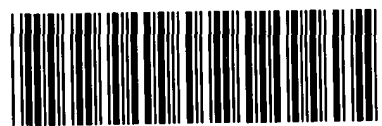


REGISTERED NUMBER: 00954009

**THE RANDOM HOUSE GROUP LIMITED**

ANNUAL REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2020

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# THE RANDOM HOUSE GROUP LIMITED

## COMPANY INFORMATION

<b>Directors</b>	Mark Gardiner Thomas Weldon Markus Dohle Robert Waddington
<b>Registered number</b>	00954009
<b>Registered office</b>	20 Vauxhall Bridge Road London SW1V 2SA
<b>Independent auditor</b>	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL

# THE RANDOM HOUSE GROUP LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their Strategic Report for The Random House Group Limited ('the Company' or 'RHGL') for the year ended 31 December 2020.

#### Principal activities

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

#### Review of the business

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 £163,005,794 (2019: £34,412,377). Included within profit before tax for the financial year are profits on the disposal of fixed assets of £25,451,171 (2019: nil), principally relating to the sale of the office premises at Vauxhall Bridge Road, referred to in note 13, and profits on the sale of investments of £82,792,197 (2019: nil) as referred to in note 15. The reversal of previously recognised impairment charges totalled £22,949,328 in 2020 (2019: £1,018,159 charge), as referred to in note 15. Excluding these items, the company made a profit before tax of £33,814,404 (2019: £40,498,733).

#### 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 £224,464,234 (2019: £211,433,240).
- Gross profit margin was 57.65% (2019: 56.23%). \*2019 Gross profit margin is calculated post reclassification of the Royalty expenses from Administration expenses to Cost of sales.

#### 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.

#### COVID-19

The safety of our employees is a major concern for us and the Company has implemented a comprehensive program of employee safety management and communication through each developing stage in the fight against this outbreak. We follow Government advice on safe working conditions and good business practice and we operate safe distancing of our employees during the course of their work.

We have very clear and regular communication channels in place with our client base to ensure that we align their expectations with our restricted capabilities in the current environment. This approach has enabled us to continue to support our clients through this crisis, although on a reduced basis in many instances. In turn this has continued to allow us to trade and operate our business successfully.

# THE RANDOM HOUSE GROUP LIMITED

## STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 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.

# THE RANDOM HOUSE GROUP LIMITED

## STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### Directors' section 172 statement (continued)

#### Business relationships with suppliers, customers and others

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

#### PRH Streamlined Energy and Carbon Reporting Disclosure 2020

In compliance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the 2018 Regulations"), the PRH group reports its global energy use and emissions relating to gas, electricity and transport fuel for the year ended 31 December 2020. Previous years 2018 and 2019 have been included to demonstrate Penguin Random House's commitment to reducing their energy use and greenhouse gas emissions.

This report is prepared for Penguin Random House Group Limited ('PRH UK') and reports figures for all subsidiaries within the Group, not just those subsidiaries required to disclose by the 2018 Regulations.

#### Energy Consumption - Green Electricity – PRH made the decision to purchase "Green Electricity" from October 2018

	2018	2019	2020
Total Energy Consumption kWh	15,545,232.75	10,913,478.29	9,960,952.52
Total Electricity Consumption kWh	9,528,918.67	6,402,661.44	5,479,417.62
Percentage "Green Electricity"	13.9%	100%	100%
Total Heat Consumption in kWh	5,779,650.25	4,278,974.46	4,365,107.95
Energy – Transport Fuels in kWh	236,663.83	231,842.39	116,426.95

#### Energy Efficiency actions in 2020

During the 2020 financial year PRH implemented several energy efficiency improvements, including:

- Penguin Random House UK Facilities replace end of life lighting with LED lights as standard practice reducing usage year on year.
- Thermal insulation installed at one of the main distribution centres.
- In response to the COVID-19 pandemic in 2020, we suspended all but essential business travel, improved video conferencing for all persons, purchased new technology equipment for remote working reducing the need for office staff commuting.
- Replaced Air Handling Units in one site for more energy efficient models.
- Moved one office to a more modern energy efficient building.

#### 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

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

# THE RANDOM HOUSE GROUP LIMITED

## STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### PRH Streamlined Energy and Carbon Reporting Disclosure 2020

#### Emissions

Site related emissions	unit	2018	2019	2020	D 2019	D 2018
Scope 1 Mobile Fuels	t CO2e	64	63	32	-49%	-50%
Scope 1 Stationary Fuels	t CO2e	81	53	21	-61%	-74%
Scope 2 Electricity	t CO2e	3,007	-	-	-	-100%
Scope 2 Heat	t CO2e	1,373	939	878	-14%	-40%
Scope 1 Refrigerant Losses	t CO2e	3	-	141	-	4416%
Scope 3 Waste	t CO2e	134	122	83	-33%	-39%
Scope 3 Energyrelated	t CO2e	609	130	122	-6%	-80%
<b>Total</b>	<b>t CO2e</b>	<b>5,271</b>	<b>1,307</b>	<b>1,277</b>	<b>-2%</b>	<b>-76%</b>

Employee related emissions	unit	2018	2019	2020	D 2019	D 2018
Scope 3 Business Travel	t CO2e	2,300	1,066	23	-98%	-99%
Scope 3 Hotel	t CO2e	223	219	33	-85%	-85%
Scope 3 Employee Commuting	t CO2e	2,130	2,130	1,046	-51%	-51%
Scope 3 Office Paper	t CO2e	175	160	43	-73%	-75%
Scope 3 IT Devices	t CO2e	209	208	697	234%	234%
<b>Total</b>	<b>t CO2e</b>	<b>5,037</b>	<b>3,783</b>	<b>1,842</b>	<b>-51%</b>	<b>-63%</b>

Product related emissions	Unit	2018	2019	2020	D 2019	D 2018
Scope 3 Paper Mills	t CO2e	19,717	19,731	13,901	-30%	-30%
Scope 3 Printers / Printing Materials	t CO2e	19,429	15,862	11,175	-30%	-42%
Scope 3 Warehouses	t CO2e	3,011	954	672	-30%	-78%
Scope 3 Transport Paper Mill to Printer	t CO2e	1,961	2,000	1,409	-30%	-28%
Scope 3 Transport Printer to Warehouse	t CO2e	2,139	2,978	2,098	-30%	-2%
Scope 3 Transport Distribution (Delivery & Returns)	t CO2e	1,830	1,951	1,374	-30%	-25%
Sub-total Scope 3 Transport	t CO2e	5,930	6,929	4,881		
Scope 3 End of Life (product waste)	t CO2e	1,215	1,281	902	-30%	-26%
<b>Total Emissions</b>	<b>t CO2e</b>	<b>49,302</b>	<b>44,757</b>	<b>31,531</b>	<b>-31%</b>	<b>-42%</b>

