

Registration number: SC027389

HarperCollins Publishers Limited

Report and financial statements

for the year ended 30 June 2023



HarperCollins Publishers Limited

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HarperCollins Publishers Limited

Strategic Report for the year ended 30 June 2023

The directors present their Strategic Report and the financial statements of the company for the year ended 30 June 2023.

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 Limited 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.

The business publishes a wide range of books, digital and audio products. Its publishing includes the biggest names in commercial fiction, alongside award-winning literary fiction; its non-fiction covers everything from politics and current affairs, history, biographies, popular science and natural history, and lifestyle and entertainment; and its two specialist children's divisions publish picture books, children's fiction and non-fiction, annuals and YA, from many of the world's bestselling children's authors and brands. 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 Bernard Cornwell, Karin Sllaughter, Jonathan Franzen, Chimamanda Ngozi Adichie, Jeffrey Archer, Adele Parks, George RR Martin, Cecelia Ahern, Nigel Slater, Max Hastings, David Walliams, Joe Wicks and Michael Morpurgo, as well as the works of Hilary Mantel, AA Milne, Michael Bond, Judith Kerr, Agatha Christie and JRR Tolkien.

Turnover increased by £10m to £274m in the year (2022: £264m), mainly as a result of success in the Fiction and Farshore divisions. Print cost inflation, which started to hit as pre-existing deals came to and end in the second half of the prior financial year, continued to impact, alongside substantial inflation in energy costs alongside other overheads. Whilst revenues increased overall, revenue from the phonics based primary reading scheme Little Wandle, launched in the prior year, reduced. This revenue stream comes with a higher than average margin, and this combined with cost inflation had an adverse impact on profitability. The company achieved an profit before tax of £34.5m, a reduction of £2.3m on the prior year (2022: £36.8m).

During the year, HarperCollins's publishing highlights were as follows. In Fiction, Rebecca F Kuang had huge hits with both 'dark academia' novel *Babel* and publishing industry satire *Yellowface*: other successes came from Jeffrey Archer (*Next in Line*), JRR Tolkien (*The Fall of Numenor*), *Marple*, an anthology of new stories about featuring Agatha Christie's iconic sleuth, Dilly Court, who had 2 new bestsellers (*Dolly's Dream* and *Snow Bride*), Sally Page (*The Keeper of Stories*), and Bella Mackie, whose *How to Kill Your Family* has now sold over 1 million copies. Non-fiction bestsellers came from Davina McCall with Dr Naomi Potter (*Menopausal*), Jay Shetty (*8 Rules of Love*), Max Hastings (*Abyss*), James Smith (*How To Be Confident*), Ant Middleton (*The Wall*) and Jeremy Lee (*Cooking*). In Children's David Walliams had 3 *Sunday Times* No.1s (*Spaceboy*, *Robodog* and *The World's Worst Pets*) – with *Spaceboy* overall market No.1. Other bestsellers included BB Alston's *Amari and the Great Game*, Judith Kerr's perennial *The Tiger Who Came to Tea*, and annuals for Minecraft, Roblox and Pokemon. YA bestsellers came from Holly Jackson (*A Good Girl's Guide to Murder* series and *Five Survive*), Tahereh Mafi (*Shatter Me* series), and Alice Oseman (*Solitaire*, *Nick and Charlie*).

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Strategic Report for the year ended 30 June 2023 (continued)

Principal activity and business review (continued)

Education and reference division Collins saw continued success in the UK schools channel, led by ongoing demand for the Little Wandle Letters and Sounds Revised systematic synthetic phonics programme in primary schools across the country. Collins also saw significant growth in international sales across the Caribbean, Europe, Middle East, Asia and Oceania. Collins completed the acquisition and integration of Barrington Stoke Limited, which publishes dyslexia-friendly fiction and non-fiction for children, in 2023, providing further opportunities for growth in the UK and internationally.

