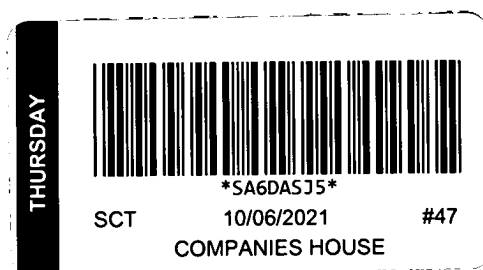


Registration number: SC027389

HarperCollins Publishers Limited

Report and financial statements
for the year ended 30 June 2020



HarperCollins Publishers Limited

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HarperCollins Publishers Limited

Strategic Report for the Year Ended 30 June 2020

The directors present their Strategic Report and the financial statements of the company for the year ended 30 June 2020.

Principal activity and business review

The principal activity of the company is the publishing of printed books, ebooks and audio content along with the ancillary services of warehousing and distribution. HarperCollins distributes these products in the UK and internationally through a combination of in-house subsidiaries and marketing teams as well as third party distributors.

HarperCollins Publishers Ltd is the second largest consumer book publisher in the world, with operations in 17 countries. With more than 120 branded imprints around the world, HarperCollins publishes approximately 10,000 new books every year in 17 languages and has a print and digital catalogue of more than 200,000 titles.

HarperCollins UK has a heritage stretching over 200 years to when William Collins established his bible, atlas and dictionary publishing business in Glasgow in 1819. The business publishes a wide range of books, digital and audio products. Its publishing includes the biggest names in commercial fiction genres including romance, thrillers, historical fiction, science-fiction and fantasy, alongside award-winning literary fiction. Its non-fiction division covers everything from politics and current affairs, history, biographies, popular science and natural history, to sport, entertainment and travel, and its education and reference titles include maps, atlases, dictionaries and a wide range of products for school and home-learning. The company is proud to publish some of the world's best known authors and personalities, including Hilary Mantel, Jonathan Franzen, Chimamanda Ngozi Adichie, Bernard Cornwell, Barbara Taylor Bradford, Jeffery Deaver, Karin Slaughter, Stuart MacBride, Adele Parks, Josephine Cox, George RR Martin, Cecelia Ahern, Nigel Slater, Max Hastings, David Walliams, and Michael Morpurgo as well as the works of Michael Bond, Judith Kerr, Agatha Christie, JRR Tolkien and CS Lewis.

Whilst turnover was on a par with the prior year, there was significant growth within the ebook and downloadable audio channels, particularly in the fourth quarter, when the UK entered lockdown. This was offset by a small decline in the sale of physical books and an increase in retail support costs. This revenue shift had a positive impact on operating expenses, where production costs were reduced relating to the increase in digital sales. Cost savings were also made with a considerable reduction to travel and entertaining costs during the lockdown period. The combination of higher digital sales and reduction in cost primarily drove the £8,260,000 increase in Profit before Tax.

During the year, our publishing highlights were as follows. In Fiction, the final volume of Hilary Mantel's Wolf Hall trilogy, *The Mirror & the Light*, was released just prior to lockdown to critical acclaim and commercial success, selling over 210k across formats in the period. Other bestsellers came from authors including Gill Sims (*Why Mummy Doesn't Give A ****!*), Bernard Cornwell (*Sword of Kings*), Kimberley Chambers (*Queenie*), Fern Britton (*Daughters of Cornwall*), Lucy Foley (*The Guest List*), Adele Parks (*Just My Luck*), and Cecelia Ahern (*Postscript*). Non-fiction highlights included Ant Middleton (*The Fear Bubble*), Former Prime Minister David Cameron (*For the Record*), James Smith (*Not a Diet Book*), Max Hastings (*Chastise*), Sam Warburton (*Open Side*), Ross Edgley (*The Art of Resilience*), Craig Brown (*One, Two, Three, Four: The Beatles in Time*). Children's - David Walliams had three No.1 bestsellers in the year: the Christmas No.1 *The Beast of Buckingham Palace*, *The World's Worst Teachers* and *Slime*. Other bestsellers came from David Baddiel (*The Taylor Turbochaser*) Judith Kerr (*The Tiger Who Came to Tea*) and Derek Landy (*Skulduggery Pleasant: Seasons of War*).

The Collins division continued its established strategy of developing education and reference books, resources and data. The division performed strongly in the year, with highlights including high sales of the Collins Big Cat series due to schools demand for reading materials, and consumer demand for the Collins Easy Learning series as parents turned to our market leading resources during the period of lockdown.

HarperCollins Publishers Limited

Strategic Report for the Year Ended 30 June 2020 (continued)

Principal activity and business review (continued)

Achievements in the year included winning two awards at the British Book Awards 2020: Imprint of the Year went to Avon, and the Children's Fiction Book of the Year went to A Good Girl's Guide to Murder by Holly Jackson (Egmont Books). Valeria Luiselli's novel Lost Children Archive (4th Estate) won the £30,000 Rathbones Folio prize. Amrou Al-Kadhi won a Somerset Maugham Award for Non-fiction for their memoir, Life as a Unicorn (4th Estate). In the Irish Book Awards, Jane Casey won the Crime Fiction Book of the Year award for Cruel Acts (HarperFiction), and Andrea Corr won Popular Non-fiction Book of the Year for Barefoot Pilgrimage (HarperNonFiction). George R.R. Martin received the International Recognition award. In the charts, HarperCollins had 17 overall Sunday Times No.1 bestsellers, and 84 Top Ten titles. In the Sunday Times Children's chart, David Walliams occupied the No.1 spot for 33 out of 52 weeks of the year. A co-production between HarperCollins and Lupus Films of an animated animation of The Tiger Who Came to Tea was watched by 5.2 million people when it premiered on Channel 4 in the UK on Christmas Eve, and later won Best Animation at the International Emmy Kids Awards.

