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Company no 954009

**THE RANDOM HOUSE GROUP LIMITED**

FINANCIAL STATEMENTS

31 DECEMBER 2012

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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 2012

### 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

2012 was a year dominated by EL James' "50 Shades of Grey" trilogy. Both in print and in ebook formats these titles topped the bestseller lists around the world. These titles, together with successful titles from Lee Child, Nigella Lawson, James Patterson, SJ Watson, Bradley Wiggins and many others led to the company regaining its position as the largest trade publisher in the UK. Perhaps not surprisingly, EL James won Popular Fiction Book of the Year at the National Book Awards and the Specsavers Book of the Year, voted for by the public. Crime Thriller of the year went to "A Wanted Man" by Lee Child, and in the Costa Book Awards Francesca Segal and Mary and Bryan Talbot won their categories. Mo Yan won the Nobel Prize for Literature. And, of course, congratulations must go to Bradley Wiggins for winning BBC's Sports Personality of the Year, as well as his sporting successes. Unfortunately, space does not permit us to name all our other successful authors, and staff, to whom we send our congratulations.

Turnover in 2012 rose to £285m, an increase of over 25%. Sales of digital formats grew and now account for over 22% of UK net sales. Overheads remained under control and, as a result, operating profit and profit before tax both increased significantly.

It is going to be difficult in 2013 to match our 2012 results. However, with the recently announced publication of Dan Brown's "Inferno" in May adding to an already strong schedule of titles, we have reason for optimism. Sales of digital formats look set to continue providing us with opportunities as well as challenges. Unfortunately, the wider economic background, both in the UK and elsewhere in the world, shows few signs of improving in the near future. Despite the current market difficulties the company is confident it has the resources to continue to be a successful and profitable publisher.

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 the board on a regular basis. The changing book market, particularly the transition to digital and the shift to the agency model, is creating both challenges and opportunities for the company, notably in terms of pricing structures. The company is facing increased pressure on margins. 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.

In October 2012, Bertelsmann SE & Co KGaA and Pearson announced that they will combine the activities of their respective book publishing companies, Random House and Penguin Group, under the name Penguin Random House. Bertelsmann will own 53 percent, Pearson 47 percent. The merger has been approved by the responsible competition authorities in the US, Europe and Australia. It is expected that the transaction will be able to be concluded in the second half of 2013 after the necessary official clearances have been obtained.

### Dividend

An interim dividend of £29,000,000 was paid on 20 December 2012. The directors do not recommend the payment of a final dividend.

### Directors

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

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

# THE RANDOM HOUSE GROUP LIMITED

## REPORT OF THE DIRECTORS

(continued)

### 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

### 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 the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

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

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

### Disclosure of information to auditors

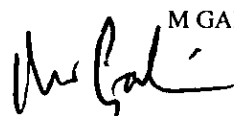
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director to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

By Order of the Board

Random House  
20 Vauxhall Bridge Road  
LONDON  
SW1V 2SA

7 May 2013

Page 2

 M GARDINER  
Director

## **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 2012 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Reconciliation of Movement in Shareholders' Funds, Balance Sheet and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities 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 express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion the information given in the 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.



Jemma Newson (Senior Statutory Auditor),  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

7 May 2013

# THE RANDOM HOUSE GROUP LIMITED

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 2012

	Notes	2012 £	2011 £
<b>Turnover</b>	2	284,882,434	227,025,027
Changes in stocks of finished goods and work in progress		(1,157,797)	(792,566)
Other operating income	3	8,522,349	8,311,919
Raw materials and consumables		(62,036,317)	(51,016,285)
Other external charges		(130,092,426)	(108,153,346)
Staff costs	4	(42,942,786)	(38,743,916)
Depreciation	7	(3,601,269)	(2,815,448)
<b>Operating profit</b>		<b>53,574,188</b>	<b>33,815,385</b>
Profit on disposal of fixed assets		318,531	36,130
Impairment of investments		-	(1,157,603)
Income from shares in group companies		3,858,685	3,927,507
Income from fixed asset investments		40,113	24,119
Interest receivable		194,044	379,426
Interest payable	3	-	(1,101)
Other finance expense	3	(1,864,413)	(438,841)
<b>Profit on ordinary activities before tax</b>	3	<b>56,121,148</b>	<b>36,585,022</b>
Tax on profit on ordinary activities	5	(12,585,485)	(8,554,421)
<b>Profit on ordinary activities after tax</b>		<b>43,535,663</b>	<b>28,030,601</b>