Achievements in the year included winning 6 British Book Awards. *Menopausal* won Non-fiction: Lifestyle and Overall Book of the Year, *Babel* won Fiction Book of the Year, Voyager won Imprint of the Year and its publisher Natasha Bardon won Editor of the Year, and HarperCollins won the British Book Award for Export. HarperCollins titles also won three Irish Book Awards, including Overall Irish Book of the Year for *My Fourth Time, We Drowned*. Collins won several important industry awards during the year including at the National Tutoring Awards (Best Educational Resources for Tuition), BETT Awards (Secondary Digital Learning Product), and Teach Secondary Awards (Curriculum Impact Award). HarperCollins also won Radio Production Company of the Year at the New York Festivals Radio Awards. HarperCollins UK had 16 *Sunday Times* No.1s and 99 *Sunday Times* bestsellers, and 1 overall market No.1. David Walliams spent 14 weeks a No.1 in the *Sunday Times* children's chart.

The HarperCollins Author and Design Academy, which gives aspiring writers from ethnic minority backgrounds has now seen over 225 graduates, with many going on to achieve agency representation, award recognition, and book deals: so far four HarperCollins book deals have been signed and many more manuscripts being considered. The Traineeship, aimed at attracting candidates from Black, Asian and minority ethnic backgrounds to the industry and bringing diverse new talent into the organisation, ran again and the company shared details of its Ethnicity Pay Gap for the second time, alongside its annual Gender Pay Gap. In the fiscal year, it donated over 280,000 books to causes and charities in the UK and abroad. These included to hospitals for children on wards over Christmas, prisons, schools and organisations including the National Literacy Trust (NLT), Mayor's Fund for London and Book Aid. The Little Big Book Club, which launched in 2022 and encourages children to handpick their own free books to read at home, extended to 100 primary schools across all NLT hub areas and is joint funded by Arts Council England. HarperCollins staff voted on the charities to share this year's News Corp Giving £100k fund, with the winners including causes that support 'Local Communities and Social Connections': charities nominated by HarperCollins staff included ParkPlay and Glasgow's Jeely Piece Club.

Future developments

HarperCollins continues its strategy to seek growth through acquisition and investment in trade and education publishing. Within Collins Learning we will seek to continue the success of our reading scheme (Big Cat) within schools, and maintain our focus on growing export markets across the globe with particular emphasis on Asia & the Caribbean. We are also at an advanced stage on the construction of our distribution new facility in the Glasgow area, reinforcing our commitment to Scotland and the book distribution business.

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:

HarperCollins Publishers Limited

Strategic Report for the year ended 30 June 2023 (continued)

Principal risks and uncertainties (continued)

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.

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.

d) Current Economic Conditions

Wider economic factors, including the war in Ukraine, have been assessed, and whilst inflationary pressures persist the company continues to trade profitably with a positive cashflow. The directors believe the company is in a strong position to continue operations.

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 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.

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Strategic Report for the year ended 30 June 2023 (continued)

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, some of which are hosted digitally. There is also a strong focus on consumer insight, working to better understand emerging trends, and adapt to them as quickly as possible.

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. The company also utilises third party support to assess suppliers against sustainability criteria, in an effort to meet its carbon neutral targets.

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. Regular staff updates are held; with executive committee members presenting on key topics such as company results, or the publication of our gender pay gap. Town Hall style events allow a significant amount 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 and authorised by the Board on 5 December 2023 and signed on its behalf by:



.....
D. Alford
Director

HarperCollins Publishers Limited

Directors' Report for the year ended 30 June 2023

The directors present their report and the financial statements of the company for the year ended 30 June 2023.

Directors of the company

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

K. R. Murdoch

B. Murray

C. G. M. Redmayne

J. Gervasio (resigned 24 February 2023)

S. Dowson-Collins - Company secretary and director

D. Alford

D. Schwartz (appointed 24 February 2023)

Except as noted above, all directors served throughout the year and are still directors at the date of this report.

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

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 period to 31 December 2024.

At the balance sheet date the Company had net assets of £412,440,000, cash of £59,983,000 and no external debt.

The impact of global economic factors have been emphasised in the principal risks and uncertainties section of the Strategic report. The business is able to withstand a substantial reduction to revenues whilst still retaining a positive cash balance. The extent to which revenue would need to reduce to move into a negative cash balance position is not considered plausible.