Total Emissions	Unit	2018	2019	2020	D 2019	D 2018
Scope 1	t CO2e	148	116	194	67%	30%
Scope 2	t CO2e	4,380	939	878	-6%	-80%
thereof heat	t CO2e	1,373	939	878	-6%	-36%
Scope 3	t CO2e	55,082	48,792	33,578	-31%	-39%
<b>Sum of S1+S2+S3</b>	<b>t CO2e</b>	<b>59,610</b>	<b>49,847</b>	<b>34,650</b>	<b>-30%</b>	<b>-42%</b>

# THE RANDOM HOUSE GROUP LIMITED

## STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### PRH Streamlined Energy and Carbon Reporting Disclosure 2020

Intensity Ratio	Unit	2018	2019	2020	D 2019	D 2018
Tonnes of CO <sub>2</sub> e per £M Revenue	t CO <sub>2</sub> e	124.47	97.83	64.03	-35%	-49%

Scope 1 emissions: direct emissions from owned or controlled sources.

Scope 2 emissions: indirect emissions from the generation of purchased energy

Scope 3 emissions: Other indirect emissions, not covered by scope 2

Acronyms: tonnes carbon dioxide equivalent (tCO<sub>2</sub>e); kilowatt hours (kWh); kilograms carbon dioxide equivalent per square foot of net lettable area (kgCO<sub>2</sub>e/sq. ft)

#### Reporting Methodology

We have followed the UK BEIS (Department Business, Energy & Industrial Strategy) 2019 guidance. The energy and emission figures provided are taken from Bertelsmann's "Green Screen", this a Bertelsmann owned internal recording application used by all companies within the Bertelsmann Group including Penguin Random House UK. All conversions are completed using government guidance ratios and the scopes 1, 2 and 3 are as outlined by BEIS guidance pages 50 and 51.

#### Community and environment

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

#### Shareholders

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

#### General

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

On behalf of the Board



**M GARDINER**  
Director

22 June 2021

# THE RANDOM HOUSE GROUP LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report and audited financial statements of the Company for the year ended 31 December 2020.

### Future developments

The Company will continue to seek suitable publishing opportunities to ensure growth. The directors do not anticipate any significant changes in the activities of the Company. The directors of the Company do not see COVID-19 impacting their view that the Company will continue to operate as a going concern through 2021 and 2022 and the foreseeable future and expects 2021 to return to pre COVID-19 levels or better.

### Going concern

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

Directors considered the operating nature of the entity and expectations for the future trading along with the outstanding inter-Company payables and inter-Company receivables for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds through funding from its ultimate parent Bertelsmann SE & Co. KGaA and repayment of outstanding balances from fellow subsidiaries to meet its liabilities as they fall due for that period.

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

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial. Further details regarding the adoption of the going concern basis can be found in Note 3 to the financial statements.

### Dividends

No dividends (2019: £45,000,000) were paid during 2020.

### 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.

### Directors

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

Mark Gardiner  
Thomas Weldon  
Robert Waddington  
Markus Dohle Chairman and Chief Executive

### Registered Office

The address of the Company's registered office is 20 Vauxhall Bridge Road, London, SW1V 2SA.



# THE RANDOM HOUSE GROUP LIMITED

## DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 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.

### Disclosure of information to auditors

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Independent Auditor

On 9 December 2020, the former auditors PricewaterhouseCoopers LLC resigned, and the shareholders in general meeting appointed KPMG LLP as the auditor of the company on the same day.

On behalf of the Board



**M GARDINER**

Director

22 June 2021

## **THE RANDOM HOUSE GROUP LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework" (FRS 101), and applicable law).

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## 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 2020 which comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of changes in equity and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Going concern

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

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

Our conclusions based on this work:

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

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

### Fraud and breaches of laws and regulations – ability to detect

#### *Identifying and responding to risks of material misstatement due to fraud*

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

- enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud.
- reading board minutes.
- using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressure to meet profit targets, 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 recognize revenue.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE RANDOM HOUSE GROUP LIMITED (continued)**

We did not identify any additional fraud risks.

We performed procedures including:

- identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by specific users, those posted including specific words in their descriptions and those posted to unusual accounts.

### *Identifying and responding to risks of material misstatement due to non-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 through discussion with the directors and other management (as required by auditing standards) and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

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

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

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

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

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

### **Strategic report and directors' report**

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

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

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



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE RANDOM HOUSE GROUP LIMITED (continued)**

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

### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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

**Sabira Datoo (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL  
22 June 2021

# THE RANDOM HOUSE GROUP LIMITED

## INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £	Restated 2019 £
Turnover	5	224,464,234	211,433,240
Cost of sales		(95,058,752)	(92,549,105) *
Gross profit		129,405,482	118,884,135
Administrative expenses		(137,076,283)	(138,599,356) *
Other operating income		43,228,439	46,109,242
Operating profit	6	35,557,638	26,394,021
Profit/Loss on disposal of fixed assets		25,451,171	-
Profit/Loss on disposal of investments	15	82,792,197	-
Income from shares in group undertakings	8	522,006	18,086,689
Income from other fixed asset investments		42	74,606
Reversal of/(Amounts written off investments)	15	22,949,328	(1,018,159)
Interest receivable and similar income	9	666,424	1,277,210
Interest payable and similar expenses	9	(2,931,706)	(5,333,793)
Profit before taxation		165,007,100	39,480,574
Tax on profit	10	(2,001,306)	(5,068,197)
Profit for the financial year		163,005,794	34,412,377

\*Prior year balances have been restated to present them in conformity with the current year treatment. See note 29 for details.

The notes on pages 17 to 52 are an integral part of these financial statements.

# THE RANDOM HOUSE GROUP LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £	2019 £
Profit for the financial year		163,005,794	34,412,377
Other comprehensive (expense)/income: items that will not be reclassified to profit or loss:			
Actuarial losses on pension scheme	19	(24,141,000)	(17,125,300)
Movement on deferred tax relating to pension surplus	11	5,378,887	2,911,301
<b>Total comprehensive income for the year</b>		<b>144,243,681</b>	<b>20,198,378</b>

The notes on pages 17 to 52 are an integral part of these financial statements.