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 2012

	Notes	2012 £	2011 £
Profit on ordinary activities after tax		43,535,663	28,030,601
Actuarial loss on defined benefit pensions	4	(17,039,000)	(6,094,000)
Deferred tax associated with defined benefit pensions		2,916,130	642,540
Total recognised income and expense for the year		<u>29,412,793</u>	<u>22,579,141</u>

### RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Shareholders' funds at beginning of year	111,325,449	188,746,308
Profit on ordinary activities after tax	43,535,663	28,030,601
Net actuarial loss	(14,122,870)	(5,451,460)
Dividend paid	(29,000,000)	(100,000,000)
Shareholders' funds at end of year	<u>111,738,242</u>	<u>111,325,449</u>

# THE RANDOM HOUSE GROUP LIMITED

Company no 954009

## BALANCE SHEET As at 31 December 2012

	Notes	2012 £	2011 £
<b>Non-current Assets</b>			
Intangible assets	6	-	-
Tangible assets	7	38,172,855	40,870,424
Investments	8	34,913,792	34,425,965
Advance royalties		16,564,016	15,870,990
		<hr/>	<hr/>
		89,650,663	91,167,379
<b>Current assets</b>			
Stocks	9	13,286,239	14,444,036
Advance royalties		24,819,881	31,653,299
Debtors	10	161,658,625	126,633,500
Cash at bank and in hand		387,016	379,836
		<hr/>	<hr/>
		200,151,761	173,110,671
Creditors amounts falling due within one year	11	(145,221,697)	(122,001,670)
		<hr/>	<hr/>
<b>Net current assets</b>		54,930,064	51,109,001
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		144,580,727	142,276,380
		<hr/>	<hr/>
Provisions for liabilities	12	(3,904,345)	(4,940,181)
		<hr/>	<hr/>
<b>Net assets excluding net pension liabilities</b>		140,676,382	137,336,199
		<hr/>	<hr/>
Net pension liabilities	4	(28,938,140)	(26,010,750)
		<hr/>	<hr/>
<b>Net assets</b>		111,738,242	111,325,449
		<hr/>	<hr/>
<b>Equity capital and reserves</b>			
Called up share capital	13	81,956,072	81,956,072
Capital redemption reserve		66,409	66,409
Profit and loss account	14	29,715,761	29,302,968
		<hr/>	<hr/>
<b>Total shareholders' funds</b>		111,738,242	111,325,449
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 7 May 2013 and were signed on its behalf by



M GARDINER  
Director

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012

### 1 ACCOUNTING POLICIES

#### Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

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

#### Going concern

The financial statements are prepared on a going concern basis 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 financial statements 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.

#### Investments

Investments are stated at cost. Provision is made for impairment.

Investments are tested for impairments annually and reflect changes in circumstances that indicate the carrying value may not be recoverable.

#### Intangible assets

Intangible 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 assets

Tangible 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 periods of 40 or 50 years
Leasehold property	over period of lease
Plant and equipment	over periods of between 5 and 20 years
Computer equipment	over periods of 3 or 4 years

#### Leases

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 2012

(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 tax

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.

	2012 £	2011 £
<b>2 TURNOVER</b>		
The company's turnover arises from its principal activity of book publishing		
Geographical analysis by destination of turnover		
UK and The Republic of Ireland	173,020,854	162,257,251
Rest of the World	111,861,580	64,767,776
	<u>284,882,434</u>	<u>227,025,027</u>

### 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, and subsidiaries', financial statements	167,004	122,748
other services relating to taxation	-	5,000

##### Operating lease rentals

plant and machinery	223,183	194,018
premises	158,228	157,733

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012

(continued)

	2012 £	2011 £
<b>3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX - continued</b>		
Interest payable		
Other	-	1,101
Other finance expense		
Pensions (note 4)	1,858,000	845,000
Present value adjustment on long term liabilities	6,413	(406,159)
	<u>1,864,413</u>	<u>438,841</u>
<b>4 EMPLOYEES</b>		
<b>Staff costs:</b>		
Wages and salaries	35,543,303	32,114,843
Social security costs	4,266,265	3,739,144
Group pension scheme costs		
- defined benefit schemes	2,218,595	2,067,657
- defined contribution scheme	895,786	803,435
Other pension costs	18,837	18,837
	<u>42,942,786</u>	<u>38,743,916</u>

The average number of persons employed by the company, including executive directors, during the year was 659 (2011 633)

