	(23,000,000)
Shareholders' funds at end of period	<u>188,746,308</u>	<u>180,034,651</u>

THE RANDOM HOUSE GROUP LIMITED

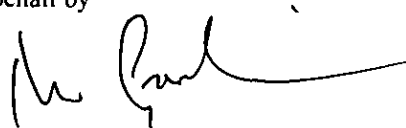
Company no 954009

BALANCE SHEET As at 31 December 2010

	Notes	2010 £	2009 £
Non-current Assets			
Intangible fixed assets	6	-	-
Tangible fixed assets	7	43,092,770	44,506,035
Investments	8	35,326,871	34,995,640
		<hr/>	<hr/>
		78,419,641	79,501,675
Current assets			
Stocks	9	15,236,602	15,158,477
Advance royalties		40,968,987	46,817,680
Debtors	10	202,219,166	191,126,275
Cash at bank and in hand		795,424	34,877
		<hr/>	<hr/>
		259,220,179	253,137,309
Creditors amounts falling due within one year	11	(120,426,831)	(111,952,548)
		<hr/>	<hr/>
Net current assets		138,793,348	141,184,761
		<hr/>	<hr/>
Total assets less current liabilities		217,212,989	220,686,436
		<hr/>	<hr/>
Provision for liabilities	12	(3,729,901)	(6,157,305)
		<hr/>	<hr/>
Net assets excluding net pension liabilities		213,483,088	214,529,131
		<hr/>	<hr/>
Net pension liabilities	4	(24,736,780)	(34,494,480)
		<hr/>	<hr/>
Net assets		188,746,308	180,034,651
		<hr/> <hr/>	<hr/> <hr/>
Equity capital and reserves			
Called up share capital	13	81,956,072	81,956,072
Capital redemption reserve		66,409	66,409
Profit and loss account	14	106,723,827	98,012,170
		<hr/>	<hr/>
Total shareholders' funds		188,746,308	180,034,651
		<hr/> <hr/>	<hr/> <hr/>

These financial statements were approved by the board of directors on 12 May 2011 and were signed on its behalf by

M GARDINER
Director



THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

1 ACCOUNTING POLICIES

Basis of preparation of accounts

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards

The company is exempt, by virtue of s400 of the Companies Act 2006, from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about the group.

Going concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate in the light of the company's current trading performance and financial position.

Cash flow statement

The company has taken advantage of the provisions of FRS1 not to publish a cash flow statement as its ultimate parent company, Bertelsmann AG, has prepared consolidated accounts which are publicly available and include a consolidated cash flow statement.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Balances denominated in a foreign currency are translated into sterling at the exchange rates ruling on the balance sheet date.

Turnover

Turnover comprises the sale of published books, net of returns, and related rights and representation fees receivable, excluding value added tax.

Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation.

Amortisation is calculated to write off the cost of the assets over their estimated useful lives on a straight line basis.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated to write off the cost of the fixed assets over their estimated useful lives on a straight line basis. The principal annual rates used for this purpose are as follows:

Freehold land	nil
Freehold buildings	over 40/50 years
Long leasehold property	over period of lease
Plant and machinery	5 to 20 years
Furniture	over 10 years
Computer equipment	over 3/4 years

Leases

The cost of assets held under finance leases is included under tangible fixed assets and depreciation is provided in accordance with the company's accounting policies. The capital element of future lease rentals is included in creditors. The costs of operating leases are charged to the profit and loss account as incurred.

Stocks

Stocks comprise finished goods and work in progress in respect of books, and are stated at the lower of cost and net realisable value. Cost includes the 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 profit and loss account in full on publication.

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

(continued)

1 ACCOUNTING POLICIES – continued

Royalties

Royalty advances to authors which are not expected to be earned from future sales of books and rights are charged to the profit and loss account in the year of publication. Royalty advances to authors on unpublished titles are reviewed annually.