# THE RANDOM HOUSE GROUP LIMITED

Registered no: 00954009

## BALANCE SHEET AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Intangible assets	12	5,591,101	10,410,796
Tangible assets	13	25,520,909	34,202,995
Right-of-use assets	14	20,227,150	14,530,778
Investments	15	162,181,062	220,515,660
		<u>213,520,222</u>	<u>279,660,229</u>
<b>Current assets</b>			
Stocks	16	11,691,713	12,386,403
Debtors	17	209,572,558	131,399,253
Advance royalties	18	41,281,209	34,786,043
Cash at bank and in hand		3,821,105	158,852
Pension surplus	19	8,283,423	28,524,343
		<u>274,650,008</u>	<u>207,254,894</u>
<b>Creditors: amounts falling due within one year</b>	20	<u>(122,949,713)</u>	<u>(288,000,299)</u>
<b>Net current assets/(liabilities)</b>		151,700,295	(80,745,405)
<b>Total assets less current liabilities</b>		<u>365,220,517</u>	<u>198,914,824</u>
Creditors - amounts falling due after more than one year	21	(53,435,726)	(20,905,714)
Provisions for liabilities	22	(22,017,503)	(32,485,503)
<b>Net assets</b>		<u>289,767,288</u>	<u>145,523,607</u>
<b>Capital and Reserves</b>			
Called up share capital	23	81,956,072	81,956,072
Other reserves		66,409	66,409
Profit and loss account		207,744,807	63,501,126
<b>Total equity</b>		<u>289,767,288</u>	<u>145,523,607</u>

The notes on pages 17 to 52 are an integral part of these financial statements.

The financial statements on pages 13 to 52 were authorised for issue by the board of directors on 22 June 2021 and were signed on its behalf by:



M GARDINER  
Director



## THE RANDOM HOUSE GROUP LIMITED

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Called up share capital £	Other reserves £	Profit and loss account £	Total equity £
Balance as at 1 January 2019		81,956,072	66,409	88,302,748	170,325,229
<b>Changes in equity</b>					
Total comprehensive income for the year		-	-	20,198,378	20,198,378
Dividends	24	-	-	(45,000,000)	(45,000,000)
Balance as at 31 December 2019		81,956,072	66,409	63,501,126	145,523,607
Balance as at 1 January 2020		81,956,072	66,409	63,501,126	145,523,607
<b>Changes in equity</b>					
Total comprehensive income for the year		-	-	144,243,681	144,243,681
Balance as at 31 December 2020		81,956,072	66,409	207,744,807	289,767,288

#### Called up share capital

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

#### Other reserves

This relates to capital redemption reserve, a statutory, non-distributable reserve into which amounts are transferred following the redemption or purchase of a Company's own shares.

#### Profit and loss account

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

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 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 STATEMENT OF COMPLIANCE

The individual financial statements of The Random House Group Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Basis of preparation of financial statements

These financial statements are prepared on a going concern basis, under the historical cost convention. Certain prior year balances have been restated to present them in conformity with the current year treatment. The financial statements have been prepared in accordance with The Companies Act 2006 as applicable to companies using FRS 101.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below or in note 4.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial instruments: disclosures'
- Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - paragraph 79(a)(iv) of IAS 1 'Presentation of financial statements'
  - paragraph 73(e) of IAS 16 'Property, plant & equipment'
  - paragraph 118(e) of IAS 38 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1 'Presentation of financial statements':
  - 10(d) (statement of cash flows)
  - 38A (requirement for minimum of two primary statements, including cash flow statements)
  - 38B-D (additional comparative information)
  - 111 (cash flow statement information)
  - 134-136 (capital management disclosures)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Basis of preparation of financial statements (Continued)**

The Company is exempt, by virtue of s400 of the Companies Act 2006, from the requirement to prepare group financial statements as it is included in the consolidated financial statements of Bertelsmann SE & Co KGaA, which are publicly available. These financial statements present information about the Company as an individual undertaking and not about the group.

#### **Going concern**

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

This is dependent upon Bertelsmann SE & Co. KGaA providing the required funding through this period through the cash pooling arrangement. Bertelsmann SE & Co. KGaA has indicated its intention to continue to make available such funds as are needed by the company. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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

#### **New standards, amendments and IFRIC interpretations**

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

#### **Foreign currency translation**

##### *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 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 exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the income statement.

#### **Government grants**

Government grants related to the Coronavirus Job Retention Scheme are included within wages and salaries in the period in which the related costs are incurred.

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **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.

#### **Income from sub rights**

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

#### **Dividend income**

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

#### **Employee benefits**

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

#### *Pension obligations*

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

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

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

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

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

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Employee benefits (continued)

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.

#### Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

#### Investments

Investments are stated at cost and a provision is made for impairment. At the year-end management reviewed the investments in order to determine whether there was any objective evidence present that in accordance with IAS 36 would lead to an impairment.

#### Impairment of non-financial assets

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which they are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date, if there have been favourable events or changes in circumstances, since the impairment loss was recognised that would indicate that the impairment loss no longer exists or might have decreased.

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Intangible assets**

Intangible assets are stated at cost less accumulated amortisation. Amortisation is calculated to write off the cost of the assets over their estimated useful lives over periods of 4 years on a straight line basis. Amortisation expense is charged to the income statement.

#### *Computer Software*

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

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

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

#### *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.

#### **Tangible assets**

Tangible assets are stated at historical cost less accumulated depreciation. Historical cost includes the original purchase price and costs directly attributed to bringing the asset to its working condition for intended use.

Depreciation is charged to the income statement under administrative expenses and is calculated to write off the cost of the tangible assets over their estimated useful lives on a straight-line basis. The principal annual rates used for this purpose are as follows:

Freehold property	Over periods of 40 or 50 years
Long leasehold property	Over period of lease
Plant and equipment	Over periods of between 3 and 20 years

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

#### **Leases**

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

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

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Leases (continued)

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.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. 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.

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

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

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

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

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

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Company revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Company.

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

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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 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. Provision is made for obsolete and slow moving stocks. Net realisable value is estimated selling price in the ordinary course of business less applicable variable selling expenses.

#### Royalty advances

Advances of royalties paid to authors are recognised once a contract is approved within the royalty system, provided it is a signature advance or has had a manuscript accepted on the work, less any provision required to adjust the advance to its net realisable value. Once a manuscript is marked as accepted in the future, contracted advances are recognised as payable. For unpublished titles, the contracts are assessed twice a year, to determine whether the value of a title is diminished from its original acquisition value. These titles are reassessed each year until publication occurs. For published titles, the Company assesses the difference between the gross advance paid and the royalty earnings and sub rights income at the point of review. All titles are reassessed twice a year following the publication. The royalty advance is expensed at the contracted or effective royalty rate as the related turnover is earned.

#### Financial Assets

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

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

Subsequent to initial recognition these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (expenses)/income together with foreign exchange gains and losses. Impairment losses are presented as 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 (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **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. From 1 January 2018 provisions for anticipated future sales returns and incentive discounts are no longer stated against trade debtors, but instead shown separately in provisions for other liabilities.