HarperCollins' commitment to diversity and inclusivity in publishing was recognised when it was included on the Social Mobility Foundation's Social Mobility Employer Index 2019, which listed the Top 75 UK employers who had taken the most action on social mobility in the workplace during the year. The company ran its BAME traineeship for the fourth time, bringing diverse new talent into the organisation, and its new Talent and Audience Development Manager joined the company to help HarperCollins reach new talent and customers from diverse communities and backgrounds. The winner of the fourth Guardian/4th Estate short story prize for BAME writers, Kandace Siobhan Walker was announced in September. HarperCollins continues to work with the Whizz-Kidz charity, which works to transform the lives of disabled children by providing vital equipment, skills and training they need at the right time in their lives, by raising funds and supporting in other ways such as work placements and author visits. In an industry-leading partnership HarperCollins, which has a total audio policy, provides audio recordings of every new narrative title free of charge to RNIB's Talking Books Library. HarperCollins has continued to support The Literacy Project, a Publishers Association initiative launched by HCUK CEO Charlie Redmayne in 2018. HarperCollins volunteers have been supporting literacy efforts in schools and nurseries in Glasgow and Stoke-on-Trent, and added the London borough of Southwark to its outreach programme during the year.

As the pandemic hit in spring 2020, HarperCollins began an effort to get books where they were needed most, working with charities, food banks, schools and retirement homes to make sure those in need had access to books during the lockdown period - by the end of the fiscal period HarperCollins had donated over 300,000 books.

Plans for Future Periods

The Children's publisher Egmont Books Limited was acquired by HarperCollins on 30th April 2020, continuing the strategy to seek growth through investment within Fiction & Children's trade publishing. Growing our debut authors and cherishing our established brands will be at the heart of everything we do. Within Collins Learning we will seek to continue the success of our reading scheme (Big Cat) within schools, capitalise on the growth seen in home learning sales during 2020, and maintain our focus on growing export markets across the globe with particular emphasis on Asia & the Caribbean.

HarperCollins Publishers Limited

Strategic Report for the Year Ended 30 June 2020 (continued)

Principal risks and uncertainties

The company's policy does not permit trading in any financial instruments. The company's principal financial instruments comprise cash, short term deposits and/or borrowings and forward currency contracts, the main purpose of which is to provide finance for its normal trading operations and to reduce the impact of currency exchange rate movements on trading results.

The company has various other financial instruments such as trade debtors and creditors that arise directly from its trading operations.

The main risks arising from the company's financial instruments are liquidity, foreign currency and credit risks. The company has clear policies for managing each of these risks, as summarised below:

a) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets. Investment is carefully controlled with authorisation limits operating at different levels up to board level and with hurdle rates of return and cash payback periods applied as part of the investment appraisal process.

b) Foreign currency risk

The company buys and sells goods and services denominated in currencies other than sterling. The company manages such receipts and payments through the operation of other denominated currency bank accounts and sterling settlement of foreign exchange contracts. As a result of the value of the company's non sterling revenues, purchases, financial assets and liabilities, cash flows can be affected significantly by movements in exchange rates.

The company seeks to mitigate its exposure to currency movements by entering into forward currency contracts, denominated in the same currency as the operating funds flow, to match the exposures anticipated in the business. The forward contracts are entered into on the basis of new orders and regularly updated forecast information on the level of trading in each denominated currency.

The company will seek to have all material current exposures matched to forward contracts, with a significant percentage of non current exposures matched for up to one year ahead and selectively beyond this.

c) Credit risk

Credit risk is being the risk of financial loss due to a counterparty's failure to honour its obligations arises principally in relation to transactions where the company provides goods and services on deferred credit terms.

Company policies are aimed at minimising such losses, and require that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Individual exposures are monitored with customers subject to credit limits to ensure the company's exposure to bad debts is not significant. Goods may be sold on a cash with order basis or subject to guaranteed letters of credit to mitigate credit risk.

Credit insurance is also operated on a selective customer basis.

In agreeing annual budgets, the company sets limits for debtors' days and doubtful debt expense against which performance is monitored and reported to senior management in order to reduce the likelihood of an unmanaged concentration of credit risk.

HarperCollins Publishers Limited

Strategic Report for the Year Ended 30 June 2020 (continued)

Principal risks and uncertainties (continued)

d) Covid-19

In January 2020, an outbreak of a new strain of coronavirus, COVID-19, was identified in Wuhan, China. The virus has spread globally including to the UK and Europe and the World Health Organization (WHO) declared COVID-19 a pandemic on 11 March 2020. Governments, the UK government among them, have imposed restrictions to reduce the risk of further spread of the disease - closing borders, ordering home quarantine and cancelling public events. To date the impact on Company revenues has not been significant, and the business has continued to operate productively with all office staff working from home and the warehouse remaining open albeit with significant changes to the ways of working to ensure social distancing and safety of the staff. The Company initially made a decision to furlough staff on full pay, but given the strength of the trading during Q2 of 2020 all staff have now returned to employment and the Company will not be seeking any payment from the Government. By ensuring appropriate health and safety measures have taken place the Company has enabled its Distribution Centre in Glasgow to remain open during the pandemic and with its key customers remaining open, the operational impact has been minimal. The directors have assessed the impact of COVID-19 on the Company, including a review of: the customer base, cash collection, revenue projections and costs.

At present, based on the impact of COVID-19 to date and actions taken the directors believe the company is in a strong position to continue to operate with minimal impact.

With the UK entering a third national lockdown in January 2021 as a result of increased positive Covid-19 cases, the impact on the UK retail sector remains high. However due to measures taken by the company in ensuring appropriate health and safety measures have taken place, the company has enabled its distribution centre in Glasgow to remain open during the pandemic and with its key customers remaining open, the operational impact has been minimal. Given how strongly the company traded throughout the initial lockdown and its management of cash collection afterwards, the directors believe the company is well placed to continue trading strongly throughout the latest lockdown and anticipate it will have minimal impact on its operations.

Section 172 of Companies Act 2006

Report on compliance with section 172 of Companies Act 2006

The Directors are well aware of their duty under s172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regards (amongst other matters) to:

- The likely consequences of any decision 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 operation on the community and the environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly between members of the company.

In pursuant of the above duty the directors have put in place the following measures to engage with the wider stakeholder group to enable a decision-making process that promotes the success of the Company for the benefit of its members as a whole.

Long term planning

The Company's planning process is built on a perpetually updated three year plan. This plan is key to decision making, ensuring strategic decisions made are in alignment with the mid and long term goals of the company.

Customers

The company actively engages with its end customers through author and genre specific events, moving to host these digitally following the impact of covid-19. There is also a strong focus on consumer insight, working to better understand emerging trends, and adapt to them as quickly as possible.

HarperCollins Publishers Limited

Strategic Report for the Year Ended 30 June 2020 (continued)

Suppliers

The company recognises the key role our suppliers take in the achievement of our goals, and strives to build long standing and mutually beneficial relationships with them. All third party suppliers must be onboarded via a third party risk management tool. The tool enables the company to better assess the risks of engaging with third parties and exists as part of a wider commitment to complete proportionate and risk-based due diligence on all third party relationships.

