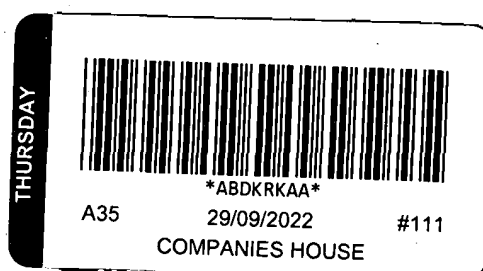


Registered number: 01177822

DORLING KINDERSLEY LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**



DORLING KINDERSLEY LIMITED

COMPANY INFORMATION

Directors	Shaun Hodgkinson Paul Kelly Rebecca Smart Robert Gates (appointed 1 May 2022)
Company secretary	Sinead Mary Martin
Registered number	01177822
Registered office	One Embassy Gardens 8 Viaduct Gardens London England SW11 7BW
Independent auditors	KPMG LLP 15 Canada Square London E14 5GL

DORLING KINDERSLEY LIMITED

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DORLING KINDERSLEY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

The directors present their Strategic Report for Dorling Kindersley Limited ("the Company" or "DK") for the year ended 31 December 2021.

Principal activities

The Company is a subsidiary of Penguin Random House Limited ("PRHL"), a company owned 100% by Bertelsmann SE & Co KGaA at the year end and registered in the United Kingdom. The Company is UK domiciled and registered in the United Kingdom. The principal activity of the Company continues being a global publisher of illustrated reference content and travel information across a range of platforms in print and digital.

Business review

The results and financial position of the Company are set out in the attached financial statements. The Company made an operating profit for the year of £ 2,763,266 (2020: £ 1,675,005 loss). The company made a loss for the financial year of £ 116,414 (2020: £ 1,053,374).

The balance sheet on page 16 of the financial statements shows the company's financial position at the end of the year.

Key performance indicators ('KPI's')

The Company monitors progress and performance during the year using KPI's. During the year, the Company's turnover was £ 121,818,740 (2020: £ 112,803,990). During the year the gross profit margin was 35.01% (2020: 31.99%).

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 global pandemic. We follow governmental advice on safe working conditions and good business practice.

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 the foreseeable future

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

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.

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.

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.

DORLING KINDERSLEY LIMITED

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

DK Streamlined Energy and Carbon Reporting Disclosure 2021

In compliance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2019 ("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 2021.

As Dorling Kindersley UK Ltd are situated within the Penguin Random House UK Ltd buildings, their scope 1 and scope 2 emissions are reported as part of the PRH SECR disclosure.

UK Greenhouse gas emissions and energy use data for the period 1 January 2021 to 31 December 2021. The previous year's data for 2020 is also included. The data is presented in the table below.

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

	2020	2021
Total Energy Consumption kWh	701,630	1,678,450
Total Electricity Procurement kWh	318,130	707,720
3HUFHQWDJH 3*UHHQ (OHFWULFLW)	100%	97%
Total Heat Procurement in kWh	383,500	739,91

In 2021

- Penguin Random House UK Facilities replace end of life lighting with LED lights as standard practice reducing usage year on year.
- Installed Solar PV panels on the roof of one of the Distribution Centres. This is predicted to provide 13.5% of total electricity usage.
- Due to the Covid 19 Virus Penguin Random House employee travel and commuting increased slightly but was still not as high as in pre pandemic years.
- There are noticeably higher emissions in scope 3 in 2021, this is due to higher CO2 factors for paper suppliers, distribution packaging, and transport.