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

#### **Trade creditors and amounts owed to group undertakings**

Trade creditors and amounts owed to group undertakings are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### **Other operating income**

Other operating income consists of income not directly related to the operating as a publisher 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 comprises of certain fixed costs and the allocation of expenses calculated using specific percentages within a recharge model.

### 4 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates, underlying assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and relevant under the circumstances.

#### **Key accounting estimates and assumptions**

##### *(i) Advances*

Advances of royalties paid to authors are recognised once a contract is approved within the royalty system, provided it is a signature advance or has had a manuscript accepted on the work, less any provision required to adjust the advance to its net realisable value for unpublished titles. The realisable value of royalty advances relies on a degree of management judgement in determining the profitability of individual author contracts. If the estimated realisable value of author contracts is overstated then this will have an adverse effect on operating profits as these excess amounts will be written off. The recoverability of royalty advances is assessed twice a year and is based upon a detailed management review of the age of the advance, the future sales projections for new authors and prior sales history of repeat authors. The realisable value will then be adjusted on a title by title basis to reflect the result of this analysis. The royalty advance is expensed at the contracted or effective royalty rate as the related turnover is earned. The carrying amount of royalty advances is £40,648,521 (2019: £34,786,043).

##### *(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.

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 4 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (continued)

#### *(iii) Defined benefit scheme*

The Company has obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors including life expectancy, salary increases, asset valuations and the discount rate on corporation bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 19 for the disclosures of the defined benefit pension scheme.

#### *(iv) Impairment of Investments*

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

The Company uses budgeted profits, projected cash flows and weighted average cost of capital in order to determine whether any impairment is required. See note 15 for the carrying amount of investments and associated provision.

#### *(v) Lease accounting*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).

Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. See note 14 for the net carrying amount of the lease liability and right-of-use asset.

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 5 TURNOVER

	2020 £	2019 £
Analysis of turnover by geography:		
UK and The Republic of Ireland	153,025,223	130,636,682
Rest of the World	71,439,011	80,796,558
	<u>224,464,234</u>	<u>211,433,240</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.

### 6 OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2020 £	2019 £
<i>Personnel costs:</i>		
Wages and salaries	54,269,705	51,604,327
Social security costs	6,258,817	6,058,210
Other pension costs	5,098,612	4,662,682
Audit fees payable to the company's auditor	80,134	168,585
Depreciation charges on property, plant and equipment	2,674,923	2,801,011
Depreciation of right-of-use assets	2,075,702	534,489
Inventories recognised as an expense	48,911,787	38,504,233
Amortisation charge on intangible assets	5,010,515	5,064,149
(Reversal of)/impairment of trade receivables	<u>(631,616)</u>	<u>498,415</u>

Costs incurred in 2020 of £54,917,000 were recharged back to associate group companies as a management charge (2019: £49,710,000).

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

Wages and salaries expense above is stated net of receipts from job retention schemes. See COVID 19 note on page 2.

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 7 EMPLOYEES AND DIRECTORS

#### Employees

The monthly average number of persons, including executive directors, employed by the Company during the year was:

	2020 Number	2019 Number
Production	43	39
Selling	132	118
Administration	608	611
Editorial	326	295
	<hr/> 1,109	<hr/> 1,063

	2020 £	2019 £
<i>Directors' remuneration:</i>		
Aggregate emoluments	945,741	937,526
Amounts receivable under long term incentives	37,198	36,993
Company pension contributions to money purchase schemes	68,063	64,752

Retirement benefits are accruing to 1 director (2019: 1) under defined benefit pension schemes and to 1 director (2019: 1) under a money purchase scheme.

	2020 £	2019 £
<i>Highest paid director:</i>		
Emoluments	554,588	546,789
Defined benefit pension scheme accrued at the end of the year	19,584	18,948

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

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

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 (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 8 INCOME FROM SHARES IN GROUP UNDERTAKINGS

	2020 £	2019 £
<i>Dividends received:</i>		
Penguin Random House Australia Pty Limited	-	5,201,993
Penguin Random House South Africa Proprietary Limited	-	453,436
Penguin Random House Canada Limited	-	10,437,689
Penguin Random House New Zealand Limited	-	1,993,571
Mainstream Publishing Company (Edinburgh) Limited	522,006	-
	<u>522,006</u>	<u>18,086,689</u>

### 9 INTEREST RECEIVABLE AND PAYABLE

	2020 £	2019 £
<i>Interest receivable and similar income:</i>		
Interest on pensions	665,000	1,277,000
Other	1,424	210
	<u>666,424</u>	<u>1,277,210</u>
<i>Interest payable and similar expenses:</i>		
On borrowings from group undertakings	2,610,437	5,266,923
Interest on building leases	309,593	56,851
Interest on equipment leases	7,336	5,992
Interest on car leases	1,808	2,929
Other	2,532	1,098
	<u>2,931,706</u>	<u>5,333,793</u>

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 10 TAX ON PROFIT

#### Analysis of tax charge for the year:

	2020 £	2019 £
<i>Amount payable for group relief and UK corporation tax</i>		
Current year	6,154,105	3,693,083
Overseas tax	432,566	934,649
Double tax relief	(389,309)	(351,084)
Adjustments in respect of prior years	(103,829)	447,101
Total current tax	6,093,533	4,723,749
<i>Deferred tax, origination and reversal of timing differences</i>		
Current year	(4,092,227)	724,318
Adjustments in respect of prior years	-	(379,870)
Total deferred tax	(4,092,227)	344,448
Total tax charge for year	2,001,306	5,068,197

The tax assessment for the year is lower (2019: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2020 of 19.00% (2019: 19.00%). The differences are explained below:

#### Factors affecting the tax charge for the year:

	2020 £	2019 £
Profit before taxation	165,007,100	39,480,574
Corporation tax at standard rate of 19.00% (2019: 19.00%)	31,351,348	7,501,309
<i>Effects of:</i>		
Expenses not deductible for tax purposes	1,175,444	437,777
Income not taxable	(31,851,776)	(3,436,471)
Withholding tax not deductible	43,257	583,565
Adjustments in respect of prior years - current tax	(103,829)	447,101
Adjustments in respect of prior years - deferred tax	-	(379,870)
Deferred tax rate differences	1,386,862	(85,214)
Total tax charge for year	2,001,306	5,068,197

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.

The standard rate of corporation tax in the UK changed from 20.00% to 19.00% with effect from 1 April 2017. Accordingly the Company's profits/losses are taxed at an effective rate of 19.00% (2019: 19.00%).

At the March 2021 Budget the Government announced its intention to increase the UK corporation tax rate to 25% with effect from 1 April 2023. Whilst this rate is not yet substantively enacted such a change will increase the expected current tax charge or credit in the future and increase the recognised deferred tax assets.