Based on the above, the Directors have concluded that the Company has adequate resources to continue operating for the period to 31 December 2024 and therefore have adopted the Going Concern basis in preparing the Statutory Accounts.

Results and Dividends

The profit for the year, after taxation, amounted to £30,328,000 (2022 - £34,890,000).

The Directors recommended and paid a final dividend of £5,000,000 (2022 - £10,000,000) to the Company's immediate parent, William Collins Holdings Limited.

The company made £129,000 (2022: £100,000) in charitable donations during the year. No political donations were made in either year.

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Directors' Report for the year ended 30 June 2023 (continued)

Streamlined energy and carbon report

UK energy use covers electricity, natural gas and onsite diesel fuel consumption for the fully owned & leased offices and warehouses in Glasgow, London, Honley, Manchester, and Dublin, where HCP have staff and operations.

	June 2023	June 2022
UK Energy Use (kWh)	15,170,459	18,212,524
Associated Greenhouse Gas Emissions (Tonnes CO2 equivalent)	1,791	2,426
Total square meters of leased space	87,529	87,529
Intensity Ratio (emissions per square meters)	0.0205	0.0277

FY2023 data is preliminary and currently undergoing a third party verification review. Final third-party verified data for FY2023 will be posted in early 2024 at <https://newscorp.com/news-corp-sustainability/>

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.

The data for FY2022 has been updated to reflect the final published results.

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 consultation

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.

Directors' responsibilities statement

The directors acknowledge their responsibilities for preparing the Strategic Report, 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;

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Directors' Report for the year ended 30 June 2023 (continued)

Directors' responsibilities statement (continued)

- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- state whether applicable United Kingdom 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to the auditors

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.

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 and authorised by the Board on 5 December 2023 and signed on its behalf by:



.....
D. Alford
Director

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

Opinion

We have audited the financial statements of HarperCollins Publishers Limited (the 'company') for the year ended 30 June 2023 which comprise the Profit and Loss Account, the Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 23, 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 state of the company's affairs as at 30 June 2023 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. 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

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 31 December 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

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

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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

We have nothing to report in this regard.

Opinion on other matter 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 our 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 and the Directors' Report.

We have nothing to report in respect of the following matters where 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 6, 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 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006) and the relevant direct and indirect tax compliance regulations in the United Kingdom.
- We understood how HarperCollins Publisher Limited is complying with those frameworks by making enquiries of management and those responsible for legal matters and compliance. We corroborated these enquiries through our review of policies and board meeting minutes. We reviewed management's entity level controls to understand the company culture of honest and ethical behaviour, including the emphasis on fraud prevention.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with the management to understand where they considered there is a susceptibility of fraud. We considered the programmes and controls that the company has established to address risks identified, or that otherwise prevent, deter, and detect fraud; and how senior management monitors these programmes and controls at Group level. Where the risk was considered to be higher, we performed audit procedures that include cut-off, analyse and investigate relationship of revenue, receivable and cash and review of underlying journal entries to understand unusual or unexpected changes to address the identified fraud risk, management override of controls, specifically related to revenue recognition.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved: journal entry testing with focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business and enquiries of management and those charged with governance. In addition, we completed procedures to conclude on the compliance of the disclosures in the financial statements and accounts with all applicable requirements.

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:

Ernst & Young LLP

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Gillian Gilmour (Senior Statutory Auditor)

For and on behalf of Ernst & Young, Statutory Auditor, Glasgow

06 December 2023

Date:.....

HarperCollins Publishers Limited

Profit and Loss Account for the year ended 30 June 2023

	Note	2023 £ 000	2022 £ 000
Turnover	3	273,883	264,185
Net operating expenses	4	<u>(240,702)</u>	<u>(226,991)</u>
Operating profit	5	<u>33,181</u>	<u>37,194</u>
Interest receivable	8	2,194	1,179
Interest payable	9	(1,005)	(1,036)
Other finance income/(charges)	10	<u>173</u>	<u>(574)</u>
		<u>1,362</u>	<u>(431)</u>
Profit before tax		34,543	36,763
Tax on profit	11	<u>(4,215)</u>	<u>(1,873)</u>
Profit for the year		<u>30,328</u>	<u>34,890</u>

The above results were derived from continuing operations.

