

Registered number: 00954009

THE RANDOM HOUSE GROUP LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**



THE RANDOM HOUSE GROUP LIMITED

COMPANY INFORMATION

Directors Markus Dohle (resigned 31 December 2022)
Mark Gardiner
Robert Waddington
Thomas Weldon
Nihar Malavia (appointed 1 January 2023)

Company secretary Sinead Martin

Registered number 00954009

Registered office 20 Vauxhall Bridge Road
London
SW1V 2SA

Independent auditor KPMG LLP
15 Canada Square
London
E14 5GL

THE RANDOM HOUSE GROUP LIMITED

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THE RANDOM HOUSE GROUP LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The directors present their Strategic Report for The Random House Group Limited ('the Company' or 'RHGL') for the year ended 31 December 2022.

Principal activities

The Company is a subsidiary of Penguin Random House Limited ("PRHL"), a Company registered in the United Kingdom. The Company is 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 £31,935,603 (2021: £ 98,697,759). Included within profit before tax for the financial year are profits on the disposal of fixed assets of £ 13,975,682 (2021: £ 258,752), and profits on the disposal of investments of £nil (2021: £ 55,579,422). Furthermore the profit also includes impairment amounting to £ 267,000 (2021 : reversal of £ 22,634,149).

Key performance indicators ('KPIs')

The Company monitors progress and performance during the year and historical trend data which is set out in the following KPI:

- Turnover was £231,644,201 (2021: £212,378,804).
- Gross profit margin was 51.16% (2021: 55.29%).

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 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. 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. The continuing uncertainty in the global economy and high level of inflation in the UK presents ongoing pressure on costs and margins.

THE RANDOM HOUSE GROUP LIMITED

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

Directors' section 172 statement

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.

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.

THE RANDOM HOUSE GROUP LIMITED

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

PRH Streamlined Energy and Carbon Reporting Disclosure 2022

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

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

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

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

In 2022

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

Targets

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

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

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

THE RANDOM HOUSE GROUP LIMITED

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

PRH Streamlined Energy and Carbon Reporting Disclosure 2022 (continued)

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

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

THE RANDOM HOUSE GROUP LIMITED

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

PRH Streamlined Energy and Carbon Reporting Disclosure 2022 (continued)

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

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

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

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

PRH Streamlined Energy and Carbon Reporting Disclosure 2022 (continued)

Reporting Methodology

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

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

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

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

THE RANDOM HOUSE GROUP LIMITED

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

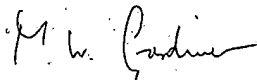
Shareholders

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.

General

The Company is presenting the financial statements in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101).

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



Mark Gardiner
Director

Date: 28 June 2023

THE RANDOM HOUSE GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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

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.

Going concern

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

The Company meets its day to day working capital requirements from cash pool arrangements, together with operational cash flows, and trading intercompany balances within the group headed by Bertelsmann SE & Co. KGaA, the ultimate parent company.

The directors have prepared cash flow forecasts considering prior trends and expected titles to be published in the future and performed a going concern assessment which indicates that, in both the base and reasonably possible downsides, the Company will require additional funds, through funding from its ultimate parent company, Bertelsmann SE & Co. KGaA, to meet its liabilities as they fall due during 12 month from the date of approval of these financial statements, the going concern assessment period.

The directors considered the operating nature of the entity, current global economic uncertainty and expectations for the future trading along with the outstanding intercompany payables and intercompany 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 statements and therefore have prepared the financial statements on a going concern basis.

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

Dividends

Dividends of £120,000,000 were paid during the year (2021: £200,000,000).

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.

THE RANDOM HOUSE GROUP LIMITED

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

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:

Markus Dohle (resigned 31 December 2022)
Mark Gardiner
Robert Waddington
Thomas Weldon

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.

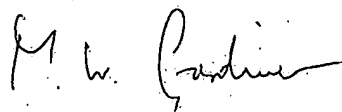
THE RANDOM HOUSE GROUP LIMITED

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

Auditor

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

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



Mark Gardiner
Director

Date: 28 June 2023

20 Vauxhall Bridge Road
London
SW1V 2SA

THE RANDOM HOUSE GROUP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 relating to going concern; and financial statements
- 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 and to 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 RANDOM HOUSE GROUP LIMITED

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

Opinion

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

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 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.

THE RANDOM HOUSE GROUP LIMITED

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because of the limited rationalisations and opportunities to fraudulently recognise 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 and those posted to unrelated accounts.

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

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

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

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

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

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

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

THE RANDOM HOUSE GROUP LIMITED

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

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 11, 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.

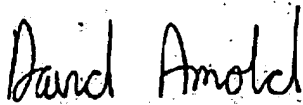
A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

THE RANDOM HOUSE GROUP LIMITED

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

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

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



David Arnold (Senior statutory auditor)

for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

Date: 30 June 2023

THE RANDOM HOUSE GROUP LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	2021 £
Turnover	4	231,644,201	212,378,804
Cost of sales		(113,138,221)	(94,958,925)
Gross profit		118,505,980	117,419,879
Distribution costs		(11,515,098)	(10,454,172)
Administrative expenses		(128,078,047)	(122,373,458)
Other operating income	5	46,355,686	41,400,086
Operating profit	6	25,268,521	25,992,335
Income from shares in group undertakings		-	2,035,593
Income from other fixed asset investments		23	264
(Impairment of)/reversal of investment		(267,000)	22,634,149
Profit on disposal of fixed assets		13,975,682	258,752
Profit on disposal of investments		-	55,579,422
Interest receivable and similar income	9	1,338,288	264,990
Interest payable and similar expenses	10	(1,373,272)	(1,181,160)
Profit before tax		38,942,242	105,584,345
Tax on profit	11	(7,006,639)	(6,886,586)
Profit for the financial year		31,935,603	98,697,759

The notes on pages 21 to 59 form part of these financial statements.