### 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 2010 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.

The major assumptions used by the actuary were	2012	2011
	%	%
discount rate	4.30	4.90
rate of price inflation (RPI)	3.10	3.10
rate of increase in salaries	4.10	4.10
rate of increase of pensions in payment		
3% floor & 5% cap	3.65	3.65
5% cap	2.95	2.95
2.5% cap	2.00	2.00
revaluation of pensions in deferment	2.40	2.40
mortality table in retirement	SIPxA(b=yob)	SIPxA(b=yob)
	CMI 2011 with 1.2%	CMI 2011 with 1.2%
	long term rate	long term rate

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 2012

(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

	2012		2011	
	Long-term rate of return expected at	value at	Long-term rate of return expected at	value at
	%	£'000	%	£'000
Equities & property	5.50	102,192	5.50	85,561
Corporate bonds	4.30	38,765	4.90	33,325
Gilts	3.00	45,437	3.00	37,829
Secured annuities	4.30	1,189	4.90	1,125
Cash	0.90	3,625	1.25	2,501
Total fair value of assets	4.57	191,208	4.71	160,341
Present value of scheme liabilities		(228,790)		(195,022)
Deficit in the schemes		(37,582)		(34,681)
Related deferred tax asset		8,644		8,670
Net pension liability		(28,938)		(26,011)

The related deferred tax asset has been calculated at 23% (2011: 25%)

#### Movement in the present value of the defined benefit obligation

at beginning of year	195,022	184,265
current service cost	2,765	2,624
interest cost	9,517	9,637
actuarial loss on obligation	25,868	2,521
member contributions	642	642
benefits paid	(5,024)	(4,667)
at end of year	228,790	195,022

#### Movement in the fair value of plan assets

at beginning of year	160,341	150,379
expected return on pension scheme assets	7,659	8,792
actuarial gain/(loss)	8,829	(3,573)
employer contributions (by both the company and subsidiary)	18,761	8,768
member contributions	642	642
benefits paid	(5,024)	(4,667)
at end of year	191,208	160,341
actual return on pension scheme assets	16,488	5,219

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012

(continued)

	2012 £'000	2011 £'000			
4 EMPLOYEES – Pension Schemes – continued					
Amounts charged to the profit and loss account					
Operating profit charge					
current service cost	2,765	2,624			
Finance income/(expense)					
expected return on pension scheme assets	7,659	8,792			
interest on pension scheme liabilities	(9,517)	(9,637)			
Net financial expense	(1,858)	(845)			
Actuarial loss recognised in the Statement of Total Recognised Gains and Losses					
actual return less expected return on pension scheme assets	8,754	(3,567)			
actuarial gain/(loss) on asset assumptions	75	(6)			
changes in assumptions underlying the present value of the scheme liabilities	(25,868)	(2,521)			
Actuarial loss recognised in the STRGL	(17,039)	(6,094)			
Cumulative actuarial losses reported in the Statement of Total Recognised Gains and Losses for accounting periods ending on or after 22 June 2002	(69,133)	(52,094)			
History of plans	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Fair value of assets	191,208	160,341	150,379	129,493	109,059
Present value of scheme liabilities	(228,790)	(195,022)	(184,265)	(177,402)	(151,906)
Deficit in the schemes	(37,582)	(34,681)	(33,886)	(47,909)	(42,847)
Experience gains/(losses) on scheme assets	8,754	(3,567)	9,617	9,278	(21,764)
Experience gains/(losses) on scheme liabilities	-	-	9,182	-	-

The company, together with its subsidiary, expects to contribute approximately £8.75m to its defined benefit plans in 2013

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012

(continued)

### 4 EMPLOYEES – continued

	2012 £	2011 £
<b>Directors' remuneration:</b>		
Aggregate emoluments	2,537,880	2,407,210
Amounts receivable under long term incentive schemes	144,255	99,761
Company pension contributions to money purchase schemes	38,507	38,747
	<hr/>	<hr/>
Retirement benefits are accruing to 3 directors at 31 December 2012 (2011: 3) under defined benefit pension schemes and to 2 directors (2011: 2) under a money purchase scheme		
<b>Highest paid director</b>		
Emoluments	1,710,264	1,599,243
Amounts receivable under long term incentive schemes	109,881	56,675
Defined benefit pension scheme accrued pension at end of year	383,345	355,621
	<hr/>	<hr/>

### 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	11,394,072	7,525,000
-overseas tax	144,072	114,197
-double tax relief	(144,072)	(112,146)
-adjustment of prior years	(80,857)	(1,115,170)
Deferred tax, origination and reversal of timing differences		
-current year	1,187,469	1,230,021
-adjustment of prior years	84,801	912,519
	<hr/>	<hr/>
	12,585,485	8,554,421