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 11 DEFERRED TAX ASSETS AND LIABILITIES

Movement in recognised deferred tax during the year	1 January 2020 £	Tax credit relating to OCI £	Income statement movement £	31 December 2020 £
Property plant and equipment	574,453	-	1,415,480	1,989,933
Rolled over gain	(1,688,407)	-	(939,822)	(2,628,229)
Other temporary differences	907,572	-	5,720,181	6,627,753
Pension scheme	(4,849,125)	5,378,887	(2,103,612)	(1,573,850)
<b>Total deferred tax</b>	<b>(5,055,507)</b>	<b>5,378,887</b>	<b>4,092,227</b>	<b>4,415,607</b>

Movement in recognised deferred tax during the prior year	1 January 2019 £	Restatement for IFRS 16 £	Tax credit relating to OCI £	Income statement movement £	31 December 2019 £
Property plant and equipment	146,271	27,257	-	400,925	574,453
Rolled over gain	(1,688,407)	-	-	-	(1,688,407)
Other temporary differences	838,706	-	-	68,866	907,572
Pension scheme	(6,946,187)	-	2,911,301	(814,239)	(4,849,125)
<b>Total deferred tax</b>	<b>(7,649,617)</b>	<b>27,257</b>	<b>2,911,301</b>	<b>(344,448)</b>	<b>(5,055,507)</b>

#### Deferred tax

The deferred tax liability has been calculated at 17.00%.

There are no unused tax losses or unused tax credits.

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 12 INTANGIBLE ASSETS

	Goodwill £	Software £	Assets under construction £	Total £
Cost:				
At 1 January 2020	1,915,682	30,650,452	2,347,810	34,913,944
Additions	-	-	521,877	521,877
Disposals	-	(4,621,985)	-	(4,621,985)
Transfers	-	2,435,649	(2,435,649)	-
at 31 December 2020	1,915,682	28,464,116	434,038	30,813,836
Accumulated amortisation:				
At 1 January 2020	(1,915,682)	(22,587,466)	-	(24,503,148)
Amortisation in the year	-	(5,010,515)	-	(5,010,515)
Disposals	-	4,290,928	-	4,290,928
at 31 December 2020	(1,915,682)	(23,307,053)	-	(25,222,735)
Net book amounts:				
At 31 December 2020	-	5,157,063	434,038	5,591,101
At 31 December 2019	-	8,062,986	2,347,810	10,410,796

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 (2019: 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 titled are restricted and has none pledged as security for liabilities.



# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 13 TANGIBLE ASSETS

	Freehold property £	Long leasehold property £	Plant and equipment £	Assets under construction £	Total £
Cost:					
At 1 January 2020	39,947,751	637,007	38,309,846	5,226,537	84,121,141
Additions	-	-	-	5,773,667	5,773,667
Disposals *	(12,562,201)	-	(21,642,302)	-	(34,204,503)
Transfers	-	-	5,103,763	(5,103,763)	-
At 31 December 2020	27,385,550	637,007	21,771,307	5,896,441	55,690,305
Accumulated depreciation:					
At 1 January 2020	(15,675,143)	(376,790)	(33,866,213)	-	(49,918,146)
Disposals *	6,633,807	-	15,789,866	-	22,423,673
Charge for the year	(719,165)	(51,429)	(1,904,329)	-	(2,674,923)
At 31 December 2020	(9,760,501)	(428,219)	(19,980,676)	-	(30,169,396)
Net book amounts:					
At 31 December 2020	17,625,049	208,788	1,790,631	5,896,441	25,520,909
At 31 December 2019	24,272,608	260,217	4,443,633	5,226,537	34,202,995

Assets under construction 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. Also included in assets under construction are the fit-out costs incurred on the new leased offices ahead of occupation in quarter two of 2020.

\* The disposal of freehold property relates to a sale and leaseback agreement entered into on 1 December 2020 for the company's office premises at Vauxhall Bridge Road. The gain on disposal of Vauxhall Bridge Road realised in the Income Statement was £24,993,662. A right-of-use asset was recognised in accordance with the terms of the lease, included in note 14.

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 14 LEASES

#### Practical expedients applied

Having adopted IFRS 16, the company has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

The Company has lease contracts for various offices and equipment used in the operations. The amounts recognised in the financial statements in relation to the leases are as follows:

#### (i) Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases:

	2020	2019
<b>Right-of-use assets</b>		
Buildings	19,942,904	14,282,971
Vehicles	123,513	92,330
Equipment	160,732	155,477
	<b>20,227,150</b>	<b>14,530,778</b>
<b>Lease liabilities</b>		
Current	(5,502,216)	(410,318)
Non-current	(45,308,157)	(14,233,195)
	<b>(50,810,373)</b>	<b>(14,643,513)</b>

Additions to the right-of-use assets during the 2020 financial year were £6,493,119 (2019: £14,165,080). The addition in 2020 solely relates to the right-of-use asset recognised following the sale and leaseback of Vauxhall Bridge Road, as referred to in note 13. The right-of-use asset was reduced by £29,425,232 representing the value of the rights retained by the Company of the total gain made on disposal.

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.

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 14 LEASES (continued)

#### (ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2020	2019
<b>Depreciation charge of right-of-use assets</b>		
Buildings	(1,824,737)	(318,944)
Vehicles	(74,088)	(74,186)
Equipment	(176,877)	(141,359)
	(2,075,702)	(534,489)
Interest expense (included in finance cost)	(318,737)	(68,762)

#### (iii) Future minimum lease payments as at 31 December 2020 are as follows:

Not later than one year	(5,502,216)	(430,371)
Later than one year and not later than five years	(16,475,276)	(7,625,515)
Later than five years	(32,805,455)	(8,604,470)
Total gross payments	(54,782,947)	(16,660,356)
Impact of finance expenses	3,972,575	2,016,843
Carrying amount of liability	(50,810,373)	(14,643,513)

The total cash outflow for leases in 2020 was £389,698 (2019: £342,456).

### 15 INVESTMENTS

	Shares in subsidiaries £	Listed equity investments £	Unlisted equity investments £	Total £
<b>Cost:</b>				
At 1 January 2020	295,471,063	1,343	6,000	295,478,406
Additions	1,216,529	-	-	1,216,529
Disposals	(82,500,455)	-	-	(82,500,455)
At 31 December 2020	214,187,137	1,343	6,000	214,194,480
<b>Accumulated impairment:</b>				
At 1 January 2020	(74,962,746)	-	-	(74,962,746)
Disposals	27,935,857	-	-	27,935,857
Charge for year	(4,986,529)	-	-	(4,986,529)
At 31 December 2020	(52,013,418)	-	-	(52,013,418)
<b>Net book amounts:</b>				
At 31 December 2020	162,173,719	1,343	6,000	162,181,062
At 31 December 2019	220,508,317	1,343	6,000	220,515,660

## THE RANDOM HOUSE GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 15 INVESTMENTS (continued)

##### Subsidiaries

The Company's subsidiaries are listed in note 28. None of the investments are publicly traded.