Statement of Comprehensive Income for the year ended 30 June 2023

	Note	2023 £ 000	2022 £ 000
Profit for the year		<u>30,328</u>	<u>34,890</u>
Actuarial (loss)/gain recognised on defined benefit pension schemes	20	(6,985)	7,036
Deferred tax credit/(charge) on actuarial gain/(loss) on defined benefit pension schemes		1,746	(1,337)
Restriction on surplus/(deficit)	20	2,238	(10,429)
Deferred tax (charge)/credit on restriction of surplus		<u>(559)</u>	<u>1,982</u>
		<u>(3,560)</u>	<u>(2,748)</u>
Total comprehensive income for the year		<u>26,768</u>	<u>32,142</u>

The notes on pages 14 to 34 form an integral part of these financial statements.

HarperCollins Publishers Limited

(Registration number: SC027389)
Balance Sheet as at 30 June 2023

		(As restated)	
	Note	2023 £ 000	2022 £ 000
Fixed assets			
Intangible assets	12	15,049	17,604
Tangible assets	13	35,192	15,470
Investments	14	350,931	357,843
		<u>401,172</u>	<u>390,917</u>
Current assets			
Stocks	15	39,327	35,991
Debtors	16	92,347	95,204
Cash at bank and in hand		59,983	48,563
		<u>191,657</u>	<u>179,758</u>
Creditors: Amounts falling due within one year	17	<u>(170,381)</u>	<u>(167,222)</u>
Net current assets		<u>21,276</u>	<u>12,536</u>
Total assets less current liabilities		422,448	403,453
Provisions for liabilities	18	<u>(3,405)</u>	<u>(4,715)</u>
Net assets excluding pension liability		419,043	398,738
Defined benefit pension scheme liability	20	<u>(6,603)</u>	<u>(7,846)</u>
Net assets		<u>412,440</u>	<u>390,892</u>
Capital and reserves			
Called up share capital		13,245	13,245
Share premium reserve		23,782	23,782
Share-based payment reserve		(702)	(482)
Other reserves		(72,486)	(72,486)
Profit and loss account		<u>448,601</u>	<u>426,833</u>
Shareholders' funds		<u>412,440</u>	<u>390,892</u>

Approved and authorised by the Board on 5 December 2023 and signed on its behalf by:

D. Alford

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D. Alford
Director

HarperCollins Publishers Limited

Statement of Changes in Equity for the year ended 30 June 2023

	Share capital £ 000	Share premium £ 000	Share based payment reserve £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 July 2022	13,245	23,782	(482)	(72,486)	426,833	390,892
Profit for the year	-	-	-	-	30,328	30,328
Other comprehensive loss	-	-	-	-	(3,560)	(3,560)
Total comprehensive income for the year	-	-	-	-	26,768	26,768
Dividends	-	-	-	-	(5,000)	(5,000)
Share based payment transactions	-	-	(220)	-	-	(220)
At 30 June 2023	13,245	23,782	(702)	(72,486)	448,601	412,440

Statement of Changes in Equity for the year ended 30 June 2022

	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 July 2021	13,245	23,782	(298)	(72,486)	404,691	368,934
Profit for the year	-	-	-	-	34,890	34,890
Other comprehensive loss	-	-	-	-	(2,748)	(2,748)
Total comprehensive income	-	-	-	-	32,142	32,142
Dividends	-	-	-	-	(10,000)	(10,000)
Transfers	-	-	(910)	-	-	(910)
Share based payment transactions	-	-	726	-	-	726
At 30 June 2022	13,245	23,782	(482)	(72,486)	426,833	390,892

The notes on pages 14 to 34 form an integral part of these financial statements.

HarperCollins Publishers Limited

Notes to the Financial Statements for the year ended 30 June 2023

1 General information

The company is a private company limited by share capital, incorporated in 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.

These financial statements were authorised for issue by the Board on 5 December 2023.