THE RANDOM HOUSE GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	2021 £
Profit for the financial year		31,935,603	98,697,759
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gain on defined benefit schemes		40,241,153	30,253,000
Movements of deferred tax relating to pension surplus/(deficit)		(10,060,288)	(3,738,498)
		30,180,865	26,514,502
Total comprehensive income for the year		62,116,468	125,212,261

The notes on pages 21 to 59 form part of these financial statements.

THE RANDOM HOUSE GROUP LIMITED
REGISTERED NUMBER: 00954009

BALANCE SHEET
AS AT 31 DECEMBER 2022

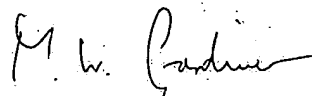
	Note	2022 £	2021 £
Fixed assets			
Intangible assets	12	4,419,284	3,801,714
Tangible assets	13	34,773,632	20,798,714
Right-of-use assets	13	21,759,211	17,919,388
Investments	14	20,691,981	20,958,981
		<u>81,644,108</u>	<u>63,478,797</u>
Current assets			
Asset held for sale	15	-	5,048,002
Stocks	16	14,443,142	13,675,023
Debtors	17	237,097,563	283,264,033
Bank and cash balances		956,286	206,480
Defined benefit asset	18	88,307,945	43,651,048
		<u>340,804,936</u>	<u>345,844,586</u>
Creditors: amounts falling due within one year	19	(172,495,908)	(114,217,994)
Net current assets		<u>168,309,028</u>	<u>231,626,592</u>
Total assets less current liabilities		<u>249,953,136</u>	<u>295,105,389</u>
Creditors: amounts falling due after more than one year	20	(48,462,967)	(50,265,787)
		<u>201,490,169</u>	<u>244,839,602</u>
Provisions for liabilities			
Provisions	22	(43,430,479)	(28,896,380)
		<u>(43,430,479)</u>	<u>(28,896,380)</u>
Net assets		<u><u>158,059,690</u></u>	<u><u>215,943,222</u></u>

THE RANDOM HOUSE GROUP LIMITED
REGISTERED NUMBER: 00954009

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Capital and reserves			
Called up share capital	24	81,956,072	81,956,072
Capital redemption reserve		66,409	66,409
Profit and loss account		76,037,209	133,920,741
		<u>158,059,690</u>	<u>215,943,222</u>

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



Mark Gardiner
Director

Date: 28 June 2023

The notes on pages 21 to 59 form part of these financial statements.

THE RANDOM HOUSE GROUP LIMITED

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

	Called up share capital £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 January 2021 (as previously stated)	81,956,072	66,409	208,890,926	290,913,407
Prior year adjustment	-	-	(182,446)	(182,446)
At 1 January 2021 (as restated)	81,956,072	66,409	208,708,480	290,730,961
Comprehensive income for the year				
Profit for the year	-	-	98,697,759	98,697,759
Actuarial gains on pension scheme	-	-	26,514,502	26,514,502
Other comprehensive income for the year	-	-	26,514,502	26,514,502
Total comprehensive income for the year	-	-	125,212,261	125,212,261
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(200,000,000)	(200,000,000)
Total transactions with owners	-	-	(200,000,000)	(200,000,000)
At 1 January 2022	81,956,072	66,409	133,920,741	215,943,222
Comprehensive income for the year				
Profit for the year	-	-	31,935,603	31,935,603
Actuarial gains on pension scheme	-	-	30,180,865	30,180,865
Other comprehensive income for the year	-	-	30,180,865	30,180,865
Total comprehensive income for the year	-	-	62,116,468	62,116,468
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(120,000,000)	(120,000,000)
Total transactions with owners	-	-	(120,000,000)	(120,000,000)
At 31 December 2022	81,956,072	66,409	76,037,209	158,059,690

The notes on pages 21 to 59 form part of these financial statements.

THE RANDOM HOUSE GROUP LIMITED

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

1. General information

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.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("UK-adopted IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

THE RANDOM HOUSE GROUP LIMITED

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

2. Accounting policies (continued)

2.3 Going concern

The Company meets its day to day working capital requirements from cash pool arrangements, together with operational cash flows, and trading intercompany balances within the group headed by Bertelsmann SE & Co. KGaA, the ultimate parent company.

The directors have prepared cash flow forecasts considering prior trends and expected titles to be published in the future and performed a going concern assessment which indicates that, in both the base and reasonably possible downsides, the Company will require additional funds, through funding from its ultimate parent company, Bertelsmann SE & Co. KGaA, to meet its liabilities as they fall due during 12 month from the date of approval of these financial statements, the going concern assessment period.

Directors considered the operating nature of the entity, current global economic uncertainty and expectations for the future trading along with the outstanding intercompany payables and intercompany 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 statements and therefore have prepared the financial statements on a going concern basis.

2.4 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.

THE RANDOM HOUSE GROUP LIMITED

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

2. Accounting policies (continued)

2.5 Income from Subrights

Income from licensing and subrights are recognised as turnover when the the performance obligation under the agreement has been satisfied.

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.

2.6 Royalty advances

Advances of royalties paid to authors are recognised once a signature advance has been paid or manuscript has been accepted on the title. These become payable once a manuscript is marked as accepted in the future.

There may be a need for a write-down in the value of the advances, either through a valuation allowance or directly through a write-off, for the following reasons:

In the case of advances on books not yet published, management may anticipate that the book may sustain an economic loss. The unpublished titles are assessed twice a year to determine whether the title is an onerous contract or not. Provision is created for the onerous titles basis the future projections of revenues and associated costs.