Deferred taxation

Deferred tax assets and liabilities are recognised in respect of all material timing differences between the recognition of gains and losses in the financial statements and for tax purposes. Deferred tax assets are only recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax is calculated on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse.

Pensions

In accordance with FRS 17 “Retirement Benefits”, the operating and financing costs of pensions are charged to the profit and loss account in the period in which they arise and are recognised separately. The costs of past service enhancements, settlements and curtailments are also recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in actuarial assumptions, are recognised in the Statement of Total Recognised Gains and Losses. Pension costs are assessed in accordance with the advice of qualified actuaries.

The costs of the company’s contributions to the group defined contribution pension scheme are charged to the profit and loss account in the period in which they arise.

	2010 £	2009 £
2 TURNOVER		
The company's turnover arises from its principal activity of book publishing		
Geographical analysis by destination of turnover		
UK and The Republic of Ireland	179,866,313	173,036,295
Rest of the World	47,465,832	48,557,348
	<hr/> 227,332,145 <hr/>	<hr/> 221,593,643 <hr/>

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

The profit on ordinary activities before tax is stated after crediting or charging the following

Other operating income

This principally comprises management and other charges for central services supplied to the company’s subsidiaries and other group companies

Other external charges include

Auditors' remuneration

audit of these financial statements	148,896	219,050
other services relating to taxation	6,616	6,935
all other services	10,000	-

Operating lease rentals

plant and machinery	294,669	316,964
premises	220,468	178,673

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

(continued)

	2010 £	2009 £
3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX - continued		
Interest payable		
Other	10	8,511
Other finance expense		
Pensions (note 4)	2,024,000	3,080,000
Present value adjustment on long term liabilities	48,836	51,056
	<u>2,072,836</u>	<u>3,131,056</u>
4 EMPLOYEES		
Staff costs:		
Wages and salaries	29,866,508	29,863,318
Social security costs	3,375,425	3,388,159
Group pension scheme costs		
- defined benefit schemes	1,726,451	1,535,252
- defined contribution scheme	697,765	839,503
Other pension costs	18,837	34,723
	<u>35,684,986</u>	<u>35,660,955</u>

The average number of persons employed by the company, including executive directors, during the year was 592 (2009 605)

Pension schemes

The company, together with its subsidiary The Book Service Limited, operates two pension schemes of the defined benefit type. One scheme was closed to new members from 1 July 2002, since when the other scheme has operated on a defined contribution basis for new employees.

Both schemes were valued by independent qualified actuaries at 1 January 2007 using market related assumptions. The valuation for the FRS17 disclosures in these financial statements is based upon that valuation and updated by independent qualified actuaries to the balance sheet date. A valuation of the schemes at 1 January 2010 is currently in progress, the result of the valuation will be known later this year.

The major assumptions used by the actuary were	2010	2009
	%	%
discount rate	5.25	5.60
rate of price inflation (RPI)	3.60	3.60
rate of increase in salaries	4.60	4.85
rate of increase of pensions in payment		
3% floor & 5% cap	3.85	3.85
5% cap	3.30	3.30
2.5% cap	2.15	2.15
revaluation of pensions in deferment	3.60	3.60
mortality table in retirement	PNxA00(b=yob) MC	PxA92(b=yob) MC

As the schemes are now closed as defined benefit schemes, the current service cost, as calculated under the projected unit method, will increase as members approach retirement.