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 United Kingdom 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 2023, 30 June 2022 and 30 June 2021 relate to the 52 week period ended 2 July 2023, 53 week period ended 3 July 2022 and 52 week period ended 26 June 2021, 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);

HarperCollins Publishers Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

2 Accounting policies (continued)

Summary of disclosure exemptions (continued)

- (b) From the financial instruments disclosures as required by FRS 102 paragraph 11.42 to 11.48A and paragraphs 12.26 to 12.27, 12.29 (a) & (b) and 12.29A, including:
- 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 period to 31 December 2024.

At the balance sheet date the Company had net assets of £412,440,000, cash of £59,983,000 and no external debt.

The impact of global economic factors have been emphasised in the principal risks and uncertainties section of the Strategic report. The business is able to withstand a substantial reduction to revenues whilst still retaining a positive cash balance. The extent to which revenue would need to reduce to move into a negative cash balance position is not considered plausible.

Based on the above, the Directors have concluded that the Company has adequate resources to continue operating for the period to 31 December 2024 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.

HarperCollins Publishers Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

2 Accounting policies (continued)

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.

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.

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.

HarperCollins Publishers Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

2 Accounting policies (continued)

Taxation (continued)

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

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

Asset class	Amortisation method and rate
Goodwill	10 years
Publishing rights	5 - 10 years
Internal use software	3 - 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

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold property	20 years
Leasehold buildings	Term of lease
Plant and equipment	10 years maximum
Assets under construction	Not depreciated

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.

HarperCollins Publishers Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

2 Accounting policies (continued)

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. 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 within a short timeframe following the publication of relevant titles.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividends on equity shares are recognised as a deduction of equity when a liability to pay the dividend arises. Consequently, interim dividends are recognised when paid and final dividends when approved by the Board of Directors.

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.

HarperCollins Publishers Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

2 Accounting policies (continued)

Pensions (continued)

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.

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.

HarperCollins Publishers Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

2 Accounting policies (continued)

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 2023 was £2,688,000 (30 June 2022 - £5,112,000).

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 2023 was a deficit of £6,603,000 (2022 - deficit of £7,846,000). Further details are given in note 20.

Correction of prior year error

The entity has recognised a reclassification of intercompany balances from current assets to investments. This classification reflects a review of the nature of the balances and management's assessment of plans to settle in the short term. Where there are no plans for settlement current assets have been reclassified as investments, inline with FRS 102.

	Prior year balance	Adjustment	Restated balance
	£ 000	£ 000	£ 000
Investments	10,000	293,670	303,670
Debtors	388,874	(293,670)	95,204

3 Turnover

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

	2023	2022
	£ 000	£ 000
United Kingdom	182,121	188,379
Europe	26,188	17,529
Australia	21,080	16,948
North America	20,754	21,136
Other export markets	15,452	12,433
Middle East	4,206	3,663
Africa	3,378	3,341
New Zealand	704	756
	<u>273,883</u>	<u>264,185</u>

HarperCollins Publishers Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

4 Net operating expenses

The analysis of the company's net operating expenses for the year is as follows:

	2023	2022
	£ 000	£ 000
Cost of goods sold	134,221	127,853
Staff costs	66,493	66,308
Other operating charges	51,534	45,308
Amortisation expense	3,793	3,655
Depreciation expense	557	566
Change in stocks of finished goods and Work in progress	(3,256)	(3,971)
Other operating income	(12,640)	(12,728)
	<u>240,702</u>	<u>226,991</u>

5 Operating profit

Arrived at after charging/(crediting)

	2023	2022
	£ 000	£ 000
Operating lease expense - other	6,058	6,216
Amortisation of intangible assets	3,793	3,655
Depreciation expense	555	566
Foreign exchange gains/(losses)	453	(584)
Auditor's remuneration	299	277
Auditor's remuneration - non-audit	<u>-</u>	<u>3</u>

6 Staff costs

	2023	2022
	£ 000	£ 000
Wages and salaries	51,939	52,903
Social security costs	5,099	4,882
Pension costs	3,639	3,299
Share-based payment expenses	741	726
Other Staff Costs	<u>5,075</u>	<u>4,498</u>
	<u>66,493</u>	<u>66,308</u>

HarperCollins Publishers Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

6 Staff costs (continued)

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

	2023 No.	2022 No.
Publishing	447	441
Distribution	252	273
Administration	177	169
Selling	159	143
	<u>1,035</u>	<u>1,026</u>

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2023 £ 000	2022 £ 000
Remuneration	<u>1,640</u>	<u>1,822</u>

During the year retirement benefits were accruing to 3 directors (2022 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration (excluding pension contributions) of £882,000 (2022 - £1,035,000).