Employees

The company operates an employee forum, attended by members of the executive committee and representatives from all departments. They meet regularly to ensure a clear channel of communication between staff at all levels and the management team. The company undertakes regular staff surveys, and the results are fed back at executive level to teams, focusing on the survey take-aways most key to staff within those departments. Annual performance reviews and objective setting exercises are held with all employees, accompanied by check-in's during the year.

There are also a number of employee networks, including those focusing on diversity and inclusion, BAME representation, and working parents, all of whom are visible throughout the business. Prior to the impact of covid-19, regular staff updates were held, with executive committee members presenting on key topics such as company results, or the publication of our gender pay gap. Since March 2020 these sessions have moved online, to regular Town Hall style events, with significant time dedicated to open staff Q&A sessions with the CEO. The company recognises that employee engagement is vital to its long term success, and believes the platforms for engagement outlined above are contributing to a culture of employee satisfaction and long service.

Environment

The company is committed to managing the wider, social, environmental and economic impacts of its operations which includes the way it deals with its customers and manages sustainability issues in its supply chain.

Approved by the Board on 2 June 2021 and signed on its behalf by:



D. Alford
Director

HarperCollins Publishers Limited

Directors' Report For the year Ended 30 June 2020

The directors present their report and the financial statements for the year ended 30 June 2020.

Principal activities and business review

The principal activity of the company is the publishing of printed books, ebooks and audio content along with the ancillary services of warehousing and distribution. A detailed business review is provided within the Strategic Report.

Principle risks and uncertainties

A detailed review of liquidity, foreign currency and credit risk is documented within the Strategic Report, alongside the impact of Covid-19 on the operations and outlook of the Company.

Going concern

The Directors have assessed a number of factors as set out below and have concluded there is a reasonable expectation that the Company has adequate financial resources to continue to operate for the foreseeable future.

Current financial position:

At the balance sheet date the Company had:

- Net current assets of £309m
- Cash of £28m
- No external debt.

The impact of Covid-19 has been emphasised in the principal risks and uncertainties section of the Strategic report.

The company has outperformed its forecasts for all of March 2020, April 2020 and May 2020 and generated over £8.5m more cash than forecast despite having to give payment holidays to smaller UK and Export customers (generally giving an additional two or three months to pay), the Company is forecasting to hit its budgeted cash target for the year. The strength of the Education home learning titles, the growth in ebook and downloadable audio, together with the strong performance of key customers that have remained open during the pandemic, it has meant the overall impact has been lower than initially anticipated. The Company has also adopted a headcount freeze and cancelled all T&E to manage its cost base.

Therefore, the current impact of lockdown has been less than initially anticipated, and the Company has performed at least as well as it was forecasting before the pandemic impacted, and during the period have successfully completed the acquisition of Egmont Books UK Ltd.

As at December 2020 the business had over £48m in easily accessible cash deposits at various banks. This represents a £30m increase since the financial year end. The latest cashflow forecast demonstrates hitting or beating cash targets, and therefore the Directors are confident that the business has sufficient cash to survive a severe reduction in customer receipts as a result of Covid-19.

With the UK entering a third national lockdown in January 2021 as a result of increased positive Covid-19 cases, the impact on the UK retail sector remains high. However due to measures taken by the company in ensuring appropriate health and safety measures have taken place, the company has enabled its distribution centre in Glasgow to remain open during the pandemic and with its key customers remaining open, the operational impact has been minimal. Given how strongly the company traded throughout the initial lockdown and its management of cash collection afterwards, the directors believe the company is well placed to continue trading strongly throughout the latest lockdown and anticipate it will have minimal impact on its operations.

Based on the above Directors have concluded that the Company has adequate resources to continue operating for the foreseeable future and therefore have adopted the Going Concern basis in preparing the Statutory Accounts.

HarperCollins Publishers Limited

Directors' Report (continued) For the year Ended 30 June 2020

Results and dividends

The profit for the year, after taxation, amounted to £24,755,000 (2019 - £15,809,000).

The directors do not recommend a dividend (2019 - £Nil).

Streamlined Energy & Carbon Reporting (SECR)

	2020	2019
UK Energy Use (kWh)	20,362,144	23,077,275
Associated Greenhouse Gas Emissions (Tonnes CO2 equivalent)	4,100	4,822
Total square meters of leased space	81,531	81,531
Intensity Ratio (emissions per square meters)	0.0503	0.0591

UK energy use covers electricity, natural gas and onsite diesel fuel consumption for the fully owned offices and warehouses in Glasgow and Honley that HCP have staff and operations based. It does not include our London, Manchester or Dublin offices for which we are sub tenants and the data for HarperCollins use is not available.

HarperCollins does not have any transport energy to report for the above referenced periods. Company cars and grey fleet are not utilised, and all business travel is undertaken on public transport.

In the past year, the energy efficiency actions that were taken include working with the landlords to maximize energy efficiencies of the Building Management System for the lighting, heating and air conditioning of the leased spaces.

Associated greenhouse gases have been calculated using the Greenhouse Gas Protocol methodology established by the World Resources Institute and the World Business Council for Sustainable Development, however the FY2020 data is preliminary and currently undergoing a third party verification review. Final third-party verified data for FY2020 will be posted in March 2021 at www.newscorp.com/gei.

Employment of disabled persons

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

The company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the year, the policy of providing employees with information about the company has continued and employees are encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

HarperCollins Publishers Limited

Directors' Report (continued) For the year Ended 30 June 2020

Directors

The directors who held office during the year were as follows:

K. R. Murdoch

B. Murray

C. G. M. Redmayne

J. Gervasio

S. Dowson-Collins - Company secretary and director

D. Alford

The Articles of Association do not require directors to retire either by rotation or in the year of appointment.

Directors' responsibilities statement

The directors acknowledge their responsibilities for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

HarperCollins Publishers Limited

**Directors' Report (continued)
For the year Ended 30 June 2020**

Auditor

The directors have passed a resolution to dispense with the requirement to reappoint auditors annually. Ernst & Young LLP are deemed to be reappointed as auditor in the absence of a notice that the appointment is to be terminated.