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

(continued)

4 EMPLOYEES – Pension Schemes - continued

The combined assets and liabilities of the two schemes and the expected rates of return on the assets were

	2010		2009	
	Long-term rate of return expected at	value at	Long-term rate of return expected at	value at
	%	£'000	%	£'000
Equities & property	6.70	83,825	7.00	71,023
Corporate bonds	5.25	25,643	5.60	28,059
Gilts	4.20	37,640	4.40	28,706
Secured annuities	5.25	1,140	5.60	238
Cash	2.50	2,131	0.50	1,467
Total fair value of assets	5.76	150,379	6.04	129,493
Present value of scheme liabilities		(184,265)		(177,402)
Deficit in the schemes		(33,886)		(47,909)
Related deferred tax asset		9,149		13,415
Net pension liability		(24,737)		(34,494)

The related deferred tax asset has been calculated at 27% (2009, 28%)

Movement in the present value of the defined benefit obligation

at beginning of year	177,402	151,906
current service cost	2,590	2,318
curtailments/settlements	(267)	-
interest cost	9,950	8,874
actuarial (gain)/loss on obligation	(367)	17,515
member contributions	664	724
benefits paid	(5,707)	(3,935)
at end of year	184,265	177,402

Movement in the fair value of plan assets

at beginning of year	129,493	109,059
expected return on pension scheme assets	7,926	5,794
actuarial gain/(loss)	9,667	9,278
employer contributions (by both the company and subsidiary)	8,336	8,573
member contributions	664	724
benefits paid	(5,707)	(3,935)
at end of year	150,379	129,493
actual return on pension scheme assets	17,593	15,072

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)

4

	2010 £'000	2009 £'000			
EMPLOYEES – Pension Schemes – continued					
Amounts charged to the profit and loss account					
Operating profit charge					
current service cost	2,590	2,318			
curtailments/settlements	(267)	-			
Total operating profit charge	2,323	2,318			
Finance income/(expense)					
expected return on pension scheme assets	7,926	5,794			
interest on pension scheme liabilities	(9,950)	(8,874)			
Net financial expense	(2,024)	(3,080)			
Actuarial gain/ (loss) recognised in the Statement of Total Recognised Gains and Losses					
actual return less expected return on pension scheme assets	9,617	9,278			
actuarial gain/(loss) on asset assumptions	50	-			
experience gains and losses arising on the scheme liabilities	9,182	-			
changes in assumptions underlying the present value of the scheme liabilities	(8,815)	(17,515)			
Actuarial gain/(loss) recognised in the STRGL	10,034	(8,237)			
Cumulative actuarial gains/(losses) reported in the Statement of Total Recognised Gains and Losses for accounting periods ending on or after 22 June 2002 and subsequently included by prior year adjustment under paragraph 96 of FRS 17	(46,000)	(56,034)			
History of plans	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Fair value of assets	150,379	129,493	109,059	118,129	109,440
Present value of scheme liabilities	(184,265)	(177,402)	(151,906)	(152,750)	(151,765)
Deficit in the schemes	(33,886)	(47,909)	(42,847)	(34,621)	(42,325)
Experience gains/(losses) on scheme assets	9,617	9,278	(21,764)	(2,057)	3,040
Experience gains/(losses) on scheme liabilities	9,182	-	-	(4,182)	(1,000)

The company, together with its subsidiary, expects to contribute approximately £8.5m to its defined benefit plans in 2011

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

(continued)

4	EMPLOYEES – continued	2010 £	2009 £
	Directors' remuneration:		
	Aggregate emoluments	2,316,421	2,124,253
	Amounts receivable under long term incentive schemes	81,190	201,223
	Company pension contributions to money purchase schemes	37,420	150,362
	Retirement benefits are accruing to 3 directors at 31 December 2010 (2009 3) under defined benefit pension schemes and to 2 directors (2009 2) under a money purchase scheme		
	Highest paid director		
	Emoluments	1,513,364	1,477,560
	Amounts receivable under long term incentive schemes	60,111	141,784
	Defined benefit pension scheme accrued pension at end of year	335,186	318,332
5	TAX ON PROFIT ON ORDINARY ACTIVITIES		
(a)	Analysis of tax charge for the year		
	Amount payable for group relief and UK Corporation Tax		
	-current year	7,900,000	8,260,000
	-overseas tax	95,272	102,271
	-double tax relief	(95,272)	(102,271)
	-adjustment of prior years	13,525	534,070
	Deferred taxation, origination and reversal of timing differences		
	-current year	1,369,843	660,068
	-adjustment of prior years	(2,020,323)	(600,312)
		7,263,045	8,853,826
(b)	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	44,190,702	32,573,885
	Corporation tax at standard rate of 28.0% (2009- 28.0%)	12,373,397	9,120,688
	Effects of		
	Expenses not deductible for tax purposes	471,174	339,820
	Income not taxable	(3,375,989)	(438,168)
	Difference between capital allowances for period and depreciation	(297,955)	445,918
	Other short term timing differences	(1,175,355)	(1,105,987)
	Benefit of double tax relief	(95,272)	(102,271)
	Adjustments to tax charge for previous years	13,525	534,070
	Current tax charge for year	7,913,525	8,794,070