Targets

Penguin Random House UK is committed to managing environmental issues effectively across our entire value chain. We have set three key targets for the future. The details of these are outlined in the PRH Sustainability Policy https://www.penguin.co.uk/content/dam/company-pages/sustainability-hub/Spring_21_Penguin_Sustainability_Policy.pdf

- **Zero by 30:** reduce our carbon footprint to become climate neutral in our direct operations by 2021, and in our wider supply chain by 2030
- **Sustainable sourcing:** ensure 100% of our paper and other core materials 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

DORLING KINDERSLEY LIMITED

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

DK Streamlined Energy and Carbon Reporting Disclosure 2021 (continued)

Site related emissions	unit	2020n	2021	Δ
Scope 1 Stationary Fuels	t CO2e	-	-	-
Scope 1 Refrigerant Losses	t CO2e	-	0	-
Scope 2 Electricity	t CO2e	-	13	-
Scope 2 Heat	t CO2e	78	256	227%
Total	t CO2e	78	269	243%

Employee related emissions	unit	2020n	2021	Δ
Scope 1 Mobile Fuels	t CO2e	-	-	-
Scope 3 Business Travel	t CO2e	139	44	-68%
Scope 3 Employee Commuting	t CO2e	262	48	-82%
Scope 3 IT Devices	t CO2e	52	325	522%
Scope 3 Office Paper	t CO2e	5	5	5%
Total	t CO2e	458	422	-8%

Product related emissions	Einheit	2020n	2021	Δ
Scope 3 Paper Manufacture	t CO2e	18,535	26,434	43%
Scope 3 Printers / Print Materials	t CO2e	18,469	32,158	74%
Scope 3 CD/DVD Manufacturing	t CO2e	-	7	-
Scope 3 Warehouse Services	t CO2e	695	51	-93%
Scope 3 Transport	t CO2e	11,015	13,893	26%
<i>Paper Mill to Printer</i>	<i>t CO2e</i>	<i>2,828</i>	<i>4,446</i>	<i>57%</i>
<i>Other Materials to Printer</i>	<i>t CO2e</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Printer to Warehouse</i>	<i>t CO2e</i>	<i>8,075</i>	<i>9,366</i>	<i>16%</i>
<i>Distribution (Delivery & Returns)</i>	<i>t CO2e</i>	<i>112</i>	<i>81</i>	<i>-27%</i>
Scope 3 Packaging & Transport Materials	t CO2e	-	39	-
Scope 3 Video Production	t CO2e	-	-	-
Total before consolidation	t CO2e	48,714	72,583	49%

Other Scope 3 Emissions	Einheit	2020n	2021	Δ
Scope 3 Waste	t CO2e	0	2	1776%
Scope 3 Energy related emissions	t CO2e	9	25	171%
Scope 3 End of Life (product waste)	t CO2e	456	577	26%
Total	t CO2e	466	603	29%

Total Emissions	t CO2e	49,716	73,877	49%
------------------------	---------------	---------------	---------------	------------

Total Emissions	Einheit	2020n	2021	Δ
Scope 1	t CO2e	-	0	-
Scope 2	t CO2e	78	269	243%
<i>thereof heat</i>	<i>t CO2e</i>	<i>78</i>	<i>256</i>	<i>227%</i>
Scope 3	t CO2e	49,637	73,608	48%
Summe S1+S2+S3	t CO2e	49,716	73,877	49%

Total Offsetting	Einheit	2020n	2021	Δ
Site related	t CO2e	811	1,614	99%
Employee related	t CO2e	240	622	159%
Product related	t CO2e	-	-	-

DORLING KINDERSLEY LIMITED

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

DK Streamlined Energy and Carbon Reporting Disclosure 2021 (continued)

Intensity Ratio	Unit	2020	2021	D
Tonnes of CO2e per £M Revenue	t CO2e	334.69	614.13	83%

Reporting Methodology

We have followed the UK BEIS (Department Business, Energy & Industrial Strategy) 2019 guidance. The energy and 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.

DORLING KINDERSLEY LIMITED

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

Shareholders

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

General

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

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

Rob Gates

.....
Robert Gates
Director

Date: 25 August 2022

DORLING KINDERSLEY LIMITED

**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 loss for the year, after taxation, amounted to £116,414 (2020 - loss £1,053,374).