Approved by the Board on 2 June 2021 and signed on its behalf by:



D. Alford
Director

Registered office:
103 Westerhill Road
Bishopbriggs
Glasgow
G64 2QT

Independent Auditor's Report to the Members of HarperCollins Publishers Limited

Opinion

We have audited the financial statements of HarperCollins Publishers Limited for the year ended 30 June 2020 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 30 June 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Members of HarperCollins Publishers Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

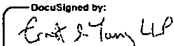
Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

DocuSigned by:


Paul Copland (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor, Edinburgh

2 June 2021

HarperCollins Publishers Limited**Profit and Loss Account
For the year ended 30 June 2020**

	Note	2020 £ 000	2019 £ 000
Turnover	3	199,832	199,543
Net operating expenses	4	<u>(176,516)</u>	<u>(181,796)</u>
Operating profit	5	<u>23,316</u>	<u>17,747</u>
Interest receivable	8	1,160	1,126
Dividend income	9	2,542	-
Interest payable	10	(1,128)	(1,240)
Other finance charges	11	<u>(891)</u>	<u>(894)</u>
		<u>1,683</u>	<u>(1,008)</u>
Profit before tax		24,999	16,739
Taxation	12	<u>(244)</u>	<u>(930)</u>
Profit for the year		<u><u>24,755</u></u>	<u><u>15,809</u></u>

The above results were derived from continuing operations.

**Statement of Comprehensive Income
For the year ended 30 June 2020**

	2020 £ 000	2019 £ 000
Profit for the year	<u>24,755</u>	<u>15,809</u>
Actuarial loss recognised on defined benefit pension schemes	(1,677)	(6,373)
Deferred tax credit/(charge) on actuarial (loss)/gain on defined benefit pension schemes	319	1,211
Restriction on surplus	(1,291)	3,470
Deferred tax (charge)/credit on restriction of surplus	245	(659)
Currency translation differences on foreign currency loans and deferred trading balances	<u>39</u>	<u>3</u>
	<u>(2,365)</u>	<u>(2,348)</u>
Total comprehensive income for the year	<u><u>22,390</u></u>	<u><u>13,461</u></u>

The notes on pages 15 to 35 form part of these financial statements.

HarperCollins Publishers Limited
Registered number: SC027389

Balance Sheet as at 30 June 2020

	Note	2020 £ 000	2019 £ 000
Fixed assets			
Intangible assets	13	6,337	8,571
Tangible assets	14	6,273	5,795
Investments	15	69,366	45,606
		<u>81,976</u>	<u>59,972</u>
Current assets			
Stocks	16	26,715	27,429
Debtors	17	392,913	378,647
Cash at bank and in hand		18,730	28,200
		<u>438,358</u>	<u>434,276</u>
Creditors: Amounts falling due within one year	19	<u>(129,416)</u>	<u>(122,803)</u>
Net current assets		<u>308,942</u>	<u>311,473</u>
Total assets less current liabilities		390,918	371,445
Provisions for liabilities	20	<u>(6,929)</u>	<u>(7,862)</u>
Net assets excluding pension liability		383,989	363,583
Defined benefit pension scheme liability	22	<u>(9,226)</u>	<u>(10,496)</u>
Net assets		<u>374,763</u>	<u>353,087</u>
Capital and reserves			
Called up share capital	23	13,245	13,245
Share premium reserve		23,782	23,782
Share-based payment reserve		(57)	657
Other reserves		(72,486)	(72,486)
Profit and loss account		<u>410,279</u>	<u>387,889</u>
Shareholders' funds		<u>374,763</u>	<u>353,087</u>

Approved and authorised by the Board on 2 June 2021 and signed on its behalf by:

Dalford

D. Alford

Director

The notes on pages 15 to 35 form part of these financial statements.

HarperCollins Publishers Limited**Statement of Changes in Equity
For the year ended 30 June 2020**

	Share capital £ 000	Share premium £ 000	Share based payment reserve £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 July 2019	13,245	23,782	657	(72,486)	387,889	353,087
Profit for the year	-	-	-	-	24,755	24,755
Other comprehensive loss	-	-	-	-	(2,365)	(2,365)
Total comprehensive income for the year	-	-	-	-	22,390	22,390
Share based payment transactions	-	-	336	-	-	336
Cash settlement of share based payments	-	-	(1,050)	-	-	(1,050)
At 30 June 2020	13,245	23,782	(57)	(72,486)	410,279	374,763

**Statement of Changes in Equity
For the year ended 30 June 2019**

	Share capital £ 000	Share premium £ 000	Share based payment reserve £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 July 2018	13,245	23,782	749	(72,486)	374,428	339,718
Profit for the year	-	-	-	-	15,809	15,809
Other comprehensive loss	-	-	-	-	(2,348)	(2,348)
Total comprehensive income for the year	-	-	-	-	13,461	13,461
Share based payment transactions	-	-	551	-	-	551
Cash settlement of share based payments	-	-	(643)	-	-	(643)
At 30 June 2019	13,245	23,782	657	(72,486)	387,889	353,087

HarperCollins Publishers Limited

Notes to the Financial Statements For the year ended 30 June 2020

1 General information

The company is a limited liability company incorporated in the United Kingdom under the Companies Act.

The address of its registered office is:

103 Westerhill Road
Bishopbriggs
Glasgow
G64 2QT

The nature of the company's operations and its principal activities are set out in the Strategic Report on page 1.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

The company maintains a 52/53 week financial year ending on the Sunday nearest to 30 June in each year. All references to 30 June 2019, 30 June 2018 and 30 June 2017 relate to the 52 week periods ended 30 June 2019, 1 July 2018 and 2 July 2017, respectively. For convenience purposes, the company continues to date its financial statements as of 30 June. The financial statements are presented in pounds sterling which is the functional currency of the company, and rounded to the nearest £'000.

Summary of disclosure exemptions

FRS 102 paragraph 1.12 allows a qualifying entity certain disclosure exemptions, subject to certain conditions which have been complied with, including notification of and no objection to the use of exemptions by the company's shareholders. The equivalent disclosures are included in the consolidated financial statements of News Corporation, the ultimate parent undertaking.

The company has taken advantage of the following exemptions:

- (a) From preparing a statement of cash flows and related notes as required by Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d);
- (b) From the financial instruments disclosures as required by FRS 102 paragraphs 11.42 to 11.48A and paragraphs 12.26 to 12.27, 12.29 (a) & (b) and 12.29A, including:

HarperCollins Publishers Limited

Notes to the Financial Statements For the year ended 30 June 2020 (continued)

2 Accounting policies (continued)

Summary of disclosure exemptions (continued)

- categories of financial instruments;
 - items of income, expenses, gains or losses relating to financial instruments; and
 - exposure to and management of financial risks.
- (c) From disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7.