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)

5 TAX ON PROFIT ON ORDINARY ACTIVITIES – continued

As a result of the decrease in the UK corporation tax rate to 27% from 1 April 2011 that was substantively enacted on 20 July 2010 the deferred tax balances have been re-measured. A reduction to the UK corporation tax rate to 26% was substantively enacted on 29 March 2011. Further reductions to the UK corporation tax by 1% per annum to 23% by 1 April 2014 were announced in the March 2011 Budget and are expected to be enacted separately each year. These changes have not been recognised in these financial statements as they had not been substantively enacted at the balance sheet date.

6 INTANGIBLE FIXED ASSETS

	Goodwill £	Licences £	Total £
Cost			
at 1 January 2010 and 31 December 2010	1,915,682	2,500,000	4,415,682
Depreciation			
at 1 January 2010 and 31 December 2010	1,915,682	2,500,000	4,415,682
Net Book Amounts			
at 31 December 2010	-	-	-
at 31 December 2009	-	-	-

7 TANGIBLE FIXED ASSETS

	Freehold property £	Leasehold property £	Plant and equipment £	Assets under construction £	TOTAL £
Cost					
at 1 January 2010	50,346,008	2,502,985	28,844,522	1,258,606	82,952,121
Additions	-	-	692,214	874,162	1,566,376
Disposals	-	-	(328,689)	-	(328,689)
Transfers	-	-	1,258,606	(1,258,606)	-
at 31 December 2010	50,346,008	2,502,985	30,466,653	874,162	84,189,808
Depreciation					
at 1 January 2010	18,758,867	1,248,595	18,438,624	-	38,446,086
Disposals	-	-	(245,090)	-	(245,090)
Charge for the year	1,259,538	58,511	1,577,993	-	2,896,042
at 31 December 2010	20,018,405	1,307,106	19,771,527	-	41,097,038
Net Book Amounts					
at 31 December 2010	30,327,603	1,195,879	10,695,126	874,162	43,092,770
at 31 December 2009	31,587,141	1,254,390	10,405,898	1,258,606	44,506,035

There are no assets held under finance leases (2009 none)

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)

8	INVESTMENTS	Shares in subsidiaries £	Shares in associates £	Listed equity investments £	Unlisted equity investments £	TOTAL £
	At cost					
	at 1 January 2010	44,435,388	1,569,933	1,343	6,000	46,012,664
	Addition	-	487	-	330,744	331,231
	at 31 December 2010	44,435,388	1,570,420	1,343	336,744	46,343,895
	Provision for diminution in value					
	at 1 January and 31 December 2010	11,017,024	-	-	-	11,017,024
	Net Book Amounts					
	at 31 December 2010	33,418,364	1,570,420	1,343	336,744	35,326,871
	at 31 December 2009	33,418,364	1,569,933	1,343	6,000	34,995,640

Subsidiaries

The company's subsidiaries are listed on page 19. The directors consider the value of the investments in subsidiaries to be not less than that stated in the balance sheet of the company.

Associates

The company has a 50% interest in Mainstream Publishing Company (Edinburgh) Limited, a 49.95% interest in Random House Struik (Pty) Limited and a 48.75% interest in Random House Children's Screen Entertainment LLP.