No interim dividend (2020 - nil) was paid in the 2021 financial year and no final dividend is proposed (2020 - nil).

Directors

The directors who served during the year were:

Shaun Hodgkinson
Paul Kelly
Rebecca Smart

Health and safety of 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 defined contribution 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 isabled the Company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Future developments

Looking ahead, the market remains challenging and the economic backdrop remains similarly tough. The Company will continue to create and publish reference content as books, both physically and digitally. 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 2022 and 2023 and the foreseeable future.

DORLING KINDERSLEY LIMITED

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

Going concern

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

The 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 2 to the financial statements.

Financial instruments

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

Engagement with 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 defined contribution 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.

DORLING KINDERSLEY LIMITED

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

Post Balance Sheet events

On 26 May 2022, Dorling Kindersley exited the lease of the 8th Floor of Embassy Gardens through the reassignment of the lease to a third party. The reassignment released DK from all future obligations relating to the lease payments and resulted in the disposal of the right of use property and related assets. The Company still occupy the 6th and 7th floor of the above building, and the arrangements have not altered in result to the above event. More information on the impact of this is disclosed in note 24.

On the 1st August 2022 DK acquired 100% of the shares of Phonic Books Ltd a company limited by shares and registered in the United Kingdom. The purchase supports the Company's wider growth strategy and presence in the education market.

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.

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.

Rob Gates

.....
Robert Gates
Director

Date: 25 August 2022

One Embassy Gardens
8 Viaduct Gardens
London
England
SW11 7BW

DORLING KINDERSLEY LIMITED

**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, 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 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.

DORLING KINDERSLEY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DORLING KINDERSLEY LIMITED

Opinion

We have audited the financial statements of DORLING KINDERSLEY 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 loss 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

DORLING KINDERSLEY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DORLING KINDERSLEY LIMITED

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 of the limited rationalisations and opportunities to fraudulently recognise revenue.

We did not identify any additional fraud risks.

We performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by specific users, those posted to unrelated accounts and those posted unusually to cash or borrowings.

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

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

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

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

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

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

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

DORLING KINDERSLEY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DORLING KINDERSLEY LIMITED

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

Auditor's responsibilities

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

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

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

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



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

25 August 2022

DORLING KINDERSLEY LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £	2020 £
Turnover	4	121,818,740	112,803,990
Cost of sales		(79,170,237)	(76,714,322)
Gross profit		42,648,503	36,089,668
Distribution costs		(2,638,890)	(2,341,973)
Administrative expenses		(37,308,764)	(38,934,616)
Other operating income		62,417	3,511,916
Operating profit/(loss)	5	2,763,266	(1,675,005)
Amounts written off investments		-	3,335,279
Interest payable and similar expenses	8	(1,792,163)	(1,619,496)
Profit before tax		971,103	40,778
Tax on profit	9	(1,087,517)	(1,094,152)
Loss for the financial year		(116,414)	(1,053,374)

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 19 to 40 form part of these financial statements.

DORLING KINDERSLEY LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £	2020 £
Profit for the financial year		(116,414)	(1,053,374)
Other comprehensive income		-	-
Total comprehensive income for the year		(116,414)	(1,053,374)

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 19 to 40 form part of these financial statements.

DORLING KINDERSLEY LIMITED
REGISTERED NUMBER: 01177822

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	10	184,013	203,094
Tangible assets	11	3,350,319	5,699,028
Right-of-use assets	11	14,312,574	17,527,451
Deferred taxation	12	405,679	122,558
		<u>18,252,585</u>	<u>23,552,131</u>
Current assets			
Stocks	13	19,754,859	15,498,140
Debtors	14	73,457,324	76,187,956
Cash at bank and in hand		60,114	1,284,496
		<u>93,272,297</u>	<u>92,970,592</u>
Creditors: amounts falling due within one year	15	(99,833,187)	(102,083,779)
Net current liabilities		<u>(6,560,890)</u>	<u>(9,113,187)</u>
Total assets less current liabilities		<u>11,691,695</u>	<u>14,438,944</u>
Creditors: amounts falling due after more than one year	16	(16,208,381)	(19,263,334)
		<u>(4,516,686)</u>	<u>(4,824,390)</u>
Provisions for liabilities			
Other provisions	18	(3,056,970)	(2,632,852)
Net liabilities		<u>(7,573,656)</u>	<u>(7,457,242)</u>

