Registered number: 11070153

FLANAME 3 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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FLANAME 3 LIMITED

COMPANY INFORMATION

Directors	Mark Gardiner Robert Waddington Thomas Weldon
Company secretary	Sinead Martin
Registered number	11070153
Registered office	20 Vauxhall Bridge Road London SW1V 2SA
Independent auditors	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL

FLANAME 3 LIMITED

CONTENTS

	Page
Strategic Report	1 - 2
Directors' Report	3 - 4
Directors' Responsibilities Statement	5
Independent Auditors' Report	6 - 9
Profit and Loss Account	10
Statement of Comprehensive Income	11
Balance Sheet	12
Notes to the Financial Statements	14 - 21

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their Strategic Report of FLANAME 3 LIMITED ("the Company") for the year ended 31 December 2021.

Principal activities

The Company is a subsidiary of Penguin Random House Limited, a Company registered in the United Kingdom. The Company is UK domiciled and registered in the United Kingdom. The principal activity of the company is to act as a co-tenant under an underlease entered into on 25 November 2019 relating to the third floor of Building A02, Phase 3 Embassy Gardens, Nine Elms, London. On the same date the Company granted a licence to occupy the premises to a group company, Penguin Books Limited ("PBL").

Business review

The results and financial position of the Company are set out in the attached financial statements. During the year the Company's turnover was £nil (2020: £nil).

Key performance indicators ("KPIs")

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainities

The Company is subject to risk management procedures and an annual risk assessment implemented by the ultimate parent company, Bertelsmann SE & Co KGaA. Given the straightforward nature of the business, no significant risks or uncertainties have been identified.

Going concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate. The directors have considered the operating nature of the entity as one, primarily performing leasing activities (both obtaining and sub-leasing), with expectations for the future that sub-lessee intends to remain in occupation for 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.

Based on these factors and the Company having ongoing leasing operations (i.e. non trading entity), directors of the Company do not see Covid-19 impacting their view that the company will continue to operate as a going concern through 2022 and 2023 and the foreseeable future.

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

Covid-19

The Company, like all companies globally on different timescales, has been impacted by the global Covid-19 pandemic outbreak since February 2020, albeit to a limited extent due to the nature of the company's activities. The fit out of the leased premises at Embassy Gardens was completed in 2020, and occupation by the sub-lessee commenced in a phased approach throughout the final quarter of the year. The company has received written confirmation from the sub-lessee that it intends to remain in occupation for a period of at least 12 months from the date of signing these financial statements, and meet any rent obligations payable to the company during that period.

All cash funding required to operate the business continues to be supported by the Bertelsmann Group's global cash pooling structures that continues to be in place.

Based on these factors, the directors of the Company do not see Covid-19 impacting their view that the company will continue to operate as a going concern through 2022 and 2023 and the foreseeable future.

General

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

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

.....
Mark Gardiner
Director

Date: 31 May 2022

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

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

Results and dividends

The profit for the year, after taxation, amounted to £nil *(2020 - £nil)*.

No dividends were proposed or paid during 2021 (2020: £nil).

Financial instruments

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

Directors

The directors who served during the year were:

Mark Gardiner
Robert Waddington
Thomas Weldon

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 folllows:

'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:

Risk management

The Company has a long-term strategic plan that effectively identifies, evaluates and mitigates the risks which the Company faces, ensuring they are sufficiently considered and, if applicable, hedged against for the future. The directors will invariably delegate day-to-day management and decision making to executive management, but will ensure that management is acting in accordance with the strategy and plans agreed by the board.

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.

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

Community and environment

The Company will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The Company has complied with all applicable legislation and regulations.

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.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

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

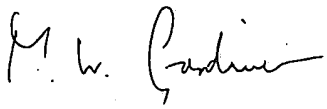
Post balance sheet events

There have been no significant events affecting the Company since the year end.

Independent Auditors

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

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



Mark Gardiner
Director

Date: 31 May 2022

20 Vauxhall Bridge Road
London
SW1V 2SA

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection 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 AUDITORS' REPORT TO THE MEMBERS OF FLANAME 3 LIMITED

Opinion

We have audited the financial statements of FLANAME 3 LIMITED ("the Company") for the year ended 31 December 2021 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its result for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101*Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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

Our conclusions based on this work:

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included enquiring of directors and inspection of policy documentation as to the Penguin Random House Limited's ("PRHL") policies and procedures to prevent and detect fraud that apply to this group company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no revenue transactions. 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 to unrelated accounts.