For published titles, the contracts are assessed each quarter, to determine whether the title will be able to recover the unearned royalty advances i.e. advance paid less royalty earnings and sub rights income, basis future sales of the titles. The unearned royalty advance, to the extent not recoverable through future sales, is provided for.

Advances of royalties paid to authors under licensing agreements are recognised upon signing of the contract if a signature advance, or an advance payable on a specific date, are not linked to any further obligation by proprietor. Any advances on publication or delivery are recognised upon acceptance of the manuscript of the title it is linked to.

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.

2.7 Dividend income

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

2.8 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.

THE RANDOM HOUSE GROUP LIMITED

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

2. Accounting policies (continued)

2.9 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.

The Company also operates a defined benefit plan for 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.

THE RANDOM HOUSE GROUP LIMITED

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

2. Accounting policies (continued)

2.10 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 extend beyond the term where extension options are present.

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.

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

THE RANDOM HOUSE GROUP LIMITED

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

2. Accounting policies (continued)

2.10 Leases (continued)

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.16.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

2.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2.12 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 the impairment loss no longer exists or has decreased in size.

THE RANDOM HOUSE GROUP LIMITED

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

2. Accounting policies (continued)

2.13 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 in accordance to IAS 36.

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which independent cash inflows are generated (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.

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.

The estimated useful lives range as follows:

Software Licences	-	4	years
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Computer Software

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 are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

THE RANDOM HOUSE GROUP LIMITED

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

2. Accounting policies (continued)

2.14 Intangible assets (continued)

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, as well as ongoing maintenance costs are recognised as the expense is incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.15 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. At the effective date of adopting FRS 101 the balance of goodwill was nil.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss.

2.16 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.

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:

Freehold property	- 40 - 50 years
Leasehold property	- Over period of lease
Plant and machinery	- 3 - 20 years

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.

THE RANDOM HOUSE GROUP LIMITED

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

2. Accounting policies (continued)

2.17 Asset held for sale

The Company assesses assets held for sale when the directors have identified an owned asset which is expected to be disposed of within 12 months of the year end and where there is reasonable certainty the sale will materialise. The asset is held at the lower of net book value and net realisable value. At the point of categorisation, no depreciation is charged.

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. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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 RANDOM HOUSE GROUP LIMITED

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

2. Accounting policies (continued)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial 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.

2.20 Trade debtors and amounts owed by group undertakings

Trade debtors and amounts owed by group undertakings are stated at amortised cost after provision for bad and doubtful debts.

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 including group undertakings

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.

THE RANDOM HOUSE GROUP LIMITED

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

2. Accounting policies (continued)

2.22 Foreign currency

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'.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account under administrative expenses.

2.23 Provisions for liabilities and onerous contracts

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.

If the Company considers a contract has become onerous, whereby the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from it, an onerous contract provision is recognised for the present obligations under the contract.

Onerous contract provisions which arise on advances paid on unpublished manuscripts which have not yet been delivered, are utilised on various timescales based on manuscript delivery and performance. Management estimates the future recoverability based on performance within the contract.

2.24 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.

THE RANDOM HOUSE GROUP LIMITED

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

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, however, there are no significant accounting judgments in this entity.

Key accounting estimates and assumptions

(i) Advances

Advances of royalties paid to authors are recognised upon the payment of signature advance or upon the acceptance of the manuscript on the title.

Unpublished titles:

In the case of advances on books not yet published, management may anticipate that the book may sustain an economic loss. The significant titles when unpublished are assessed twice a year for onerous losses, and provisions on a contract level are created as per IAS 37.

The realisable value of royalty advances relies on a degree of management judgement in determining the profitability of individual author contracts. The recoverability of royalty advances 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. Future sales projections are normally upto one year for domestic sales and upto two years for international sales, and for licencing agreements, varies as per the terms of the agreement.

The carrying amount of royalty advances on unpublished titles, net of provisions are included in advance royalties, see note 17 for reference. The onerous provision created in respect of royalty contracts are recorded in note 22 of the financial statements.

Published titles:

Upon publication, the realisable value for significant titles will then be adjusted on a title by title basis recoverability of the unearned royalty advances on quarterly basis i.e. advance paid less royalty earnings and sub rights income, basis future sales of the titles as per IAS 36. The royalty advance is expensed at the contracted or effective royalty rate as the related turnover is earned.

The carrying amount of royalty advances (net of provision) are included in advance royalties, see note 17 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 22 for details of the returns provision value.

(iii) Defined benefit scheme

The Company has an 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 corporate 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 18 for the disclosures of the defined benefit pension scheme.

THE RANDOM HOUSE GROUP LIMITED

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

3. Judgments in applying accounting policies (continued)

(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 14 for the carrying amount of investments and associated provision.

4. Turnover

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	141,643,883	147,531,822
Rest of the world	90,000,318	64,846,982
	<u>231,644,201</u>	<u>212,378,804</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.

5. Other operating income

	2022 £	2021 £
Management charge	46,244,759	41,278,401
Rents receivable	92,584	103,979
Sundry income	18,343	17,706
	<u>46,355,686</u>	<u>41,400,086</u>

THE RANDOM HOUSE GROUP LIMITED

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

6. Operating profit

The operating profit is stated after charging:

	2022 £	2021 £
Wages and salaries	54,325,352	53,128,309
Social security costs	6,502,845	6,395,711
Other pension costs	5,449,380	5,352,399
Auditors remuneration	80,134	80,134
Depreciation of tangible fixed assets	1,954,350	2,137,217
Depreciation of right-of-use assets	2,858,660	2,432,226
Inventories recognised as an expense	42,411,428	39,540,151
Amortisation charge of intangible assets	1,659,999	3,305,174
Impairment of trade receivables	355,949	644,361
	<u>54,325,352</u>	<u>53,128,309</u>

Costs incurred in 2022 of £46,244,759 (2021: £41,278,401) were recharged back to associate group companies as a management charge.