DORLING KINDERSLEY LIMITED
REGISTERED NUMBER: 01177822

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Capital and reserves			
Called up share capital	19	102,358	102,358
Share premium account	20	1,699,450	1,699,450
Profit and loss account	20	(9,375,464)	(9,259,050)
		<u>(7,573,656)</u>	<u>(7,457,242)</u>

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

Rob Gates

.....
Robert Gates

Director

Date: 25 August 2022

The notes on pages 19 to 40 form part of these financial statements.

DORLING KINDERSLEY LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2020	102,358	1,699,450	(8,205,676)	(6,403,868)
Comprehensive income for the year				
Loss for the year	-	-	(1,053,374)	(1,053,374)
At 1 January 2021	102,358	1,699,450	(9,259,050)	(7,457,242)
Comprehensive income for the year				
Loss for the year	-	-	(116,414)	(116,414)
At 31 December 2021	102,358	1,699,450	(9,375,464)	(7,573,656)

The notes on pages 19 to 40 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. General information

The Company is a private company limited by shares and is incorporated in the United Kingdom. At 31 December 2021 the address of its registered office was One Embassy Gardens, 8 Viaduct Gardens, London, SW11 7BW. The registered number is 01177822.

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 paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

2.3 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 2021 that have had a material impact on the Company's financial statements.

DORLING KINDERSLEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.4 Going concern

Notwithstanding net current liabilities of £ 6,560,890 as at 31 December 2021 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.6 Turnover

Turnover comprises 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, only commissions and fees receivable for services rendered are recognised as turnover. Any third party costs incurred on behalf of the principal that are rechargeable under the contractual arrangement are not included in turnover.

2.7 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.

2.8 Income from sub rights

Income from licensing and subrights are recognised as turnover when the the performance obligation under the agreement has been satisfied. An assessment is made on the nature of each licence to determine if the customer receives a right to access or use of the company's intellectual property. The point of recognition is dependent upon this assessment when the rights are transferred and used.

2.9 Exemption from preparing consolidated financial statements

The Company is a parent Company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.10 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.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and Loss Account within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.11 Leases

The Company as a lessee

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

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

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;

The lease liability is included in 'Creditors' on the Balance Sheet.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.11 Leases (continued)

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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

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

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

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

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

2.12 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.13 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

2.14 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful lives range as follows:

Computer software	-	3	years
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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 is 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. Development costs are written off over the assets useful life.

2.15 Tangible assets

Tangible assets are stated at historical purchase 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 calculated to write off the cost of the tangible assets over their estimated useful lives on a straight line basis.

DORLING KINDERSLEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)**2.16 Impairment of fixed assets and goodwill**

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. 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 (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.17 Stocks

Finished goods have been valued at the lower of cost and net realisable value. Cost is determined using the FIFO method. Cost comprises direct costs including related production overheads. Origination costs represent direct costs incurred in the development of titles prior to their publication. These costs are recognised as origination costs where the title will generate probable future economic benefits and costs can be measured reliably. Origination assets are amortised upon publication of the title over estimated economic lives of one year or less, being an estimate of the expected operating life cycle of the title.

The assessment of the recoverability of the origination assets and the determination of the amortisation profile involve a significant degree of judgement based on historical trends and management estimation of future potential sales. An incorrect amortisation profile could result in excess amounts being carried forward as stock that would otherwise have been written off to the income statement in an earlier review. Reviews are performed regularly to estimate recoverability of pre-publication assets, based on forecast title sales.