Listed equity investments had a market value at 31 December 2010 of £2,597 (2009: £2,579).

Unlisted equity investments comprise 20% of the ordinary shares of Andersen Press Limited and 14.9% of Z 2010 Limited, both of which are registered in England. The directors do not consider these investments to be participating investments since they do not exercise a significant influence over the affairs of the companies.

	2010 £	2009 £
9 STOCKS		
Raw materials and consumables	342,446	217,139
Work in progress	3,239,490	3,300,192
Finished books	11,654,666	11,641,146
	<u>15,236,602</u>	<u>15,158,477</u>

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

(continued)

	2010 £	2009 £
10 DEBTORS		
Trade debtors	708,350	1,140,078
Amounts owed by group undertakings	195,152,520	187,041,003
Other debtors	1,233,402	1,196,969
Prepayments	5,124,894	1,748,225
	<u>202,219,166</u>	<u>191,126,275</u>
11 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade creditors	29,145,397	23,868,212
Amounts owed to group undertakings	12,309,283	12,210,217
Taxation	7,900,000	8,260,000
Social security	1,136,865	1,137,442
Other creditors	34,553,753	32,600,636
Accruals	35,381,533	33,876,041
	<u>120,426,831</u>	<u>111,952,548</u>
12 PROVISIONS FOR LIABILITIES		
Deferred tax		
	£	
at 1 January 2010	2,315,000	
charged in the year	(1,665,780)	
	<u>649,220</u>	
at 31 December 2010		
 The deferred tax liability comprises	2010 £	2009 £
Excess of capital allowances received over depreciation charged on fixed assets	596,444	2,223,308
Other short term timing differences	52,776	91,692
	<u>649,220</u>	<u>2,315,000</u>

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)

12 PROVISIONS FOR LIABILITIES – continued

Other provisions

	£
at 1 January 2010	3,842,305
utilised during the year	(941,247)
charged in the period	179,623
at 31 December 2010	<u>3,080,681</u>

Other provisions include provisions arising in the ordinary course of business, such as provisions relating to property, deferred compensation and legal matters

	2010 £	2009 £
13 CALLED UP SHARE CAPITAL		
Authorised, allotted, called up and fully paid		
819,560,717 Ordinary shares of 10p each	<u>81,956,072</u>	<u>81,956,072</u>
14 PROFIT AND LOSS ACCOUNT		
Balance at beginning of period	98,012,170	103,222,751
Profit for the financial period	36,927,657	23,720,059
Net actuarial gain/(loss)	6,784,000	(5,930,640)
Dividend paid	(35,000,000)	(23,000,000)
Balance at end of period	<u>106,723,827</u>	<u>98,012,170</u>

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

(continued)

	2010	2009
	£	£
15 COMMITMENTS		
The company has commitments under operating leases to pay rentals during the forthcoming year as follows		
Plant and machinery		
leases expiring within one year	41,477	46,383
leases expiring between one and five years	364,582	312,918
Premises		
leases expiring between one and five years	56,340	56,340
leases expiring after more than five years	143,650	140,150
	<u>606,049</u>	<u>555,791</u>

There are commitments to authors for the payment of royalty advances amounting to £76,582,000 at 31 December 2010 (2009 £93,447,000). Together with the advances already paid these will be charged against sales of future accounting periods as the books are published.

There were no contracted capital commitments outstanding at 31 December 2010 (2009 nil).

16 RELATED PARTIES

The company's immediate parent company is Bertelsmann UK Limited. Its ultimate parent company is Bertelsmann AG, which is incorporated in Germany, copies of whose accounts can be obtained from

Bertelsmann AG
Corporate Communications
Carl Bertelsmann Strasse 270
Postfach 111
D-33311 Gütersloh
Germany

As the company is a wholly owned subsidiary of Bertelsmann AG the company is exempt from the requirement, under Financial Reporting Statement 8, to disclose transactions with entities that are wholly owned by the group. The company has taken advantage of this exemption.