On 27 January 2020 the Company sold its investment in Penguin Random House Canada Limited to its parent Company, Penguin Random House Limited. The investment was sold for consideration of £64,900,000. The previously recognised impairment of the investment of £27,935,857 was reversed prior to completion.

On 9 December 2020 the Company sold its investments in Penguin Random House Australia Pty Ltd and Penguin Random House New Zealand Limited, for consideration of £69,494,000 and £30,896,000 respectively.

The above disposals of investments resulted in gains recognised in the income statement of £82,792,197 (2019: nil).

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.

An impairment charge was recorded in the year in respect of the investments in RHA Holding Pty Ltd of £1,216,529, Woodlands Books Ltd of £3,169,000 and PRH South Africa £601,000.

##### Listed equity investments

These investments had a fair value at 31 December 2020 of £4,067 (2019: £4,413).

##### 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.

#### 16 STOCKS

	2020	2019
	£	£
Raw materials and consumables	269,257	1,236,911
Work in progress	3,311,422	2,994,528
Finished books	8,111,034	8,154,964
	<hr/>	<hr/>
	11,691,713	12,386,403

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 £3,270,391 (2019: £3,201,190). No inventories have been pledged as security for liabilities.

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 17 DEBTORS

	2020	2019
	£	£
Trade debtors	1,146,515	3,820,234
Amounts owed by group undertakings	198,492,422	117,018,912
Other debtors	5,417	3,528,064
Prepayments and accrued income	9,928,204	7,032,043
	<u>209,572,558</u>	<u>131,399,253</u>

Amounts owed by group undertakings are unsecured, repayable on demand and interest free. Included in this balance is £111,039,879 (2019: £92,162,140) owed from The Book Service Limited ("TBS"), representing trade debtors receivable in TBS on behalf of the Company. The balance is stated after provision for impairment of £1,229,300 (2019: £1,860,916). Trade debtors represents amounts owed to the Company on the sundry sales ledger and is stated after provision for impairment of £67,105 (2019: £51,347).

### 18 ADVANCE ROYALTIES

	2020	2019
	£	£
Advance royalties	<u>41,281,209</u>	<u>34,786,043</u>

Included in advance royalties is £21,181,470 (2019: £12,808,709) 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.

### 19 POST EMPLOYMENT BENEFITS

#### Defined pension schemes

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, who's management is responsible for making decisions concerning the plan and negotiating with the trustees. One scheme was closed to new members from 1 July 2002, since when the other scheme has operated on a defined contribution basis for new employees.

The benefits the members of the schemes obtain upon retirement depend on when they joined the scheme but the majority of members receive a pension based on 1/60<sup>th</sup> 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 plan – including investment decisions and contribution schedules – lies jointly with the Company and the trustees of the funds.

## THE RANDOM HOUSE GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 19 POST EMPLOYMENT BENEFITS (continued)

##### Defined pension schemes (continued)

The risks of the scheme 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.

(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 plan against extreme inflation). The majority of the plan's 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 pension scheme, using the projected unit basis, was carried out at 31 December 2019 by Capita plc, independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions:

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 19 POST EMPLOYMENT BENEFITS (continued)

#### Defined pension schemes (continued)

	2020	2019
	%	%
Discount rate	1.4	2.1
Rate of price inflation (RPI)	3	3
Rate of increase in salaries	2.25	2.5
Rate of increase of pensions in payment:		
- 3% floor & 5% cap	3.0	3.0
- 5% cap	2.85	2.9
- 2.5% cap	1.95	1.95
Revaluation of pensions in deferment	2	2
	S3 series of tables (table used dependent upon estimated pension amount) CMI 2019 core with initial adjustment to mortality of 0.5% and 1.5% long term rate	S3 series of tables (table used dependent upon estimated pension amount) CMI 2018 core with initial adjustment to mortality of 0.5% and 1.5% long term rate
Mortality table in retirement		

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:

	2020 Years	2019 Years
Retiring at the end of the reporting year:		
- Male (from age 65)	21.9 - 24.4	21.7 - 24.2
- Female (from age 65)	24.2 - 25.7	24.0 - 25.5
Retiring 20 years after the end of the reporting year:		
- Male (from age 65)	23.6 - 25.9	23.4 - 25.7
- Female (from age 65)	26.0 - 27.2	25.8 - 27.1

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 19 POST EMPLOYMENT BENEFITS (continued)

#### Defined pension schemes (continued)

Reconciliation of schemes movements during the year: *(all amounts shown to nearest £'000)*

	Fair value of plan assets £	Present value of obligation £	Total £
At 1 January 2020	346,214,267	(317,690,000)	28,524,267
Current service cost	-	(2,662,000)	(2,662,000)
Interest income / (expense)	7,241,000	(6,576,000)	665,000
	353,455,267	(326,928,000)	26,527,267
Remeasurements:			
Loss from change in demographic assumptions	-	(1,040,000)	(1,040,000)
Loss from change in financial assumptions	-	(40,518,000)	(40,518,000)
Gain from experience adjustments	-	931,000	931,000
Return on plan assets, excluding amounts included in interest expense	16,486,000	-	16,486,000
	16,486,000	(40,627,000)	(24,141,000)
Contributions:			
Employers	5,897,156	-	5,897,156
Plan participants	393,000	(393,000)	-
Payments from plan:			
Benefit payments	(9,100,000)	9,100,000	-
	(2,809,844)	8,707,000	5,897,156
At 31 December 2020	367,131,423	(358,848,000)	8,283,423



# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 19 POST EMPLOYMENT BENEFITS (continued)

	Fair value of plan assets £	Present value of obligation £	Total £
At 1 January 2019	314,838,000	(273,978,000)	40,860,000
Current service cost	-	(2,534,000)	(2,534,000)
Past service gain	-	-	-
Interest income / (expense)	9,101,000	(7,825,000)	1,276,000
	323,939,000	(284,337,000)	39,602,000
Remeasurements:			
Loss from change in demographic assumptions	-	(8,213,000)	(8,213,000)
Loss from change in financial assumptions	-	(36,723,000)	(36,723,000)
Gain from experience adjustments	-	3,660,000	3,660,000
Return on plan assets, excluding amounts included in interest expense	24,151,000	-	24,151,000
	24,151,000	(41,276,000)	(17,125,000)
Contributions:			
Employers	6,047,000	-	6,047,000
Plan participants	421,000	(421,000)	-
Payments from plan:			
Benefit payments	(8,344,000)	8,344,000	-
	(1,876,000)	7,923,000	6,047,000
At 31 December 2019	346,214,000	(317,690,000)	28,524,000