Impairment of trade receivables, and any subsequent reversals, and the amortisation charge on intangible assets are included in the income statement within administrative expenses.

7. Employees

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

	2022 No.	2021 No.
Production	36	31
Selling	131	190
Administration	543	572
Editorial	276	268
	<u>986</u>	<u>1,061</u>

THE RANDOM HOUSE GROUP LIMITED

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

	2022 £	2021 £
Directors' remuneration:		
Aggregate emoluments	1,005,285	979,477
Amounts receivable under long term incentives	77,404	59,712
Company pension contributions to money purchase schemes	75,547	73,392
	<u>1,158,236</u>	<u>1,112,581</u>

Retirement benefits are accruing to 1 director (2021: 1) under defined benefit pension schemes and to 1 director (2021: 1) under a money purchase scheme.

	2022 £	2021 £
Highest paid director:		
Emoluments	576,865	575,718
Defined benefit pension scheme accrued at the end of the year	23,791	23,426
	<u>600,656</u>	<u>599,144</u>

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

Director	Paid by
M Dohle	Penguin Random House LLC
M Gardiner	The Random House Group Limited
R Waddington	The Random House Group Limited
T Weldon	Penguin Books Limited

Penguin Books Limited (PBL) is reimbursed by the Company on a monthly basis for the directors paid by PBL. A percentage of the directors' costs are then recharged from the Company to other Penguin Random House UK group entities.

THE RANDOM HOUSE GROUP LIMITED

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

8. Income from investments

	2022	2021
	£	£
Dividends received		
Income from investments in group companies	-	2,035,593
	<u>-</u>	<u>2,035,593</u>
	<u>-</u>	<u>2,035,593</u>
 Dividends received from unlisted investments	 23	 264
	<u>23</u>	<u>264</u>
	<u>23</u>	<u>264</u>

9. Interest receivable

	2022	2021
	£	£
Interest on pensions	842,000	172,000
Other	496,288	92,990
	<u>1,338,288</u>	<u>264,990</u>
	<u>1,338,288</u>	<u>264,990</u>

10. Interest payable and similar expenses

	2022	2021
	£	£
Loans from group undertakings	488,227	-
Interest on lease liabilities - buildings	553,957	795,888
Interest on lease liabilities - equipment	1,804	6,516
Interest on lease liabilities - cars	1,133	1,963
Other interest payable	328,151	376,793
	<u>1,373,272</u>	<u>1,181,160</u>
	<u>1,373,272</u>	<u>1,181,160</u>

THE RANDOM HOUSE GROUP LIMITED

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



11. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	3,739,747	3,140,626
Adjustments in respect of previous periods	383,457	423,821
	<u>4,123,204</u>	<u>3,564,447</u>
Double taxation relief	(565,415)	(345,084)
	<u>3,557,789</u>	<u>3,219,363</u>
Foreign tax		
Foreign tax on income for the year	706,768	431,355
	<u>706,768</u>	<u>431,355</u>
Total current tax	<u>4,264,557</u>	<u>3,650,718</u>
Deferred tax		
Current year	2,084,341	4,403,591
Adjustment in respect of prior years	657,741	(1,167,723)
Total deferred tax	<u>2,742,082</u>	<u>3,235,868</u>
Taxation on profit on ordinary activities	<u>7,006,639</u>	<u>6,886,586</u>

THE RANDOM HOUSE GROUP LIMITED

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

11. Taxation (continued)

Factors affecting tax charge for the year

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

	2022 £	2021 £
Profit on ordinary activities before tax	38,942,242	105,584,345
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	7,399,026	20,061,026
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	(1,133,045)	(794,424)
Adjustments in respect of prior years - current tax	383,457	423,821
Adjustments in respect of prior years - deferred tax	657,741	(1,167,723)
Non-taxable income	(2,655,380)	(14,345,187)
Withholding tax not deductible	141,353	85,399
Deferred tax rate differences	500,242	2,623,674
Chargeable gains	1,713,245	-
Total tax charge for the year	7,006,639	6,886,586

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 tax charges accordingly.

THE RANDOM HOUSE GROUP LIMITED

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

12. Intangible assets

	Goodwill £	Software £	Assets under construction £	Total £
Cost:				
At 1 January 2022	1,915,682	29,723,641	690,300	32,329,623
Additions	-	-	2,338,806	2,338,806
Transfers	-	724,556	(785,793)	(61,237)
At 31 December 2022	1,915,682	30,448,197	2,243,313	34,607,192
Accumulated amortisation:				
At 1 January 2022	1,915,682	26,612,227	-	28,527,909
Amortisation in the year	-	1,659,999	-	1,659,999
At 31 December 2022	1,915,682	28,272,226	-	30,187,908
Net book amounts:				
At 31 December 2022	-	2,175,971	2,243,313	4,419,284
At 31 December 2021	-	3,111,414	690,300	3,801,714

The software intangible assets include the Company's 'SAP finance and procurement' system which was created by an external development from the Company's specific requirements. Those assets are amortised over 4 years (2021: 4 years) on a straight line basis. Intangible assets amortisation is recorded in administrative expenses in the income Statement.