2.18 Royalty advances

Advances of royalties paid to authors are recognised within other debtors 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 accepted in the future, contracted advances are recognised as payable. 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 based upon an annual detailed management review of the age of the advance, the future sales projections for new authors and prior sales history of repeat authors. The royalty advance is expensed at the contracted or effective royalty rate as the related turnover is earned.

2.19 Trade debtors and amounts owed by group undertakings

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

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. To measure the expected credit losses, trade debtors are grouped based on shared credit risk characteristics and the days past due.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.20 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.

2.21 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.

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.

2.22 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable, and loans to and from subsidiaries and related parties. Financial instruments of the Company are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

DORLING KINDERSLEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates, underlying assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and relevant under the circumstances.

Key accounting estimates and assumptions

(i) Advances

Advances of royalties paid to authors are recognised within other debtors 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. 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 based upon an annual detailed management review of the age of the advance, the future sales projections for new authors and prior sales history of repeat authors. The royalty advance is expensed at the contracted or effective royalty rate as the related turnover is earned. The carrying values of the provisions can be seen in note 14.

(ii) Origination costs

Specific provision is made concerning origination costs, generated by the business via the creation of books internally, covering content, format and channel. These costs are capitalised upon publication and amortised on a straight line basis over 12 months being the future sales curve of the product generated.

Periodic impairment reviews are undertaken on all origination costs, with unsuccessful titles being provided for in full and written off to the income statement. The assessment of the recoverability of the origination asset and the determination of the amortisation profile involve a significant degree of judgement based on historical trends and management estimate of future potential sales.

(iii) 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 a two year historical review, the ageing of sales and business experience.

(iv) 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.

DORLING KINDERSLEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. Judgements in applying accounting policies (continued)

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 17 for the net carrying amount of the lease liability and right-of-use asset.

4. Turnover

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom and The Republic of Ireland	27,148,960	22,456,789
Rest of Europe	21,285,220	20,577,390
Americas	39,076,972	37,082,666
Rest of the world	34,307,588	32,687,145
	<u>121,818,740</u>	<u>112,803,990</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.

Geographical analysis is based on the region in which the order is received. It would not be materially different if based on the country in which the customer is located.

DORLING KINDERSLEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

5. Operating loss

The operating loss is stated after charging:

	2021 £	2020 £
Amortisation of intangible assets, including goodwill	106,439	97,484
Depreciation of tangible fixed assets	2,564,440	2,488,888
Impairment of tangible fixed assets	1,785,891	-
Impairment of right-of-use assets	1,308,923	-
Inventories recognised as an expense	67,573,543	67,743,934
Impairment of inventory	281,202	1,194,000
Audit fees payable to the company's auditor	73,000	73,000
Exchange differences	311,854	191,442

Administrative expenses comprise of salaries and other expenses. Administrative expenses include salary costs of £19,577,228 (2020: £18,697,969). Salaries are paid by Penguin Books Limited and reimbursed to them by the Company. A management recharge of £9,213,171 (2020: £8,598,362) from Penguin Books Limited and The Random House Group Limited is also included in administrative expenses for the recharge of expenses such as technology and occupancy costs. Administrative expenses include an expense of £1,375,913 (2020: £1,327,046) for defined contribution plans.

Distribution expenses include £2,192,514 (2020: £1,934,045) recharged to Dorling Kindersley Limited from The Book Service Limited during the year.

Costs incurred of £2,654,339 (2020: £2,989,407) were recharged to associate group companies during the year.

6. Employees

All employees are employed by Penguin Books Limited ("PBL") and therefore all staff costs are borne by them. PBL then recoups this from the Company.

7. Directors

	2021 £	2020 £
Directors' remuneration:		
Aggregate emoluments	956,343	883,091
Company pension contributions to money purchase schemes	102,189	99,345
	<u>1,058,532</u>	<u>982,436</u>

Administration expenses include the above remuneration to directors of the Company in respect of their services to the Company.