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

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

	Change in Assumption	Impact on defined benefit obligation	
		Increase in Assumption	Decrease in Assumption
Discount rate	0.50%	Decrease by 8.9%	Increase by 10.2%
Salary growth rate	0.50%	Increase by 1.3%	Decrease by 1.2%
Pension growth rate	0.50%	Increase by 3.8%	Decrease by 3.5%
Life expectancy	Increase or decrease by 1 year	Increase by 4.6%	Decrease by 4.4%

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 19 POST-EMPLOYMENT BENEFITS (continued)

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: *(all amounts shown to nearest £'000)*

	2020 £	2019 £
<b>Quoted</b>		
Equities & property	91,210,423	85,773,000
Corporate bonds	83,669,000	79,181,000
Gilts	183,341,000	172,936,000
Cash	5,416,000	5,102,000
<b>Unquoted</b>		
Secured annuities	3,495,000	3,222,000
<b>Total fair value of assets</b>	<b>367,131,423</b>	<b>346,214,000</b>

The Company, together with its subsidiary, expects to contribute approximately £5,752,000 (2019: £5,822,000) to its defined benefit plans in 2020.

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

Less than 1 year - £8,576,000, less than 2 years - £8,854,000, less than 3 years - £9,163,000, less than 4 years - £9,393,000, less than 5 years - £10,122,000 and less than 10 years - £55,644,000.

#### 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: *(all amounts shown to nearest £'000)*

	2020 £	2019 £
Money Purchase scheme	2,846,000	2,615,000
	<b>2,846,000</b>	<b>2,615,000</b>

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 20 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Trade creditors	59,160,350	55,376,085
Amounts owed to group undertakings	20,686,900	198,710,429
Lease liabilities	5,502,216	410,318
Taxation	5,710,294	3,341,999
Social security	1,811,885	3,216,482
Other creditors	9,914,504	456,953
Accruals and deferred income	20,163,564	26,488,033
	<u>122,949,713</u>	<u>288,000,299</u>

Amounts owed to group undertakings are unsecured and repayable on demand. Included within this is £63,167,903 (2019: £185,409,882 with Penguin Random House Limited) in respect of the cash pooling agreements with Bertelsmann UK Limited. From the 1 July 2020 the cash pooling arrangement has been moved from Penguin Random House Limited to Bertelsmann UK Limited. These amounts incur interest on a monthly basis; the interest rate ranges from 0.05% to 2.79% for the year (2019: ranged from 0.69% to 3.31% with Penguin Random House Limited).

### 21 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020	2019
	£	£
Trade creditors	8,127,569	6,672,519
Lease liabilities	45,308,157	14,233,195
	<u>53,435,726</u>	<u>20,905,714</u>

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 22 PROVISIONS FOR LIABILITIES

The Company had the following provisions during the year:

	Deferred tax provision £	Discounts provision £	Returns provision £	Onerous contract provision on advances £	Dilapidations provision £	Onerous lease provision (non- rent) £	LTIP provision £	Total £
At 1 January 2020	5,055,507	6,340,806	12,703,352	4,643,468	105,524	286,846	3,350,000	32,485,503
Additions to the income statement	(4,092,227)	4,737,339	12,261,659	1,305,083	-	-	-	14,211,853
Additions to right-of-use assets	-	-	-	-	702,432	-	-	702,432
Amount utilised during the year	(5,378,887)	(6,340,806)	(12,703,352)	(672,395)	-	(286,846)	-	(25,382,285)
At 31 December 2020	(4,415,607)	4,737,339	12,261,659	5,276,156	807,956	-	3,350,000	22,017,503

#### *Deferred tax provision*

The amounts of income taxes payable in future periods in respect of taxable temporary differences.

#### *Discount provision*

The Company has agreements in place to offer discounts on goods offered to customers, usually as a reward for repeated business.

#### *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.

#### *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.

#### *Onerous lease provision (non-rent)*

An onerous lease provision has been recognised for the non-rent double running costs on the leased offices at Embassy Gardens prior to the Company occupying the premises in 2020.

#### *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.

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 23 CALLED UP SHARE CAPITAL

	2020	2019
	£	£
Authorised, allotted, called up and fully paid:		
819,560,718 (2018: 819,560,718) Ordinary shares of 10p each	81,956,072	81,956,072

### 24 DIVIDENDS PAID

	2020	2019
	£	£
Equity - Dividend		
Interim: 5.49p (2019: 5.49p) per share	-	45,000,000
	-	45,000,000

### 25 COMMITMENTS

There are commitments to authors for the payment of royalty advances amounting to £61,452,912 at 31 December 2020 (2019: £44,685,868). Together with the advances already paid these will be charged against sales of future accounting periods as the books are published.

## THE RANDOM HOUSE GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 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.

# THE RANDOM HOUSE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

### 26 RELATED PARTIES (continued)

During the year the Company entered into the following material transactions with related parties not wholly owned by Penguin Random House Limited:

	2020 £	2019 £
Sales of books:		
Penguin Random House LLC	-	96,757
Other operating income:		
Arvato Limited	-	86,260
Bertelsmann UK Limited	189,764	188,562
Children's Character Books Limited	65,164	-
Penguin Random House LLC	117,912	365,355
Woodlands Books Limited	2,027,439	2,553,177
Inventories of finished goods:		
GGP Media GmbH	1,024,992	700,184
Mohn Media Mohndruck GmbH	685,572	490,013
Other external charges:		
Arvato Limited	63,104	162,388
Arvato Systems GmbH	206,565	202,487
Bertelsmann Business Support S a r l	248,359	202,996
Bertelsmann Accounting Services GbmH	589,067	499,734
Bertelsmann UK Limited	58,214	58,697
Penguin (Beijing) Culture Development Co Ltd	303,186	337,391
Random House LLC	132,257	123,385
Debtors:		
Bertelsmann UK Limited	10,178	35,288
Children's Character Books Limited	29,570	28,282
Penguin Random House LLC	251,822	143,838
Woodlands Books Limited	-	1,698,644
Creditors:		
Arvato Limited	7,841	18,878
Arvato Systems GmbH	52,630	98,139
Bertelsmann Accounting Services GbmH	275,487	434,310
Bertelsmann SE & Co. KGaA	20,905	22,019
GGP Media GmbH	23,109	4,144
Penguin Random House LLC	522,015	419,412
Woodlands Books Limited	7,757,001	7,067,196

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

# **THE RANDOM HOUSE GROUP LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020**

### **27 SUBSEQUENT EVENTS**

On 17 February 2021 the Company sold its investment in Penguin Random House Grupo Editorial SAU for consideration of £219,433,000.