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

THE RANDOM HOUSE GROUP LIMITED

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

13. Tangible fixed assets

	Freehold property £	Long-term leasehold property £	Plant and machinery £	Assets under construction £	Right-of-use assets £	Total £
Cost or valuation						
At 1 January 2022	19,560,152	637,007	21,851,494	956,229	22,242,184	65,247,066
Additions	-	10,143	-	15,862,085	-	15,872,228
Transfers intra group	-	-	-	-	3,542,507	3,542,507
Disposals	-	-	(910,290)	-	(39,308)	(949,598)
Transfers between classes	-	-	711,179	(649,942)	-	61,237
Lease modifications	-	-	-	-	5,745,889	5,745,889
At 31 December 2022	<u>19,560,152</u>	<u>647,150</u>	<u>21,652,383</u>	<u>16,168,372</u>	<u>31,491,272</u>	<u>89,519,329</u>
Depreciation						
At 1 January 2022	7,513,188	480,004	14,212,974	-	4,322,796	26,528,962
Charge for the year on owned assets	1,061,470	69,355	823,525	-	2,858,660	4,813,010
Transfers intra group	-	-	-	-	2,550,605	2,550,605
Disposals	-	-	(906,091)	-	-	(906,091)
At 31 December 2022	<u>8,574,658</u>	<u>549,359</u>	<u>14,130,408</u>	<u>-</u>	<u>9,732,061</u>	<u>32,986,486</u>
Net book value						
At 31 December 2022	<u>10,985,494</u>	<u>97,791</u>	<u>7,521,975</u>	<u>16,168,372</u>	<u>21,759,211</u>	<u>56,532,843</u>
At 31 December 2021	<u>12,046,964</u>	<u>157,003</u>	<u>7,638,520</u>	<u>956,229</u>	<u>17,919,388</u>	<u>38,718,104</u>

THE RANDOM HOUSE GROUP LIMITED

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

13. Tangible fixed assets (continued)

Assets under construction (AUC) at the year end principally relate to plant and equipment expenditure on projects yet to be completed and delivered at the balance sheet date. On completion the costs are transferred from assets under construction to the appropriate asset group, and depreciated over their useful economic life in accordance with the Company's accounting policies from this point. During the year the Company commenced on a warehouse expansion project which is due to be completed in 2023.

During the year, the Directors assessed that a lease on a distribution warehouse located in Grantham, UK, which had previously been accounted for by the Company's subsidiary The Book Service Limited (TBS), should be recognised by the Company to reflect the legal form of the lease agreement.

As a result, the right-of-use asset held by TBS as at 1 January 2022, together with the corresponding lease liability, were transferred to the Company, and are shown in the above table as 'Transfers intra group'.

From 1 January 2022 the Grantham lease is accounted for by the Company. No change has been made to the prior year numbers as this was not considered material.

Lease modifications to the right-of-use assets includes £5,745,889 relating to an extension of the lease term on the Grantham warehouse.

THE RANDOM HOUSE GROUP LIMITED

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

14. Fixed asset investments

	Investments in subsidiary companies £	Listed investments £	Unlisted investments £	Total £
Cost or valuation				
At 1 January 2022	50,330,908	1,343	6,000	50,338,251
At 31 December 2022	50,330,908	1,343	6,000	50,338,251
Impairment				
At 1 January 2022	29,379,270	-	-	29,379,270
Charge for the period	267,000	-	-	267,000
At 31 December 2022	29,646,270	-	-	29,646,270
Net book value				
At 31 December 2022	20,684,638	1,343	6,000	20,691,981
At 31 December 2021	20,951,638	1,343	6,000	20,958,981

Subsidiaries

The Company's subsidiaries are listed below. 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 have been 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 £267,000 relates to a decline in the recoverable amount of the Company's subsidiary undertaking Mainstream Publishing Company (Edinburgh) Limited, as a result of the expected downturn in the performance of the company.

Listed equity investments

These investments had a fair value at 31 December 2022 of £7,977 (2021: £6,713).

Unlisted equity investments

This is comprised of 20% of the ordinary shares of Andersen Press Limited which is registered in England. The directors do not consider this investment to be a participating investment since they do not exercise a significant influence over the affairs of the Company.

THE RANDOM HOUSE GROUP LIMITED

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

14. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Arrow Books Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Bantam Books Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Barrie & Jenkins Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	98%
Bartlett Bliss Productions Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Bellew & Higon Publishers Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Business Books Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Bodley Head Limited (The)	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Carousel Books Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Century Benham Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Century Hutchinson Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Century Hutchinson Publishing Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Century Publishing Co. Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Chatto and Windus Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Corgi Books Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Hammond, Hammond and Company, Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Herbert Jenkins Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Hurst & Blackett Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Hutchinson & Co. (Publishers) Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Hutchinson Books Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Hutchinson Childrens Books Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Jackdaw Publications Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Jonathan Cape Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Mainstream Publishing Company (Edinburgh) Limited	54-66 Frederick Street, Edinburgh, United Kingdom, EH2 1LS	Ordinary	100%

THE RANDOM HOUSE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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14. Fixed asset investments (continued)

Subsidiary undertakings (continued)

Name	Registered office	Class of shares	Holding
Martin Secker and Warburg Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Penguin Random House Ireland Limited	c/o EUGENE F. COLLINS Solicitors, Temple Chambers, 3 Burlington Road, Dublin, Ireland, 4	Ordinary	100%
Penguin Random House South Africa Proprietary Limited	The Estuaries No 4, Oxbow Crescent, Century Avenue, Century City, Cape Town, South Africa, 8000	Ordinary	53.7%
Plane Tree Publishers Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Random House Properties Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Random House Publishing Group Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Random House UK Ventures Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
RHA Holdings Pty Limited	16 Dalmore Drive, Scoresby (Melbourne), Victoria 3179, Australia, 3179	Ordinary	100%
Sinclair - Stevenson Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Stanley Paul & Company Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
T. Werner Laurie, Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Tamarind Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
The Book Service Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
The Cresset Press Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
The Harvill Press Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
The Hogarth Press Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Transworld Publishers Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Virgin Books Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	100%
Woodlands Books Limited	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA	Ordinary	85%

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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15. Asset held for sale

	2022	2021
	£	£
Asset held for sale	-	5,048,002
	<u>-</u>	<u>5,048,002</u>

The Ealing site, a vacant office block held for sale at 31 December 2021, was sold on 8 April 2022 for consideration of £19,000,000. The sale resulted in a profit on disposal of £13,975,682.