Related party transactions

As a wholly owned subsidiary undertaking of News Corporation whose financial statements are publicly available, the company has taken advantage of the exemption in FRS 102 Section 33 'Related Party Disclosures' not to disclose transactions with other wholly owned members of the group headed by News Corporation.

Going concern

The directors have assessed a number of factors as set out below and have concluded there is a reasonable expectation that the company has adequate financial resources to continue to operate for the foreseeable future.

Current financial position:

At the balance sheet date the Company had:

- o Net current assets of £353m
- o Cash of £28m
- o No external debt.

The impact of Covid-19 has been emphasised in the principal risks and uncertainties section of the Strategic report.

The company has outperformed its forecasts for all of March 2020, April 2020 and May 2020 and generated over £8.5m more cash than forecast despite having to give payment holidays to smaller UK and Export customers (generally giving an additional two or three months to pay), the Company is forecasting to hit its budgeted cash target for the year. The strength of the Education home learning titles, the growth in ebook and downloadable audio, together with the strong performance of key customers that have remained open during the pandemic, it has meant the overall impact has been lower than initially anticipated. The Company has also adopted a headcount freeze and cancelled all T&E to manage its cost base.

Therefore, the current impact of lockdown has been less than initially anticipated, and the Company has performed at least as well as it was forecasting before the pandemic impacted, and during the period have successfully completed the acquisition of Egmont Books UK Ltd.

As at December 2020 the business had over £48m in easily accessible cash deposits at various banks. This represents a £30m increase since the financial year end. The latest cashflow forecast demonstrates hitting or beating cash targets, and therefore the Directors are confident that the business has sufficient cash to survive a severe reduction in customer receipts as a result of Covid-19.

With the UK entering a third national lockdown in January 2021 as a result of increased positive Covid-19 cases, the impact on the UK retail sector remains high. However due to measures taken by the company in ensuring appropriate health and safety measures have taken place the company has enabled its distribution centre in Glasgow to remain open during the pandemic and with its key customers remaining open, the operational impact has been minimal. Given how strongly the company traded throughout the initial lockdown and its management of cash collection afterwards, the directors believe the company is well placed to continue trading strongly throughout the latest lockdown and anticipate it will have minimal impact on its operations.

HarperCollins Publishers Limited

Notes to the Financial Statements For the year ended 30 June 2020 (continued)

2 Accounting policies (continued)

Going concern (continued)

Based on the above Directors have concluded that the Company has adequate resources to continue operating for the foreseeable future and therefore have adopted the Going Concern basis in preparing the Statutory Accounts.

Consolidated financial statements

Under Section 401 of the Companies Act 2006 the company is exempt from the requirement to prepare and deliver group financial statements since it is a wholly owned subsidiary of News Corporation which is incorporated in the United States of America and prepares consolidated financial statements. Accordingly, these financial statements present information about the company as an individual undertaking and not about its group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company, and value added taxes. Revenue receivable after more than one year is discounted back to net present valuing using an appropriate discount rate to reflect the time value of money.

The company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably and (d) it is probable that future economic benefits will flow to the entity. Specific revenue recognition criteria also apply depending on the revenue stream, as described below:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, on dispatch of the goods or upon publication date of the title whichever is the later.

Subsidiary rights

Income derived from the granting of publishing and other subsidiary rights to third parties is recognised on a cash basis as other operating income.

Rendering of services

Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest receivable and payable

Interest receivable and payable is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Operating leases

Operating lease rentals are charged to net operating expenses on a straight-line basis over the term of the lease.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

HarperCollins Publishers Limited

Notes to the Financial Statements For the year ended 30 June 2020 (continued)

2 Accounting policies (continued)

Tax

Taxation expense for the reporting period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax, including UK corporation tax and foreign tax, is the amount payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax assets are considered as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits in the foreseeable future against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Intangible assets

Intangible assets consist of internal use software, and 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. All intangible assets are considered to have a finite useful life.

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Internal use software	3 years
Publishing rights	5 - 10 years
Goodwill	10 years

Tangible assets

Tangible fixed assets are stated at cost or deemed cost at date of transition in accordance with FRS 102 paragraph 35.10(d) less accumulated depreciation and accumulated impairment losses.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. When an impairment review is undertaken, the recoverable amount is calculated as the net present value of expected future cash flows of the relevant cash generating unit.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the expected useful life of that asset as follows:

Freehold property	20 years
Leasehold buildings	Term of lease
Plant and equipment	10 years maximum

HarperCollins Publishers Limited

Notes to the Financial Statements For the year ended 30 June 2020 (continued)

2 Accounting policies (continued)

Investments

Investments in subsidiaries are recorded at cost and adjusted for any impairment provisions. When an impairment has been identified, it is reflected in the profit and loss account.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost consists of the purchase price of direct materials or completed books. Provision is made for slow moving, obsolete or damaged items where appropriate.

Work in progress and publishing plant are valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Debtors

Short term debtors are measured at the 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Advances

Advances are written down to the extent that they are not expected to become earned in the future.

Pensions

The company operated two defined benefit pension schemes, which required contributions to be made to administered funds until the decision to close both pension schemes was effected on 31 December 2012. The UK schemes were closed to new members in April 2002 from which time membership of a defined contribution plan was available. A new defined contribution plan was introduced on 1 January 2013 for all members of the schemes.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in the profit and loss account on a straight line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occurs the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the profit and loss account. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transactions.

HarperCollins Publishers Limited

Notes to the Financial Statements For the year ended 30 June 2020 (continued)

2 Accounting policies (continued)

Pensions (continued)

The interest element of the defined benefit cost represents the change in present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate of the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the income statement as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of recognised gains and losses in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

Share based payments

The company operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the entity. The fair value of the employee services received is measured by reference to the estimated fair value at the grant date of equity instruments granted and is recognised as an expense over the vesting period. The estimated fair value of the option granted is calculated using the Black Scholes option pricing model. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Critical judgements in applying the company's accounting policies

No critical judgements in applying the company's accounting policies have been identified in the current or preceding year.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Recoverability of deferred tax assets

The company makes estimates regarding the recoverability of deferred tax assets which are, by their nature, uncertain. The deferred tax asset recognised at 30 June 2020 was £5,100,000 (30 June 2019 - £4,032,000).