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

(continued)

16 RELATED PARTIES - continued

During the year the company entered into the following material transactions with related parties not wholly owned by the group

	2010 £	2009 £
Sales of books		
Random House (Proprietary) Ltd	2,736,717	3,126,297
Random House Mondadori SA	28,532	-
Sales representation fees		
Mainstream Publishing Company (Edinburgh) Ltd	117,037	135,818
Virgin Books Ltd	137,964	181,789
Woodlands Books Limited	395,180	488,015
Other operating income, management fee		
Mainstream Publishing Company (Edinburgh) Ltd	50,000	50,000
Other external charges		
FremantleMedia Group Limited	11,198	15,879
FremantleMedia Services Limited	-	15,468
RTL Group Support Services Ltd	9,832	-
Dividends received		
Mainstream Publishing Company (Edinburgh) Ltd	80,000	162,000
Random House (Proprietary) Ltd	218,421	370,791
Woodlands Books Limited	765,000	-
Interest income		
Virgin Books Ltd	86,554	95,774
Interest expense		
Woodlands Books Limited	-	6,986
Debtors		
Mainstream Publishing Company (Edinburgh) Ltd	-	13,099
FremantleMedia Services Limited	-	2,407
Virgin Books Ltd	358,210	236,806
Virgin Books Ltd - loan	5,750,000	5,750,000
Woodlands Books Limited	846,869	1,094,327
Creditors		
FremantleMedia Group Limited	-	5,200
RTL Group Support Services Ltd	4,800	-

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

(continued)

SUBSIDIARY COMPANIES

	Principal activity	% interest held	country of incorporation
The Book Service Limited	Distribution		
Grantham Book Services Limited	dormant		
Arrow Books Limited	dormant		
Bantam Books Limited	dormant		
Barrie & Jenkins Limited	dormant	98	
Bartlett Bliss Productions Limited	dormant		
Bellew & Higon Publishers Limited	dormant		
The Bodley Head Limited	dormant		
Business Books Limited	dormant		
Carousel Books Limited	dormant		
Century Benham Limited	dormant		
Century Hutchinson Limited	dormant		
Century Hutchinson Publishing Limited	dormant		
Century Publishing Co Limited	dormant		
Chatto and Windus Limited	dormant		
Corgi Books Limited	dormant		
The Cresset Press Limited	dormant		
Hammond, Hammond & Co Limited	dormant		
The Harvill Press Limited	dormant		
Herbert Jenkins Limited	dormant		
Hogarth Press Limited	dormant		
Hurst & Blackett Limited	dormant		
Hutchinson Books Limited	dormant		
Hutchinson & Co (Publishers) Limited	dormant		
Hutchinson Childrens Books Limited	dormant		
Jackdaw Publications Limited	dormant		
Jonathan Cape Limited	dormant		
Martin Secker and Warburg Limited	dormant		
Plane Tree Publishers Limited	dormant		
Random House Properties Limited	dormant		
Random House Publishing Group Limited	dormant		
Random House UK Ventures Limited	dormant		
Sinclair-Stevenson Limited	dormant		
Stanley Paul & Co Limited	dormant		
Tamarind Limited	dormant		
Transworld Publishers Limited	dormant		
T Werner Laurie Limited	dormant		
Virgin Books Limited	Book publishing	90	
WH Allen General Books Limited	dormant		
Woodlands Books Limited	Book publishing	85	
Random House Australia Pty Limited	Book publishing		Australia
RHA Holdings Pty Limited	dormant		Australia
Random House New Zealand Limited	Book publishing		New Zealand
Transworld Publishers Ireland Limited	editorial services		Ireland

All the subsidiary companies are direct subsidiaries except for Grantham Books Services Ltd and WH Allen General Books Ltd which are indirect subsidiaries

All the subsidiaries are registered in England, except as where indicated

All the subsidiaries are 100% owned, except as where indicated