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012

(continued)

### 5 TAX ON PROFIT ON ORDINARY ACTIVITIES – continued

The effective tax rate for the current year is lower (2011: lower) than the average standard rate of corporation tax in the UK. The differences are explained below:

	2012 £	2011 £
(b) Factors affecting the tax charge for the year		
Profit on ordinary activities before tax	56,121,148	36,585,022
Corporation tax at standard rate of 24.5% (2011: 26.5%)	13,749,681	9,695,031
Effects of		
Expenses not deductible for tax purposes	421,449	592,962
Income not taxable	(1,033,197)	(1,047,181)
Difference between capital allowances for year and depreciation	(20,899)	(225,050)
Other short term timing differences	(1,722,962)	(1,488,711)
Adjustments to tax charge for prior years	(80,857)	(1,115,170)
Current tax charge for year	11,313,215	6,411,881

#### Current tax

The standard rate of Corporation Tax in the United Kingdom changed from 26% to 24% with effect from 1 April 2012. Accordingly the company's profits are taxed at an effective rate of 24.5%.

#### Deferred tax

During the year, as a result of the change in the UK main corporation tax rate to 23% that was substantively enacted on 3 July 2012 and that will be effective from 1 April 2013, the relevant deferred tax balances have been re-measured.

Reductions to the UK corporation tax rate by 2% to 21% from 1 April 2014 and by a further 1% to 20% from 1 April 2015 have been announced and are expected to be enacted in the Finance Act 2013. The changes have not been recognized in these financial statements as they had not been substantively enacted at the balance sheet date.

### 6 INTANGIBLE ASSETS

	Goodwill £	Licences £	Total £
Cost			
at 1 January 2012 and 31 December 2012	1,915,682	2,500,000	4,415,682
Amortisation			
at 1 January 2012 and 31 December 2012	1,915,682	2,500,000	4,415,682
Net Book Amounts			
at 31 December 2012	-	-	-
at 31 December 2011	-	-	-



# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012

(continued)

### 7 TANGIBLE ASSETS

	Freehold property £	Leasehold property £	Plant and equipment £	Assets under construction £	TOTAL £
<b>Cost</b>					
at 1 January 2012	49,140,815	2,502,985	31,338,384	1,403,804	84,385,988
Additions	-	-	-	1,487,014	1,487,014
Disposals	(49,140)	-	(2,307)	(551,291)	(602,738)
Transfers	-	-	1,471,779	(1,471,779)	-
at 31 December 2012	49,091,675	2,502,985	32,807,856	867,748	85,270,264
<b>Depreciation</b>					
at 1 January 2012	20,446,255	1,605,962	21,463,347	-	43,515,564
Disposals	(17,117)	-	(2,307)	-	(19,424)
Charge for the year	714,345	689,154	2,197,770	-	3,601,269
at 31 December 2012	21,143,483	2,295,116	23,658,810	-	47,097,409
<b>Net Book Amounts</b>					
at 31 December 2012	27,948,192	207,869	9,149,046	867,748	38,172,855
at 31 December 2011	28,694,560	897,023	9,875,037	1,403,804	40,870,424

### 8 INVESTMENTS

	Shares in subsidiaries £	Shares in associates £	Listed equity investments £	Unlisted equity investments £	TOTAL £
<b>At cost</b>					
at 1 January 2012	43,746,073	1,689,573	1,343	1,163,603	46,600,592
Addition	-	90,982	-	396,845	487,827
Disposals	-	-	-	(86,279)	(86,279)
at 31 December 2012	43,746,073	1,780,555	1,343	1,474,169	47,002,140
<b>Provision for diminution in value</b>					
at 1 January 2012	11,017,024	-	-	1,157,603	12,174,627
Disposals	-	-	-	(86,279)	(86,279)
at 1 January and 31 December 2012	11,017,024	-	-	1,071,324	12,088,348
<b>Net Book Amounts</b>					
at 31 December 2012	32,729,049	1,780,555	1,343	402,845	34,913,792
at 31 December 2011	32,729,049	1,689,573	1,343	6,000	34,425,965





# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012

(continued)

### 8 INVESTMENTS - continued

#### 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 50% interest in Random House Children's Screen Entertainment LLP.

Listed equity investments had a market value at 31 December 2012 of £2,695 (2011: £2,366).