DORLING KINDERSLEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021 £	2020 £
Highest paid director:		
Emoluments	371,124	324,684
Defined benefit pension scheme accrued at the end of the year	34,080	33,240
	<u>405,204</u>	<u>357,924</u>

Although the directors of the Company have service contracts with PBL, the proportion of their time and efforts relate to the company and, therefore their emoluments, have been included in these financial statements. All directors are paid by PBL.

8. Interest payable and similar expenses

	2021 £	2020 £
Bank interest payable	18	-
Loans from group undertakings	1,392,720	1,383,561
Interest on lease liabilities	399,425	235,935
	<u>1,792,163</u>	<u>1,619,496</u>

DORLING KINDERSLEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

9. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	546,557	(1,016,199)
Adjustments in respect of previous periods	(575,649)	327,470
	(29,092)	(688,729)
Double taxation relief	(546,556)	-
	(575,648)	(688,729)
Foreign tax		
Foreign tax on income for the year	1,946,286	1,621,904
	1,946,286	1,621,904
Total current tax	1,370,638	933,175
Deferred tax		
Origination and reversal of timing differences	(430,914)	95,191
Adjustments in respect of prior years	147,793	65,786
Total deferred tax	(283,121)	160,977
Taxation on profit on ordinary activities	1,087,517	1,094,152

DORLING KINDERSLEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year differs from (2020 - differs from) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	971,103	40,778
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	184,510	7,748
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	28,494	37,810
Adjustments in respect of prior years current tax	(575,649)	327,470
Unrelieved withholding tax	1,399,731	1,314,279
Income exempt from taxation	-	(633,323)
Adjustments in respect of prior years deferred tax	147,793	65,786
Deferred tax rate differences	(97,362)	(25,618)
Total tax charge for the year	1,087,517	1,094,152

The current year tax charge represents corporation tax payable and amounts payable to/receivable from fellow UK subsidiaries of the Bertelsmann group in respect of current year tax losses surrendered in the UK.

Factors that may affect future tax charges

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021.

DORLING KINDERSLEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

10. Intangible assets

	Computer software £	Total £
Cost		
At 1 January 2021	5,181,578	5,181,578
Additions - external	87,358	87,358
At 31 December 2021	<u>5,268,936</u>	<u>5,268,936</u>
Amortisation		
At 1 January 2021	4,978,484	4,978,484
Charge for the year on owned assets	106,439	106,439
At 31 December 2021	<u>5,084,923</u>	<u>5,084,923</u>
Net book value		
At 31 December 2021	<u>184,013</u>	<u>184,013</u>
At 31 December 2020	<u>203,094</u>	<u>203,094</u>

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 3 years (2020: 3 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 title are restricted and has none pledged as security for liabilities.

DORLING KINDERSLEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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11. Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Assets under construction £	Right of Use assets £	Total £
Cost or valuation					
At 1 January 2021	598	5,720,552	187,422	19,807,467	25,716,039
Additions	-	-	84,307	9,963	94,270
Revaluations	-	-	-	1,398	1,398
At 31 December 2021	598	5,720,552	271,729	19,818,828	25,811,707
Depreciation					
At 1 January 2021	598	208,946	-	2,280,016	2,489,560
Charge for the year on owned assets	-	647,125	-	1,917,315	2,564,440
Impairment charge	-	1,785,891	-	1,308,923	3,094,814
At 31 December 2021	598	2,641,962	-	5,506,254	8,148,814
Net book value					
At 31 December 2021	-	3,078,590	271,729	14,312,574	17,662,893
At 31 December 2020	-	5,511,606	187,422	17,527,451	23,226,479

Right of use assets

The Company has lease contracts for three office floors at Embassy Gardens, London ("EG"), used in the operations of the business.

On 26 May 2022, Dorling Kindersley exited the lease of the 8th Floor of Embassy Gardens through the reassignment of the lease to a third party.

This has been accounted for as a non-adjusting post balance sheet event. See note 24 for further analysis.