HarperCollins Publishers Limited

Notes to the Financial Statements For the year ended 30 June 2020 (continued)

2 Accounting policies (continued)

b) Valuation of pension liabilities

The cost of defined benefit pensions plans is determined using actuarial valuations prepared by the company's actuaries. This involves making certain assumptions concerning discount rates, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The assumptions and the resulting estimates are reviewed annually and, when appropriate, changes are made which affect the actuarial valuations and, hence, the amount of retirement benefit expense recognised in the profit and loss account and the amounts of actuarial gains and losses recognised in the Statement of Changes in Equity. The carrying amount of the retirement benefit obligation at 30 June 2020 was a deficit of £ 9,226,000 (2019 - deficit of £10,496,000). Further details are given in note 22.

3 Revenue

Turnover is the total of goods and services invoiced to customers and is exclusive of value added tax and trade discounts.

Turnover and operating profit is attributable to book publishing and related activities.

Turnover by origin was all from the United Kingdom.

The analysis of the company's turnover for the year by market is as follows:

	2020 £ 000	2019 £ 000
United Kingdom	145,237	141,713
Europe	11,352	11,516
North America	14,623	14,096
Australia	13,516	14,555
New Zealand	776	549
Africa	2,168	2,857
Middle East	2,769	2,981
Other export markets	9,391	11,276
	<u>199,832</u>	<u>199,543</u>

4 Net operating expenses

	2020 £ 000	2019 £ 000
Change in stocks of finished goods and work in progress	868	(5,356)
Raw materials and consumables used	92,559	104,726
Staff costs	53,686	53,892
Amortisation expense	2,495	2,445
Depreciation expense	595	589
Other operating charges	37,192	36,359
Other operating income	(10,879)	(10,859)
	<u>176,516</u>	<u>181,796</u>

HarperCollins Publishers Limited**Notes to the Financial Statements
For the year ended 30 June 2020 (continued)****5 Operating profit**

Arrived at after charging/(crediting)

	2020	2019
	£ 000	£ 000
Depreciation expense	595	589
Amortisation of intangible assets	2,495	2,445
Foreign exchange gains	(699)	(1,489)
Operating lease expense - plant and machinery	122	169
Operating lease expense - other	7,410	7,410
Auditor's remuneration	149	128
Auditor's remuneration - non-audit	<u>5</u>	<u>20</u>

6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020	2019
	£ 000	£ 000
Wages and salaries	43,150	42,142
Social security costs	4,093	3,871
Other pension costs	3,018	4,210
Share-based payment expenses	336	551
Other staff costs	<u>3,089</u>	<u>3,118</u>
	<u>53,686</u>	<u>53,892</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2020	2019
	No.	No.
Distribution	295	297
Administration	147	149
Selling	143	144
Publishing	<u>335</u>	<u>326</u>
	<u>920</u>	<u>916</u>

HarperCollins Publishers Limited

Notes to the Financial Statements For the year ended 30 June 2020 (continued)

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £ 000	2019 £ 000
Remuneration	<u>1,610</u>	<u>1,624</u>

During the year retirement benefits were accruing to 3 directors (2019 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration (excluding pension contributions) of £961,000 (2019 - £980,000).

Benefits are accruing under a defined benefit pension scheme and at the year end the accrued pension amounted to £Nil (2019 - £Nil).

The number of directors in respect of whose qualifying shares were received under long term investment plans was 1 (2019 - 1).

8 Interest receivable

	2020 £ 000	2019 £ 000
Interest on amounts due from group undertakings	1,014	1,014
Interest income on bank deposits	<u>146</u>	<u>112</u>
	<u>1,160</u>	<u>1,126</u>

9 Dividend income

	2020 £ 000	2019 £ 000
Dividends from subsidiary undertakings	<u>2,542</u>	<u>-</u>

10 Interest payable

	2020 £ 000	2019 £ 000
Interest on amounts payable to group undertakings	1,000	1,000
Interest payable to fellow subsidiary undertakings	122	206
Other interest	<u>6</u>	<u>34</u>
	<u>1,128</u>	<u>1,240</u>

HarperCollins Publishers Limited**Notes to the Financial Statements
For the year ended 30 June 2020 (continued)****11 Other finance charges**

	Note	2020 £ 000	2019 £ 000
Unwinding of discount on surplus property provisions	20	943	1,043
Net finance income in respect of defined benefit pension schemes	22	(52)	(149)
		<u>891</u>	<u>894</u>

12 Taxation

Tax charged in the income statement

	2020 £ 000	2019 £ 000
Foreign tax	376	243
Deferred taxation		
Origination and reversal of timing differences	273	817
Prior year adjustment	101	(102)
Impact of rate change on deferred tax	(506)	(28)
Total deferred taxation	<u>(132)</u>	<u>687</u>
Tax expense	<u>244</u>	<u>930</u>

HarperCollins Publishers Limited

Notes to the Financial Statements For the year ended 30 June 2020 (continued)

12 Taxation (continued)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Profit before tax	24,999	16,739
Corporation tax at standard rate	4,750	3,180
Expenses not deductible for tax purposes	239	248
Impact of rate change on deferred tax	-	(28)
Other permanent differences	(177)	-
Adjustments in respect of prior periods	101	(102)
Adjustments to brought forward values	(513)	-
Remeasurement of deferred tax for changes in tax rate	(506)	-
Other short term timing differences	(558)	-
Effect of employee share options	-	(18)
Effect of group relief	(4,060)	(3,185)
Effect of transfer pricing adjustments	592	592
Overseas withholding tax	376	243
Total tax charge	244	930

Factors that may affect future tax charges

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%. Deferred taxes on the balance sheet have been measured at 19% (2019 - 17%) which represents the future corporation tax rate that was enacted at the balance sheet date.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end. If the company's deferred tax balances at the period end were remeasured at 25% this would result in a deferred tax charge of £1.6m.