Benefits are accruing under a defined benefit pension scheme and at the year end the accrued pension amounted to £Nil (2022 - £Nil).

The number of directors in respect of whose qualifying shares were received under long term incentive plans was 2 (2022 - 1).

8 Interest receivable

	2023 £ 000	2022 £ 000
Interest on amounts due from group undertakings	1,046	1,014
Interest income on bank deposits	1,148	165
	<u>2,194</u>	<u>1,179</u>

9 Interest payable and similar expenses

	2023 £ 000	2022 £ 000
Other interest	5	36
Interest on amounts payable to group undertakings	1,000	1,000
	<u>1,005</u>	<u>1,036</u>

HarperCollins Publishers Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

10 Other finance charges

	2023	2022
	£ 000	£ 000
Unwinding of discount on surplus property provisions	566	706
Net finance income in respect of defined benefit pension schemes	<u>(739)</u>	<u>(132)</u>
	<u>(173)</u>	<u>574</u>

11 Taxation

Tax charged/(credited) in the profit and loss account

	2023	2022
	£ 000	£ 000
Foreign tax	605	790
Deferred taxation		
Arising from origination and reversal of timing differences	3,932	1,089
Arising from changes in tax rates and laws	864	(14)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	<u>(1,186)</u>	<u>8</u>
Total deferred taxation	<u>3,610</u>	<u>1,083</u>
Tax expense in the income statement	<u>4,215</u>	<u>1,873</u>

HarperCollins Publishers Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

11 Taxation (continued)

The tax on profit before tax for the year is lower than the average rate of corporation tax in the UK (2022 - lower than the standard rate of corporation tax in the UK) of 20.5% (2022 - 19%).

The differences are reconciled below:

	2023 £ 000	2022 £ 000
Profit before tax	34,543	36,763
Corporation tax at standard rate	7,080	6,985
Fixed asset differences	466	(109)
Expenses not deductible for tax purposes	126	98
Other permanent differences	(35)	(133)
Transfer pricing adjustment on intercompany balance	1,858	592
Group relief surrendered/(claimed)	(7,692)	(6,462)
Foreign tax credits	605	790
Adjustments to tax charge in respect of previous periods - DT	943	8
Remeasurement of deferred tax for changes in tax rates	864	(14)
Movement in DT not recognised	-	490
Other tax adjustments, reliefs and transfers	-	(372)
Total tax charge	4,215	1,873
Deferred tax		
Deferred tax assets and liabilities		
	Asset £ 000	Liability £ 000
2023		
Excess of taxation allowances over depreciation on fixed assets	(1,654)	-
Pension schemes	464	-
Other timing differences	2,691	-
OCI	1,187	-
	2,688	-
	Asset £ 000	Liability £ 000
2022		
Excess of taxation allowances over depreciation on fixed assets	1,376	-
Pension schemes	1,962	-
Other timing differences	1,774	-
	5,112	-

HarperCollins Publishers Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

11 Taxation (continued)

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.

Deferred tax

	2023 £ 000	2022 £ 000
Opening balance	5,111	5,550
Deferred tax debit in P&L	(3,610)	(1,084)
Deferred tax credit in OCI	1,187	645
	<u>2,688</u>	<u>5,111</u>

Tax relating to items recognised in other comprehensive income or equity

	2023 £ 000	2022 £ 000
Deferred tax related to items recognised as items of other comprehensive income	<u>1,187</u>	<u>645</u>

Factors that may affect future tax charges

The UK Corporation Tax rate increased mid-year from 19% to 25%. This was following an announcement of the rate increase in the March 2021 budget which received Royal Assent on 10 June 2021. The rate used in the financial statements is a blended rate consisting of 19% for the year to 31 March 2023 and 25% from 1 April onwards. This leads to a composite rate of 20.5% for the full year.