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

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

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

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FLANAME 3 LIMITED

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FLANAME 3 LIMITED

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

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

David Arnold

David Arnold (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

31 May 2022

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	*2020 £*
Turnover		-	-
Cost of sales		-	-
Gross result		-	-
Administrative expenses		-	-
Operating result	4	-	-
Interest receivable and similar income	6	**121,704**	*120,570*
Interest payable and similar expenses	7	**(121,704)**	*(120,570)*
Result before tax		-	-
Tax on result		-	-
Result for the financial year		-	-

There were no recognised gains and losses for 2021 or 2020 other than those included in the profit and loss account.

The notes on pages 14 to 21 form part of these financial statements.

Continuing Operations
None of the Company's activities were acquired or discontinued during the current year or previous year.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	*2020 £*
Result for the financial year		-	-
Other comprehensive income:			
Other comprehensive income		-	-
Total comprehensive income for the year		-	-

There were no recognised gains and losses for 2021 or 2020 other than those included in the profit and loss account.

The notes on pages 14 to 21 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note		2021 £		2020 £
Current assets					
Debtors: amounts falling due after more than one year	8	**4,681,299**		*5,332,028*	
Debtors: amounts falling due within one year	8	**772,513**		*495,696*	
		5,453,812		*5,827,724*	
Creditors: amounts falling due within one year	9	**(772,512)**		*(495,695)*	
Net current assets			**4,681,300**		*5,332,029*
Total assets less current liabilities			**4,681,300**		*5,332,029*
Creditors: amounts falling due after more than one year	10		**(4,681,299)**		*(5,332,028)*
Net assets			**1**		*1*
Capital and reserves					
Called up share capital	12		**1**		*1*
			1		*1*

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

.....
Mark Gardiner
Director

Date: 31 May 2022

The notes on pages 14 to 21 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2021

	Called up share capital £	Retained earnings £	Total equity £
At 1 January 2020	1	-	1
Profit for the financial year and total comprehensive income	-	-	-
Balance as at 31 December 2020	1	-	1
Profit for the financial year and total comprehensive income	-	-	-
At 31 December 2021	1	-	1

1. General information

FLANAME 3 LIMITED 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. The company entered into a lease dated 25 November 2019 for the occupation of the 3rd floor at Embassy Gardens, London. On the same date, the company granted Penguin Books Limited the right to occupy the premises as licencees.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

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

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

2. Accounting policies (continued)

2.3 Going concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate. The directors have considered the operating nature of the entity as one, primarily performing leasing activities (both obtaining and sub-leasing), with expectations for the future that sub-lessee intends to remain in occupation for a period of at least 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.

Based on these factors and the company has leasing operations (i.e. non trading entity), therefore directors of the Company do not see Covid-19 impacting their view that the company will continue to operate as a going concern through 2022 and 2023 and the foreseeable future.

2.4 Impact of new international reporting standards, amendments and interpretations

There are no amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2021 that have had a material impact on the company's financial statements.

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2. Accounting policies (continued)

2.6 Leases

The Company leases various offices. Rental contracts are typically made for fixed periods of 10 years but may have extension options.

The Company as a lessee

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

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

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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

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

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

2. Accounting policies (continued)

2.7 Debtors including amounts owed by group undertakings

Debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Creditors including amounts due to group undertakings

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

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

3. Critical accounting estimates, assumptions and judgements

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates, underlying assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and relevant under the circumstances, however, there are no significant accounting judgements and estimates applicable to this entity.

4. Operating Result

Auditors' remuneration of £5,000 (2020: £5,000) for the statutory audit of the company was borne by The Random House Group Limited. No other services were provided by the company's auditors in 2021 (2020: none)

5. Employees and Directors

Employees

The Company had no employees during 2021 (2020: nil)

Directors

The directors are employed and paid by the Random House Group Limited. Directors' services to the Company are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the company that employs them. Accordingly, there are no emoluments in respect of the directors (2020: nil)

6. Interest receivable and similar income

	2021 £	2020 £
Interest on lease receivable with group company	**121,704**	*120,570*
	121,704	*120,570*

7. Interest payable and similar expenses

	2021 £	2020 £
Interest on lease liabilities - buildings	**121,704**	*120,570*
	121,704	*120,570*

8. Debtors

	2021 £	2020 £
Due after more than one year		
Lease receivable owed by group undertakings	**4,681,299**	*5,332,028*
	4,681,299	*5,332,028*

	2021 £	2020 £
Due within one year		
Amounts owed by group undertakings	**1**	*1*
Lease receivable owed by group undertakings	**772,512**	*495,695*
	772,513	*495,696*

Lease receivable represents future rent due to the Company from Penguin Books Limited for occupation of the leased premises.