HarperCollins Publishers Limited**Notes to the Financial Statements
For the year ended 30 June 2020 (continued)****13 Intangible assets**

	Goodwill £ 000	Publishing rights £ 000	Internal use software £ 000	Total £ 000
Cost				
At 1 July 2019	8,083	604	14,243	22,930
Additions acquired separately	-	-	261	261
At 30 June 2020	8,083	604	14,504	23,191
Amortisation				
At 1 July 2019	3,213	558	10,588	14,359
Amortisation charge	803	46	1,646	2,495
At 30 June 2020	4,016	604	12,234	16,854
Carrying amount				
At 30 June 2020	4,067	-	2,270	6,337
At 30 June 2019	4,870	46	3,655	8,571

HarperCollins Publishers Limited

Notes to the Financial Statements For the year ended 30 June 2020 (continued)

14 Tangible assets

	Land and buildings £ 000	Plant and equipment £ 000	Total £ 000
Cost or valuation			
At 1 July 2019	7,720	7,649	15,369
Additions	240	853	1,093
Disposals	(30)	-	(30)
At 30 June 2020	7,930	8,502	16,432
Depreciation			
At 1 July 2019	4,537	5,037	9,574
Charge for the year	460	135	595
Eliminated on disposal	(10)	-	(10)
At 30 June 2020	4,987	5,172	10,159
Carrying amount			
At 30 June 2020	2,943	3,330	6,273
At 30 June 2019	3,183	2,612	5,795

Included within the net book value of land and buildings above is £384,000 (2019 - £384,000) in respect of freehold land and buildings and £2,559,000 (2019 - £2,799,000) in respect of short leasehold land and buildings.

15 Investments

	2020 £ 000	2019 £ 000
Investments in subsidiaries	59,366	35,606
Loans to subsidiaries	10,000	10,000
	69,366	45,606

HarperCollins Publishers Limited**Notes to the Financial Statements
For the year ended 30 June 2020 (continued)****15 Investments (continued)**

Subsidiaries	£ 000
Cost	
At 1 July 2019	35,606
Additions	<u>23,760</u>
At 30 June 2020	<u>59,366</u>
Carrying amount	
At 30 June 2020	<u>59,366</u>
At 30 June 2019	<u>35,606</u>

The following were subsidiary undertakings of the company (all investment holdings are 100%):

HarperCollins Publishers India Limited (India) - Publishers
 Fourth Estate Limited (England & Wales) - Non trading
 William Collins Sons & Company Limited (England & Wales) - Non trading
 William Collins International Limited (England & Wales) - Non trading
 Letts Educational Limited (England & Wales) - Non trading
 Leckie & Leckie Limited (Scotland) - Non trading
 Bookarmy Limited (England & Wales) - Non trading
 Egmont Books UK Limited (England & Wales) - Publishers
 Harlequin Enterprises UK Limited (England and Wales) - Data processing
 * HarperCollins Publishers Australia Pty Limited (Australia) - Publishers
 * HarperCollins Publishers (New Zealand) Limited (New Zealand) - Publishers
 * HarperCollins Canada Limited (Canada) - Publishers
 * Held by a subsidiary undertaking

HarperCollins Publishers Limited

Notes to the Financial Statements For the year ended 30 June 2020 (continued)

16 Stocks

	2020	2019
	£ 000	£ 000
Raw materials and consumables	862	708
Work in progress	5,034	4,403
Finished goods and goods for resale	14,745	13,566
Publishing plant	6,074	8,752
	<u>26,715</u>	<u>27,429</u>

Stock recognised in net operating expenses during the year as an expense was £38,924,000 (2019 - £39,889,000).

An impairment gain of £66,000 (2019 - £759,000 loss) was recognised in net operating expenses against stock during the year due to slow-moving and obsolete stock. The stock provision at 30 June 2020 was £5,441,000 (2019 - £5,160,000).

17 Debtors

	Note	2020	2019
		£ 000	£ 000
Trade debtors		37,176	32,262
Amounts due from parent undertakings		212,614	212,557
Amounts due from subsidiary undertakings		93,660	89,912
Amounts due from fellow subsidiary undertakings		9	259
Advances		23,442	21,942
Other debtors		19,203	15,023
Prepayments and accrued income		1,709	2,660
Deferred tax assets	18	<u>5,100</u>	<u>4,032</u>
		<u>392,913</u>	<u>378,647</u>

Other Debtors includes £10.8m of amounts due after more than one year. These have been discounted back to net present value using a discount rate of 11%.

HarperCollins Publishers Limited

Notes to the Financial Statements For the year ended 30 June 2020 (continued)

18 Deferred tax

	2020 £ 000	2019 £ 000
At beginning of year	4,032	4,167
Charged for year (in P&L)	505	(687)
Charged for year (Other comprehensive income)	563	552
At end of year	<u>5,100</u>	<u>4,032</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2020 £ 000	2019 £ 000
Excess of taxation allowances over depreciation on fixed assets	915	429
Share-based payments	125	112
Other timing differences	2,307	1,707
Pension schemes	1,753	1,784
	<u>5,100</u>	<u>4,032</u>

A deferred tax asset has been recognised as the directors are of the opinion that the level of future taxable profits and deferred tax liabilities within the company will be sufficient to utilise the deferred tax asset being recognised.

19 Creditors

	2020 £ 000	2019 £ 000
Due within one year		
Trade creditors	12,294	11,828
Amounts due to parent undertakings	16,480	16,935
Amounts due to subsidiary undertakings	44,643	43,034
Sterling short term loans due to parent undertakings	4,000	4,000
Social security and other taxes	882	803
Royalty creditor	24,145	19,300
Other creditors and accruals	26,972	26,903
	<u>129,416</u>	<u>122,803</u>

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Notes to the Financial Statements For the year ended 30 June 2020 (continued)

20 Provisions

	Provision for property costs £ 000
At 1 July 2019	7,862
Utilised in year	(1,876)
Unwinding of discount on surplus property provision (note 11)	943
At 30 June 2020	<u>6,929</u>

The property provision relates to the company's Glasgow site. The provision reflects future rental costs in excess of market levels to the extent the full cost would make activities operated from the premise uneconomic. The utilisation in the year to 30 June 2020 of £1,876,000 (2019 - £1,876,000) is the excess rent for the Glasgow property.

21 Share-based payments

Performance Stock Units (PSUs)

Scheme details and movements

The performance stock units were granted to eligible employees who were awarded a target number of PSUs at the beginning of a 2 or 3 year performance period. The number of shares vesting after the completion of the 2 or 3 year performance period can range from 0% to 200% of the target award subject to the achievement of pre defined performance measures for the applicable performance period. The number of shares expected to vest is estimated based on management's determination of the probable outcome of the performance condition.