### **28 INVESTMENTS IN GROUP UNDERTAKINGS**

Refer to the following table for the Company's investments at 31 December 2020.



## THE RANDOM HOUSE GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 28 INVESTMENTS IN GROUP UNDERTAKINGS (continued)

Name	Principal Activity	Holding	Class of shares	Registered Address
<b><u>Subsidiary undertakings</u></b>				
Arrow Books Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Bantam Books Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Barrie & Jenkins Limited	Dormant Entity	98	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Bartlett Bliss Productions Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Bellew & Higton Publishers Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Business Books Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Carousel Books Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Century Benham Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Century Hutchinson Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Century Hutchinson Publishing Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Century Publishing Co. Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Chatto and Windus Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Corgi Books Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Hammond, Hammond and Company, Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Herbert Jenkins Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Hurst & Blackett Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Hutchinson & Co. (Publishers) Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Hutchinson Books Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Hutchinson Childrens Books Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Jackdaw Publications Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA

## THE RANDOM HOUSE GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 28 INVESTMENTS IN GROUP UNDERTAKINGS (continued)

Name	Principal Activity	Holding	Class of shares	Registered Address
Jonathan Cape Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Mainstream Publishing Company (Edinburgh) Limited	Book Publishing	100	Ordinary	54-66 Frederick Street, Edinburgh, United Kingdom, EH2 1LS
Martin Secker and Warburg Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Penguin Random House Grupo Editorial, S.A.	Book Distribution	100	Ordinary	Calle Travessera de Gracia, 47-49, Barcelona, Spain, 08021
Penguin Random House Ireland Limited	Editorial services	100	Ordinary	c/o EUGENE F. COLLINS Solicitors, Temple Chambers, 3 Burlington Road, Dublin, Ireland, 4
Penguin Random House South Africa Proprietary Limited	Book Publishing	53.47	Ordinary	The Estuaries No 4, Oxbow Crescent, Century Avenue, Century City, Cape Town, South Africa, 8000
Plane Tree Publishers Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Random House Properties Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Random House Publishing Group Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Random House Struik Proprietary Limited	Dormant Entity	100	Ordinary	The Estuaries No 4, Oxbow Crescent, Century Avenue, Century City, Cape Town, South Africa, 8000
Random House UK Ventures Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA 16 Dalmore Drive, Scoresby (Melbourne), Victoria 3179, Australia, 3179
RHA Holdings Pty Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Sinclair - Stevenson Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Stanley Paul & Company Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
T. Werner Laurie, Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Tamarind Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
The Bodley Head Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA

## THE RANDOM HOUSE GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 28 INVESTMENTS IN GROUP UNDERTAKINGS (continued)

Name	Principal Activity	Holding	Class of shares	Registered Address
The Book Service Limited	Distribution and Support Services	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
The Cresset Press Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
The Harvill Press Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
The Hogarth Press Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Transworld Publishers Limited	Book Publishing	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Virgin Books Limited	Book Publishing	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Woodlands Books Limited	Book Publishing	85	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
<b><u>Indirect subsidiary undertakings</u></b>				
Direct Group Grandes Obras, S.L.	Holding Company	100	Ordinary	Calle Travessera de Gracia, 47-49, Barcelona, Spain, 08021
Editorial Sudamericana Uruguay S.A.	Book Publishing	100	Ordinary	Yaguaron 1568, Montevideo, Uruguay
Grantham Book Services Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Penguin Random House Grupo Editorial S.A.	Book Publishing	100	Ordinary	Calle Humberto Primo 545, Buenos Aires, Argentina, C1103ACK
Penguin Random House Grupo Editorial S.A.	Book Publishing	100	Ordinary	Av. Ricardo Palma 341, Of. 601, Miraflores, Lima, Peru Terrapuerto Industrial El Dorado Bodega No. 4, Autopista Medellin Km 1.7 Entrada Parque La Florida, Cota (Cundinamarca), Columbia
Penguin Random House Grupo Editorial S.A.	Book Distribution	100	Ordinary	Merced 280, 6th Floor, Santiago de Chile, Chile, 8320128

## THE RANDOM HOUSE GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 28 INVESTMENTS IN GROUP UNDERTAKINGS (continued)

Name	Principal Activity	Holding	Class of shares	Registered Address
Penguin Random House Grupo Editorial, S.A.	Book Distribution	100	Ordinary	Av. Venezuela, Edificio Atrium, piso 3, oficina única. Urb. El Rosal, Caracas, Venezuela, 1060
Penguin Random House Grupo Editorial, S.A. de C.V.	Book Publishing	99.82	Ordinary	Miguel de Cervantes Saavedra 301, piso 1, col. Granada, del. Miguel Hidalgo, Mexico-Stadt, Mexico, 11520
Penguin Random House Grupo Editorial, Unipessoal Lda.	Book Publishing	100	Ordinary	Praca Marques de Pombal, numero 1, 8° planta, Lissabon, Portugal, 1250-160
WH Allen General Books Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Distribuidora Digital de Libros, S.A.	Ebook Distribution	53.32	Ordinary	Via Augusta, 48-50, Barcelona, Spain, 08006
Market Self S.A.	Distribution Services	85	Ordinary	Av. Paseo Colón 221, 6th Floor, Buenos Aires, Argentina, C1063ACC
<b><u>Indirect investments</u></b>				
Bounce! Sales & Marketing Limited	Book Sales and Marketing	30	Ordinary	Hathaway House, Popes Drive, London, N3 1QF
Centro de Exportacion de Libros Espanoles, S.A.	Distribution Services	6.56	Ordinary	Calle Moratines, 11, 1B, Madrid, Spain, 28005
Editora Schwarcz S.A.	Book Publishing	70	Common	Rua Djalma Dutra, no. 192, Luz, Sao Paulo, Brazil, 01103-010
Penguin Random House India Private Limited	Book Publishing	2.51	Ordinary	7th Floor, Infinity Tower C, DLF Cyber City, Gurgaon, India, 122 002, Haryana

# **THE RANDOM HOUSE GROUP LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2020**

### **29 PRIOR PERIOD ADJUSTMENT**

During 2020, in the course of the preparation of these financial statements, the Directors became aware that by oversight, royalty expenses for the year ended 31 December 2019 amounting to £53,462,767 had been incorrectly disclosed within administrative expenses in the prior year financial statements.

The impact at 31 December 2019 was to increase the cost of sales and decrease administrative expenses by £53,462,767. There is no impact on the Company's net assets at 1 January or 31 December 2019 or resultant tax impact for 2019.