DORLING KINDERSLEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

12. Deferred tax assets and liabilities

	1 January 2021 £	Income statement movement £	31 December 2021 £
Movement in recognised deferred tax during the year:			
Property plant and equipment	(24,237)	376,170	351,933
Other temporary differences	146,795	(93,049)	53,746
	<u>122,558</u>	<u>283,121</u>	<u>405,679</u>

The company had no unrecognised deferred tax assets at 31 December 2021 (2020: Nil).

13. Stocks

	2021 £	2020 £
Work in progress (goods to be sold)	8,473,262	8,025,963
Origination Costs	5,215,047	4,523,169
Finished goods and goods for resale	6,066,550	2,949,008
	<u>19,754,859</u>	<u>15,498,140</u>

As of 31 December 2021, work in progress and origination costs of £20,502,833 (2020: £20,092,000) were reviewed for impairment. The amount of the provision was £6,814,524 (2020: £6,679,084) for unsuccessful titles. As of 31 December 2021, finished goods of £9,103,764 (2020: £5,180,000) were reviewed for impairment. The amount of the provision was £3,037,214 (2020: £2,891,452), and mainly relates to slow moving stock.

No stocks have been pledged as security for liabilities.

14. Debtors

	2021 £	2020 £
Trade debtors	5,090,462	5,240,882
Amounts owed by group undertakings	64,826,146	65,980,686
Other debtors	3,408,279	4,067,916
Tax recoverable	-	871,413
Prepayments and accrued income	132,437	27,059
	<u>73,457,324</u>	<u>76,187,956</u>

DORLING KINDERSLEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

14. Debtors (continued)

Amounts owed by group undertakings are unsecured, interest free and repayable on demand. Included in the balance is £62,077,974 (2020: £61,249,972) owed by The Book Service Limited ("TBS"). These amounts include trade debtor balances which are held in TBS. As of 31 December 2021, amounts owed by TBS are stated after provision for impairment of £897,148 (2020: £1,075,362).

As of 31 December 2021, author advances of £10,507,146 (2020: £10,195,696) were reviewed for impairment. The amount of the provision was £8,218,114 (2020: £8,277,986). The net carrying values are included in other debtors.

15. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	8,602,375	14,024,048
Amounts owed to group undertakings	65,848,166	67,700,913
Other taxation and social security	278,652	209,872
Lease liabilities	2,168,776	-
Other creditors	304,014	96,722
Accruals and deferred income	22,631,204	20,052,224
	<u>99,833,187</u>	<u>102,083,779</u>

Amounts owed to group undertakings are unsecured and repayable on demand. Included within this is £50,410,407 (2020: £54,231,281) in respect of cash pooling agreements with Bertelsmann UK Limited. These amounts incur interest on a monthly basis; the interest rate ranges from 0.05% to 2.79% for the year (2020: ranged from 0.05% to 2.79%).

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

	2021 £	2020 £
Lease liabilities	15,671,791	19,000,916
Trade creditors	536,590	262,418
	<u>16,208,381</u>	<u>19,263,334</u>

DORLING KINDERSLEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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17. Leases

Company as a lessee

The Company has lease contracts for three office floors at Embassy Gardens, London ("EG"), used in the operations of the business.

On 26 May 2022, Dorling Kindersley exited the lease of the 8th Floor of Embassy Gardens through the reassignment of the lease to a third party.

This has been accounted for as a non-adjusting post balance sheet event. See note 24 for further analysis.

Lease liabilities are due as follows:

	2021 £	2020 £
Current	2,168,776	-
Non-current	15,671,791	19,000,916
	<u>17,840,567</u>	<u>19,000,916</u>

Contractual undiscounted cash flows are due as follows:

	2021 £	2020 £
Not later than one year	2,527,050	1,621,524
Between one year and five years	10,108,200	10,108,200
Later than five years	6,729,005	9,256,055
	<u>19,364,255</u>	<u>20,985,779</u>

There is not considered to be any significant liquidity risk in relation to lease liabilities.