The movements in the number of share options during the year were as follows:

	2020 Number	2019 Number
Outstanding, start of period	159,954	166,910
Granted during the period	59,457	58,903
Forfeited during the period	(5,121)	(5,424)
Exercised during the period	(94,966)	(60,435)
Outstanding, end of period	<u>119,324</u>	<u>159,954</u>

HarperCollins Publishers Limited

Notes to the Financial Statements For the year ended 30 June 2020 (continued)

21 Share-based payments (continued)

The movements in the weighted average exercise price of share options during the year were as follows:

	2020 £	2019 £
Outstanding, start of period	10.72	10.77
Granted during the period	11.22	10.13
Forfeited during the period	13.05	10.37
Exercised during the period	11.03	10.33
Outstanding, end of period	<u>10.62</u>	<u>10.72</u>

The weighted average fair value of PSUs granted during the year was £11.22 (2019 - £10.13).

Effect of share-based payments on profit or loss and financial position

The total expense recognised in profit or loss for the year was £336,000 (2019 - £551,000).

22 Pension and other schemes

Defined benefit pension schemes

The company operates a Defined benefit pension scheme.

The company sponsors the HarperCollins Pensions and Life Assurance Scheme (the "Staff Scheme") and the HarperCollins Executive Pensions and Life Assurance Scheme (the "Executive Scheme") which are arrangements which provided benefits on a "defined benefit" basis until the schemes' closure to future accrual on 31 December 2012. Both schemes closed to new entrants with effect from 6 April 2002 and, following a consultation process with the members, the schemes were closed to future benefit accrual on 31 December 2012 subject to a salary link remaining in place in respect of the pensions revaluations of the Staff Scheme Employee Deferred Members. Prior to closing the scheme to future benefit accruals, the service cost increased as the remaining members approached retirement under the projected unit method. Following closure, no further benefits are accruing to members aside from pensions revaluations of the Staff Scheme Employee Deferred Members. The company will continue to provide contributions as required.

The company also sponsored an unfunded unapproved plan, which was also a defined benefit pension scheme, in which the actuarial assumptions adopted were the same as those used for the Staff and Executive Pension Schemes. The scheme closed on 30 June 2013.

A full actuarial valuation for both the staff scheme and the executive scheme was carried out as at 31 March 2014 by a qualified actuary. An updated valuation of these schemes for FRS 17 purposes was carried out by a qualified independent actuary as at 30 June 2018.

The total cost relating to defined benefit schemes for the year recognised in profit or loss as an expense was £897,296 (2019 - £2,131,867).

HarperCollins Publishers Limited**Notes to the Financial Statements
For the year ended 30 June 2020 (continued)****22 Pension and other schemes (continued)***Reconciliation of scheme assets and liabilities to assets and liabilities recognised*

The amounts recognised in the statement of financial position are as follows:

	2020	2019
	£ 000	£ 000
Fair value of scheme assets	305,973	288,007
Present value of defined benefit obligation	<u>(315,199)</u>	<u>(298,503)</u>
Defined benefit pension scheme deficit	<u>(9,226)</u>	<u>(10,496)</u>

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2020
	£ 000
Present value at start of year	298,503
Interest cost	6,646
Actuarial gains and losses	24,296
Benefits paid	<u>(14,246)</u>
Present value at end of year	<u>315,199</u>

Fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

	2020
	£ 000
Fair value at start of year	288,007
Interest income	6,698
Administrative expenses	(950)
Actuarial gains and losses	22,619
Employer contributions	5,136
Benefits paid	(14,246)
Restriction on surplus	<u>(1,291)</u>
Fair value at end of year	<u>305,973</u>

HarperCollins Publishers Limited

Notes to the Financial Statements For the year ended 30 June 2020 (continued)

22 Pension and other schemes (continued)

Analysis of assets

The major categories of scheme assets are as follows:

	2020 %	2019 %
Equity instruments	16.23	20.25
Debt instruments	66.79	66.50
Other	16.98	13.25

Return on scheme assets

	2020 £ 000	2019 £ 000
Return on scheme assets	22,619	10,752

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

Principal actuarial assumptions

The principal actuarial assumptions at the statement of financial position date are as follows:

	2020 %	2019 %
Discount rate	1.64	2.25
Future salary increases	2.75	3.25
Future pension increases	2.75	3.00
Inflation	3.00	3.25

Post retirement mortality assumptions

	2020 Years	2019 Years
Current UK pensioners at retirement age - male	21.56	21.47
Current UK pensioners at retirement age - female	24.00	23.83
Future UK pensioners at retirement age - male	22.93	22.83
Future UK pensioners at retirement age - female	25.53	25.33

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Notes to the Financial Statements For the year ended 30 June 2020 (continued)

23 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	£000	No.	£000
Ordinary of £0.25 each	15,978,482	3,995	15,978,482	3,995
Ordinary A of £0.25 each	37,001,102	9,250	37,001,102	9,250
	<u>52,979,584</u>	<u>13,245</u>	<u>52,979,584</u>	<u>13,245</u>

24 Commitments under operating leases

At 30 June 2019, the Company had future minimum lease payments under non cancellable operating leases as follows:

	2020	2019
	£ 000	£ 000
Not later than one year	7,532	7,580
Later than one year and not later than five years	29,744	29,795
Later than five years	<u>33,881</u>	<u>41,291</u>
	<u>71,157</u>	<u>78,666</u>

25 Parent and ultimate parent undertaking

The company's immediate parent is William Collins Holdings Limited, a company incorporated in England.

The ultimate parent is News Corporation, a company incorporated in Delaware in the United States.

The smallest and largest group in which the results of the company are consolidated is that headed by News Corporation, whose principal place of business is at 1211 Avenue of the Americas, New York, NY 10036. The consolidated financial statements are available to the public and may be obtained from 1 London Bridge Street, London, SE1 9GF.

26 Non adjusting events after the financial period

With the UK entering a third national lockdown in January 2021 as a result of increased positive Covid-19 cases, the impact on the UK retail sector remains high. However due to measures taken by the company in ensuring appropriate health and safety measures have taken place, the company has enabled its distribution centre in Glasgow to remain open during the pandemic and with its key customers remaining open, the operational impact has been minimal. Given how strongly the company traded throughout the initial lockdown and its management of cash collection afterwards, the directors believe the company is well placed to continue trading strongly throughout the latest lockdown and anticipate it will have minimal impact on its operations. Therefore the January 2021 lockdown is considered to be a non-adjusting event in this set of financial statements.