9. Creditors: Amounts falling due within one year

	2021 £	2020 £
Lease liabilities	**772,512**	*495,695*
	772,512	*495,695*

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

	2021 £	2020 £
Lease liabilities	**4,681,299**	*5,332,028*
	4,681,299	*5,332,028*

11. Leases

Company as a lessee

The Company has entered into a lease contract for the 3rd floor of Building A02, Phase 3 Embassy Gardens, Nine Elms, London. The office space which will be occupied by Penguin Books Limited ("PBL"), a fellow subsidiary of Penguin Random House Limited, under a licence agreement granted to them by the company. As detailed in note 2, and in accordance with the provisions of 'IFRS 16: Leases', the Company does not recognise a right-of-use asset for the leased premises when it has granted occupation under licence to another group company. The right-of-use asset is recognised by PBL in this scenario and the Company instead recognises the net present value of the rent due to them from PBL as a lease receivable. The lease receivable is discounted using the interest rate implicit in the lease. The Company recognises a lease liability for the net present value of future rent payments due to the landlord under the head lease, discounted using the interest rate implicit in the lease. Interest income is recognised on the lease receivable due to the licence to occupy agreement consituting a finance lease under IFRS 16.

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

(i) Lease receivables are due as follows:

Lease receivables	2021 £	2020 £
Not later than one year	**772,512**	*495,695*
Later than one year	**4,681,299**	*5,332,028*
	5,453,811	*5,827,723*

11. Leases (continued)

(ii) Lease liabilities are due as follows:

Lease liabilities	**2021** £	*2020* £
Not later than one year	**772,512**	*495,695*
Later than one year	**4,681,299**	*5,332,028*
	5,453,811	*5,827,723*

(iii) Amount recognised in the profit and loss account:

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

	2021 £	*2020* £
Interest Income	**121,704**	*120,570*
Interest expense on lease liabilities	**(121,704)**	*(120,570)*

(iv) Future minimum lease payments as at 31 December 2021:

	2021 £	*2020* £
Less than one year	**772,512**	*495,695*
Between one and two years	**772,512**	*772,512*
Between two and three years	**772,512**	*772,512*
Between three and four years	**772,512**	*772,512*
Between four and five years	**772,512**	*772,512*
More than 5 years	**2,057,038**	*2,829,550*
	5,919,598	*6,415,293*
Impact of finance income	**(465,787)**	*(587,570)*
Carrying amount of lease liability	**5,453,811**	*5,827,723*

There was a rent free period from lease commencement to August 2021. No rent payments due prior to August 2021.

11. Leases (continued)

(v) Maturity analysis table of lease receivables balances:

	2021	*2020*
	£	*£*
Less than one year	**772,512**	*495,695*
Between one and two years	**772,512**	*772,512*
Between two and three years	**772,512**	*772,512*
Between three and four years	**772,512**	*772,512*
Between four and five years	**772,512**	*772,512*
More than 5 years	**2,057,038**	*2,829,550*
	5,919,598	*6,415,293*
Impact of finance income	**(465,787)**	*(587,570)*
Carrying amount of lease receivable	**5,453,811**	*5,827,723*

12. Share capital

	2021	*2020*
	£	*£*
Allotted, called up and fully paid		
1 *(2020: 1)* Ordinary share of £1.00	**1**	*1*

13. Related party disclosure

The immediate parent undertaking is Penguin Random House Limited ("PRHL"). At the balance sheet date PRHL was owned by Bertelsmann UK Limited. The company's ultimate parent company is Bertelsmann SE & Co KGaA, which is incorporated in Germany. Copies of Bertelsmann SE & Co KGaA's consolidated financial statements (the smallest and largest financial statements in which the Company is consolidated) can be obtained from:

Bertelsmann SE & Co KGaA
Corporate Communications
Carl Bertelsmann Strasse 270
33311 Gütersloh
Germany

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