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

	2021 £	2020 £
Interest expense on lease liabilities	<u>399,425</u>	<u>235,935</u>

DORLING KINDERSLEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

18. Provisions

	Dilapidation provision £	Returns provision £	Onerous contracts £	Total £
At 1 January 2021	889,560	1,743,292	-	2,632,852
Charged to profit or loss	(14,752)	1,926,282	255,880	2,167,410
Utilised in year	-	(1,743,292)	-	(1,743,292)
At 31 December 2021	874,808	1,926,282	255,880	3,056,970

Dilapidation provision

The company has provided for the estimated restoration costs on Embassy Gardens for any obligations arising on fit-out works completed at the year end. Any future restoration obligations will be recognised at the point the works are completed.

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 contract provision

As a result of the reassessment of lease and use of the 8th Floor at Embassy Gardens, provisions have been made for onerous contracts which exist in relation to its maintenance and an expected fixed rental payment required. The provision is expected to be utilised within 12 months from the balance sheet date.

19. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
1,023,583 (2020 - 1,023,583) Ordinary shares of £0.10 each	102,358	102,358

20. Reserves

Called up share capital

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

Share premium account

The share premium account is used to record the premium on shares issued.

Profit and loss account

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

DORLING KINDERSLEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

21. Related Parties

The Company's immediate parent is Penguin Random House Limited ("PRHL"). At the balance sheet date PRHL was wholly owned by Bertelsmann UK Limited.

The company's ultimate parent undertaking and controlling party is Bertelsmann SE & Co KGaA, which is incorporated in Germany, copies of whose consolidated financial statements (the smallest and largest financial statements in which the company is consolidated) can be obtained from:

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

The Company is wholly-owned by PRHL and as such has taken exemptions under the terms of FRS101, "Related party disclosures", from disclosing related party transactions with other wholly-owned subsidiaries within the Bertelsmann SE & Co KGaA group.

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.

22. Subsidiary undertakings

The Company had the following subsidiary undertakings as at 31 December 2021.

Name	Registered office	Class of shares	Holding
Dorling Kindersley Vision Limited	One Embassy Gardens, 8 Viaduct Gardens, London, SW11 7BW	Ordinary	100 %
Funfax Limited	One Embassy Gardens, 8 Viaduct Gardens, London, SW11 7BW	Ordinary	100 %

All subsidiary undertakings are dormant entities and have nil (2020: nil) carrying value.

23. Commitments

There are commitments to authors for the payment of royalty advances amounting to £1,263,761 at 31 December 2021 (2020: £794,554). Together with the advances already paid these will be charged against sales of future accounting periods as the books are published.

DORLING KINDERSLEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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24. Post Balance Sheet events

Leases

On 26 May 2022, Dorling Kindersley exited the lease of the 8th Floor of Embassy Gardens through the reassignment of the lease to a third party. The reassignment released DK from all future obligations relating to the lease payments and resulted in the disposal of the right of use property and related asset. As part of the negotiations, a reverse premium became payable as part of the exit of the lease which has been considered as part of management's IAS 36 impairment assessment of the right of use property and related assets.

This has been accounted for as a non-adjusting post balance sheet event.

As at 31 December 2021 the balance sheet/income statement positions were as follows:

Balance Sheet	2021
	£
Lease Liability (Intercompany Balance)	6,086,782
Right-of-use asset	3,995,203
Onerous Provision of contracts	255,880
 Income Statement	
Impairment of right-of-use asset	1,308,923
Impairment of tangible fixed assets	1,785,891
Onerous provision costs	255,880

The Company still occupies the 6th and 7th floor of the above building, and the arrangements have not altered in result to the above event.

Acquisition of a company

On the 1st August 2022 DK acquired 100% of the shares of Phonic Books Ltd a company limited by shares and registered in the United Kingdom. The purchase supports the Company's wider growth strategy and presence in the education market.