16. Stocks

	2022	2021
	£	£
Raw materials and consumables	2,431	2,431
Work in progress (goods to be sold)	2,779,811	2,811,207
Finished goods and goods for resale	11,660,900	10,861,385
	<u>14,443,142</u>	<u>13,675,023</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 £3,147,202 (2021: £3,314,618). No inventories have been pledged as security for liabilities.

THE RANDOM HOUSE GROUP LIMITED

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

17. Debtors

	2022 £	2021 £
Trade debtors - sundry sales	4,278,137	3,931,893
Advance royalties	40,969,806	41,606,156
Amounts owed by group undertakings	171,128,139	219,405,990
Other debtors	4,983,743	4,513,469
Prepayments and accrued income	15,737,738	13,806,525
	<u>237,097,563</u>	<u>283,264,033</u>

Amounts owed by group undertakings are unsecured, repayable on demand and interest free. Included in this balance is £143,927,858 (2021: £113,893,673) owed from The Book Service Limited ("TBS"), principally representing trade debtors receivable in TBS on behalf of the Company. The balance is stated after provision for impairment of £2,213,715 (2021: £1,873,661).

Trade debtors represents amounts owed to the Company on the sundry sales ledger including ebook and audio sales, and is stated after provision for impairment of £116,147 (2021: £100,252).

Advance royalties is stated after a provision of £500,286,238 (2021: £492,509,307). Included in advance royalties is £21,943,422 (2021: £21,944,576) relating to manuscripts which will not be published for over a year and staged advances which are date linked over several years rather than to specific titles.

THE RANDOM HOUSE GROUP LIMITED

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

18. Post employment benefits

The Company, together with its subsidiary, The Book Service Limited, operates two pension schemes of the defined benefit type. The assets of the scheme are for the scheme as a whole and are not allocated to the employees, or ex-employees, of a particular Company. Employees can move freely between the sponsoring companies and so it is not considered practicable to attempt to split the liabilities between the companies, therefore the pension is accounted for in the financial statements of The Random House Group Limited, whose management are responsible for liaising with the trustees who are responsible for making decisions concerning the plan. The defined benefit schemes were closed to new members from 1 July 2002, since when a defined contribution scheme has been operated for new employees.

The benefits which members of the schemes obtain upon retirement depend on when they joined the scheme but the majority of members receive a pension based on 1/60th of pensionable service multiplied by the final pensionable salary.

The scheme pensions are updated in line with the retail price index.

Plan assets held in the fund are governed by local regulations and practice in the United Kingdom. Responsibility for the governance of the plans – including investment decisions and contribution schedules – lies jointly with the Company and the trustees of the funds.

The risks of the schemes are as follows:

(a) Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The plan holds a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term.

As the plans mature, the Company intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The first stage of this process was completed in 2015 with the sale of a number of equity holdings and purchase of a mixture of government and corporate bonds. The government bonds represent investments in UK government securities only. The corporate bonds are securities with an emphasis on the UK.

However, the Company believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the Company's long-term strategy to manage the plans efficiently.

(b) Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

(c) Longevity risk

The liabilities are very sensitive to unexpected changes in future mortality. If longevity increases at a faster pace than assumed then the liabilities will increase at future calculations. The longevity risk can be mitigated by securing benefits for members with insurance companies. There is also a growing market in longevity solutions which may enable this risk to be managed to some degree in the future.

(d) Investment/interest rate risk

The Schemes' invested assets are allocated heavily to equities, while IAS19 stipulates a discount rate related to corporate bond yields. Therefore the liabilities and assets may react differently to changes in market conditions.

THE RANDOM HOUSE GROUP LIMITED

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

(e) Inflation risk

The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plans against extreme inflation). The majority of the plan assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

A comprehensive actuarial valuation of the Company's defined benefit pension schemes, using the projected unit basis, was carried out at 31 December 2022 by Capita plc, independent consulting actuaries. Adjustments to the valuations at that date have been made based on the following assumptions for both defined benefit schemes. All percentages, with the exception of the 5% cap on rate of increase of pensions in payment, were the same across both schemes. An average % has been taken for the 5% cap rate of increase of pensions in payment.

	2022	2021
	%	%
Discount rate	4.90	1.80
Rate of price inflation (RPI)	3.20	3.40
Rate of increase in salaries	2.60	2.65
Rate of increase of pensions in payment:		
- 3% floor & 5% cap	3.20	3.35
- 5% cap	3.03	3.15
- 2.5% cap	2.05	2.10
Revaluation of pensions in deferment	2.60	2.70
	S3 series of tables (table used dependent upon estimated pension amount). CMI 2021 projections with a 0% weighting to 2020 and 2021 data, a smoothing parameter of 7, an initial addition to mortality improvement of 0.5% pa and a 1.25% pa long term rate of improvement.	S3 series of tables (table used dependent upon estimated pension amount). CMI 2020 projections with a 0% weighting to 2020 data, a smoothing parameter of 7, an initial addition to mortality improvement of 0.5% pa and a 1.25% pa long term rate of improvement.
Mortality table in retirement		

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NOTES TO THE FINANCIAL STATEMENTS
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Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and expectancy in years for a pensioner retiring at age 65:

	2022 years	2021 years
Retiring at the end of the reporting year:		
Male (from age 65)	21.8 - 24.2	21.8 - 24.2
Female (from age 65)	23.2 - 25.5	24.1 - 25.6
Retiring 20 years after the end of the reporting year:		
Male (from age 65)	24.2 - 25.6	23.1 - 25.4
Female (from age 65)	25.7 - 26.9	25.6 - 26.9

Reconciliation of schemes movements during the year:

	Fair value of plan assets £	Present value of obligations £	Total £
At 1 January 2022	384,737,423	(341,086,000)	43,651,423
Current service cost	-	(2,440,000)	(2,440,000)
Interest income / (expense)	6,911,000	(6,069,000)	842,000
	<u>391,648,423</u>	<u>(349,595,000)</u>	<u>42,053,423</u>
Remeasurements:			
Gains from change in demographic assumptions	-	(3,771,000)	(3,771,000)
Gains from change in financial assumptions	-	134,421,000	134,421,000
Loss from experience adjustments	-	(8,346,000)	(8,346,000)
Return on plan assets, excluding amounts included in interest expense	(82,062,847)	-	(82,062,847)
	<u>(82,062,847)</u>	<u>122,304,000</u>	<u>40,241,153</u>
Contributions:			
Employers	6,013,369	-	6,013,369
Plan participants	328,000	(328,000)	-
Payments from plan:			
Benefit payments	(7,874,000)	7,874,000	-
	<u>(1,532,631)</u>	<u>7,546,000</u>	<u>6,013,369</u>
At 31 December 2022	<u>308,052,945</u>	<u>(219,745,000)</u>	<u>88,307,945</u>

The net defined benefit asset of £88,307,945 is expected to be recovered in more than 12 months.

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	Fair value of plan assets £	Present value of obligations £	Total £
At 1 January 2021	367,131,423	(358,848,000)	8,283,423
Current service cost	-	(2,704,000)	(2,704,000)
Interest income / (expense)	5,127,000	(4,955,000)	172,000
	<u>372,258,423</u>	<u>(366,507,000)</u>	<u>5,751,423</u>
Remeasurements:			
Loss from change in demographic assumptions	-	3,815,000	3,815,000
Loss from change in financial assumptions	-	13,790,000	13,790,000
Gain from experience adjustments	-	(1,702,000)	(1,702,000)
Return on plan assets, excluding amounts included in interest expense	14,350,000	-	14,350,000
	<u>14,350,000</u>	<u>15,903,000</u>	<u>30,253,000</u>
Contributions:			
Employers	7,647,000	-	7,647,000
Plan participants	346,000	(346,000)	-
Payments from plan:			
Benefits payments	(9,864,000)	9,864,000	-
	<u>(1,871,000)</u>	<u>9,518,000</u>	<u>7,647,000</u>
At 31 December 2021	<u>384,737,423</u>	<u>(341,086,000)</u>	<u>43,651,423</u>

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.

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The sensitivity of the defined benefit obligation to changes in the weighted principal assumption are as follows. The sensitivity numbers reflect addition of values for PRHPS and TPPS schemes.

	Change in assumptions	Increase in assumption	Decrease in assumption
Discount rate	0.5%	(14,251,000)	15,901,000
Salary growth rate	0.5%	1,412,000	(1,336,000)
Pension growth rate	0.5%	7,440,000	(7,091,000)
Life expectancy	+/- by 1 year	7,146,000	(7,166,000)

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 of the 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 year) 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.

The fair value of the plan assets was:

	2022 £	<i>Restated</i> 2021 £
Equities & property	47,905,892	58,728,678
Corporate bonds	164,334,006	202,944,052
Gilts	65,296,172	90,893,027
Cash	12,939,088	12,072,759
Other	15,655,787	16,696,907
Secured annuities	1,922,000	3,402,000
Total fair value of assets	308,052,945	384,737,423

Included within 'Other' above are investments in other debt instruments, real estate, the Scheme's derivatives and other funds.

In the course of the preparation of these financial statements, the Directors became aware that by oversight, there had been incorrect allocation between various categories of plan assets for the year ended 31 December 2021 in the Post employment benefits disclosure. Accordingly a prior year restatement was made to correctly present the plan assets consistently with the current year treatment.

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The Company, together with its subsidiary, expects to contribute approximately £3,810,000 (2021: £5,929,000) to its defined benefit plans in 2023.

The following information shows the maturity analysis of the expected benefit payments.

Less than 1 year: £9,775,000,
less than 2 years: £9,859,000,
less than 3 years: £10,910,000,
less than 4 years: £11,177,000,
less than 5 years: £10,986,000, and
less than 10 years: £62,818,000.

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:

	2022 £	2021 £
Money Purchase Scheme	3,404,523	3,172,162
	<u>3,404,523</u>	<u>3,172,162</u>

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19. Creditors: Amounts falling due within one year

	2022 £	2021 £
Trade creditors	12,005,852	13,092,983
Amounts owed to group undertakings	68,925,551	19,804,790
Corporation tax	3,119,091	3,022,462
Other taxation and social security	3,319,104	3,746,243
Lease liabilities	6,912,811	4,710,566
Royalty creditors	35,722,489	34,522,101
Other creditors	22,780	138,508
Accruals and deferred income	42,468,230	35,180,341
	<u>172,495,908</u>	<u>114,217,994</u>

Amounts owed to group undertakings are unsecured and repayable on demand. Included within this is £46,952,844 (2021: £79,308,505 debtor) owed to Bertelsmann UK Limited in respect of the cash pooling agreement. These amounts incur interest on a monthly basis; the average interest rate for the year was 4.15% (2021: 2.80%).