Unlisted equity investments comprise 20% of the ordinary shares of Andersen Press Limited and 12% of Anobii 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.

	2012 £	2011 £
<b>9 STOCKS</b>		
Raw materials and consumables	458,144	237,204
Work in progress	2,592,610	2,815,598
Finished books	10,235,485	11,391,234
	<u>13,286,239</u>	<u>14,444,036</u>
<b>10 DEBTORS</b>		
Trade debtors	498,285	641,774
Amounts owed by group undertakings	152,890,057	120,022,419
Other debtors	1,337,957	1,628,710
Prepayments	6,932,326	4,340,597
	<u>161,658,625</u>	<u>126,633,500</u>
<b>11 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		
Bank overdraft	478,319	-
Trade creditors	66,987,986	39,071,399
Amounts owed to group undertakings	11,658,141	12,080,662
Taxation	11,250,000	7,525,000
Social security	3,363,512	2,341,667
Other creditors	38,783,819	34,906,332
Accruals	12,699,920	26,076,610
	<u>145,221,697</u>	<u>122,001,670</u>

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012

(continued)

### 12 PROVISIONS FOR LIABILITIES

#### Deferred tax

	£
at 1 January 2012	1,670,250
charged in the year	(1,670,250)
at 31 December 2012	-

The deferred tax liability comprises	2012	2011
	£	£
Excess of capital allowances received over depreciation charged on fixed assets	314,543	305,265
Other short term timing differences	(314,543)	1,364,985
	-	1,670,250

#### Other provisions

	£
at 1 January 2012	3,269,931
utilised during the year	(874,586)
charged in the year	1,509,000
at 31 December 2012	3,904,345

Other provisions include provisions arising in the ordinary course of business, such as provisions relating to deferred compensation and legal matters. These provisions are expected to be utilised within 5 years

	2012	2011
	£	£
13 CALLED UP SHARE CAPITAL		
Authorised, allotted, called up and fully paid		
819,560,717 Ordinary shares of 10p each	81,956,072	81,956,072

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012

(continued)

	2012 £	2011 £
14 PROFIT AND LOSS ACCOUNT		
Balance at beginning of year	29,302,968	106,723,827
Profit for the financial year	43,535,663	28,030,601
Net actuarial (loss)/gain	(14,122,870)	(5,451,460)
Dividend paid	(29,000,000)	(100,000,000)
Balance at end of year	<u>29,715,761</u>	<u>29,302,968</u>

## 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	20,019	67,078
leases expiring between one and five years	170,797	323,576

### Premises

leases expiring between one and five years	16,700	-
leases expiring after more than five years	116,000	131,000
	<u>323,516</u>	<u>521,654</u>

There are commitments to authors for the payment of royalty advances amounting to £75,260,000 at 31 December 2012 (2011 £73,929,000). 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 2012 (2011 nil).

## 16 RELATED PARTIES

The company's immediate parent company is Random House Holdings Limited. Its ultimate parent company is Bertelsmann SE & Co KGaA, which is incorporated in Germany, copies of whose consolidated financial statements (the smallest and largest financial statements in which the company is consolidated) can be obtained from:

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

As the company is a wholly owned subsidiary of Bertelsmann SE & Co KGaA 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 2012

(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

	2012 £	2011 £
<b>Sales of books</b>		
Random House (Proprietary) Ltd	3,716,356	2,830,570
Random House Mondadori SA	4,308	4,290
<b>Sales representation fees</b>		
Mainstream Publishing Company (Edinburgh) Ltd	69,885	94,124
Virgin Books Ltd	138,391	129,726
Woodlands Books Limited	366,537	552,878
<b>Other operating income, management fee</b>		
Mainstream Publishing Company (Edinburgh) Ltd	25,000	25,000
<b>Other external charges</b>		
RTL Group Support Services Ltd	33,800	24,144
<b>Dividends received</b>		
Random House (Proprietary) Ltd	302,991	461,409
Woodlands Books Limited	-	765,000
<b>Interest income</b>		
Virgin Books Ltd	68,986	81,411
<b>Debtors</b>		
Mainstream Publishing Company (Edinburgh) Ltd	16,147	-
Virgin Books Ltd	208,877	163,304
Virgin Books Ltd - loan	4,200,000	5,000,000
Woodlands Books Limited	816,280	1,526,973
<b>Creditors</b>		
RTL Group Support Services Ltd	5,800	7,200

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012

(continued)

### SUBSIDIARY COMPANIES

	<u>Principal activity</u>	<u>% interest held</u>	<u>Country of incorporation</u>
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