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

	2022 £	2021 £
Royalty creditors	7,031,815	8,829,968
Lease liabilities	41,431,152	41,435,819
	<u>48,462,967</u>	<u>50,265,787</u>

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21. Leases

Company as a lessee

The Company has lease contracts for various offices and equipment used in the operations. This includes entering 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.

The amounts recognised in the financial statements in relation to the leases are as follows:

Lease liabilities are due as follows:

	2022 £	2021 £
Current	6,912,811	4,710,566
Non-current	41,431,152	41,435,819
	<u>48,343,963</u>	<u>46,146,385</u>

The lease term on Vauxhall Bridge Road is 11 years with an option to extend for an additional 4 years. As it is not reasonably certain the option will be exercised, the minimum lease payments for the extension period have not been included in the lease liability.

Future minimum lease payments as at 31 December 2022 are as:

	2022 £	2021 £
Not later than one year	7,045,268	4,710,566
Between one year and two years	6,858,611	4,161,568
Between two year and three years	6,606,813	4,161,568
Between three year and four years	6,631,533	4,161,568
Between four year and five years	6,667,175	4,161,568
Later than five years	18,139,353	27,544,481
	<u>(3,604,790)</u>	<u>(2,754,934)</u>
Impact of finance	<u>48,343,963</u>	<u>46,146,385</u>

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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21. Leases (continued)

The total cash outflow for leases during the year was £6,933,877 (2021: £761,616).

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

	2022 £	2021 £
Interest expense on lease liabilities	<u>556,894</u>	<u>804,367</u>

The related right-of-use assets and depreciation charged are shown within note 13.

THE RANDOM HOUSE GROUP LIMITED

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

22. Provisions

	At 1 January 2022 £	Additions to the income statement £	Amounts utilised £	At 31 December 2022 £
Deferred tax provision	2,558,759	2,742,082	10,060,288	15,361,129
Discount provision	3,619,208	4,588,598	(3,619,208)	4,588,598
Returns provision	11,342,271	11,763,402	(11,342,271)	11,763,402
Onerous contract on advances provision	7,124,198	676,378	(509,868)	7,290,708
Dilapidations provision	778,944	-	(14,019)	764,925
LTIP Provision	3,473,000	188,717	-	3,661,717
Total	<u>28,896,380</u>	<u>19,959,177</u>	<u>(5,425,078)</u>	<u>43,430,479</u>

Deferred tax provision

The amounts of income taxes payable in future periods in respect of taxable temporary differences. See note 23 for further detail on the Company's deferred tax assets and liabilities at the balance sheet date.

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.

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.

Dilapidations provision

A provision in anticipation of the cost of future repairs and renovations that will need to be made in line with the lease obligations at Embassy Gardens.

LTIP provision

A provision for the Company long-term incentive plan that rewards employees for reaching specific goals that lead to increased shareholder value once various conditions have been met.

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23. Deferred tax assets and (liabilities)

Movement in recognised deferred tax during the year:	1 January 2022 £	Tax credit relating to OCI £	Income statement movement £	31 December 2022 £
Property plant and equipment	2,502,857	-	(2,680,004)	(177,147)
Rolled over gain	(2,251,591)	-	1,632,599	(618,992)
Other temporary differences	8,102,737	-	(590,741)	7,511,996
Pension scheme	(10,912,762)	(10,060,288)	(1,103,936)	(22,076,986)
	<u>(2,558,759)</u>	<u>(10,060,288)</u>	<u>(2,742,082)</u>	<u>(15,361,129)</u>

The deferred tax liability has been calculated at 25.00%.

There are no unused tax losses or unused tax credits.

Movement in recognised deferred tax during the previous year:	1 January 2021 £	Tax credit relating to OCI £	Income statement movement £	31 December 2021 £
Property plant and equipment	1,989,933	-	512,924	2,502,857
Rolled over gain	(2,628,229)	-	376,638	(2,251,591)
Other temporary differences	6,627,753	-	1,474,984	8,102,737
Pension scheme	(1,573,850)	(3,738,498)	(5,600,414)	(10,912,762)
	<u>4,415,607</u>	<u>(3,738,498)</u>	<u>(3,235,868)</u>	<u>(2,558,759)</u>

THE RANDOM HOUSE GROUP LIMITED

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24. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
819,560,718 (2021 - 819,560,718) Ordinary shares of £0.10 each	81,956,072	81,956,072

25. Commitments

There are commitments to authors for the payment of royalty advances amounting to £64,964,091 at 31 December 2022 (2021: £64,011,138). Together with the advances already paid these will be charged against sales of future accounting periods as the books are published.

26. Related parties

The Company's immediate parent Company is Penguin Random House Limited ("PRHL"). 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

As the Company is a wholly owned subsidiary of PRHL the Company is exempt from the requirement, under International Accounting Standard 24 'Related party disclosures', to disclose transactions with entities that are wholly owned by this Company. The Company has taken advantage of this exemption.

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

	2022 £	2021 £
Other operating income:		
Children's Character Books Limited	247,189	130,075
Woodlands Books Limited	2,220,955	2,026,269
Dividends received:		
Woodlands Books Limited	-	1,955,000
Interest income:		
Woodlands Books Limited	-	5,194
Debtors:		
Children's Character Books Limited	2,115,057	313,673
Creditors:		
Woodlands Books Limited	6,512,060	4,843,168

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

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27. Post balance sheet events

Grantham site closure

On 25 January 2023, the Company's subsidiary company The Book Service Limited announced proposals to cease its third-party distribution operations in 2025. This will include closure of the Grantham warehouse where the third-party distribution operations are conducted from, which is a leased property held by the Company.