HarperCollins Publishers Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

12 Intangible assets

	Goodwill £ 000	Internal use software £ 000	Publishing rights £ 000	Total £ 000
Cost or valuation				
At 1 July 2022	22,920	20,985	604	44,509
Additions acquired separately	-	1,178	-	1,178
Transfers	-	(719)	-	(719)
At 30 June 2023	22,920	21,444	604	44,968
Amortisation				
At 1 July 2022	8,144	18,157	604	26,905
Amortisation charge	2,287	1,506	-	3,793
Amortisation on transfers	-	(779)	-	(779)
At 30 June 2023	10,431	18,884	604	29,919
Carrying amount				
At 30 June 2023	12,489	2,560	-	15,049
At 30 June 2022	14,776	2,828	-	17,604

13 Tangible assets

	Land and buildings £ 000	Plant and equipment £ 000	Total £ 000
Cost or valuation			
At 1 July 2022	19,483	4,353	23,836
Additions	20,093	244	20,337
Transfers	-	719	719
At 30 June 2023	39,576	5,316	44,892
Depreciation			
At 1 July 2022	5,927	2,439	8,366
Charge for the year	465	90	555
Transfers	-	779	779
At 30 June 2023	6,392	3,308	9,700
Carrying amount			
At 30 June 2023	33,184	2,008	35,192
At 30 June 2022	13,556	1,914	15,470

HarperCollins Publishers Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

13 Tangible assets (continued)

Included within the net book value of land and buildings above is £384,000 (2022 - £384,000) in respect of freehold land and buildings and £32,800,000 (2022 - £13,172,000) in respect of short leasehold land and buildings. Within short leasehold land and buildings there is £30,029,000 in respect of assets under construction (2022 - £11,066,000) where depreciation has yet to commence.

Capital commitments entered into at the 30 June 2023 were £18,469,000 (2022 - £1,763,000).

14 Investments

	(As restated)	
	2023	2022
	£ 000	£ 000
Investments in subsidiaries	57,215	54,173
Loans to subsidiaries	293,716	303,670
	<u>350,931</u>	<u>357,843</u>
Subsidiaries		£ 000
Cost		
At 1 July 2022		54,173
Additions		<u>3,042</u>
At 30 June 2023		<u>57,215</u>
Carrying amount		
At 30 June 2023		<u>57,215</u>
At 30 June 2022		<u>54,173</u>
	2023	2022
	£ 000	£ 000
HCP Australia Pty Limited	31,501	31,501
HCP India	9,932	9,932
Egmont Books UK Limited	7,095	7,095
Barrington Stoke Limited	3,043	-
Harlequin (UK) Limited	2,507	2,507
Pavilion Books Limited	2,348	2,348
George Allen & Unwin (Publishers) Limited	590	590
Harlequin Enterprises UK Limited	118	118
Thorsons Publishers Limited	81	81
	<u>57,215</u>	<u>54,172</u>

Barrington Stoke Limited was acquired on 3rd April 2023, and is 100% owned by HarperCollins Publishers Limited.

HarperCollins Publishers Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

14 Investments (continued)

Fixed asset group loan

	£ 000
Loans to subsidiaries	
At 1 July 2022 (as restated)	303,670
Interest in year	<u>(9,954)</u>
At 30 June 2023	<u><u>293,716</u></u>

15 Stocks

	2023 £ 000	2022 £ 000
Raw materials and consumables	824	744
Work in progress	5,464	6,416
Finished goods and goods for resale	26,550	22,144
Other inventories	<u>6,489</u>	<u>6,687</u>
	<u><u>39,327</u></u>	<u><u>35,991</u></u>

Other Inventories represent non production plant costs incurred on unpublished titles.

Stock recognised in net operating expenses during the year as an expense was £59,564,000 (2022 - £52,978,000).

An impairment of £1,096,000 (2022 - £404,000) was recognised in net operating expenses against stock during the year due to slow-moving and obsolete stock. The stock provision at 30 June 2023 was £5,930,000 (2022 - £4,853,000).

16 Debtors

			(As restated)
		2023 £ 000	2022 £ 000
Current	Note		
Trade debtors		27,115	31,892
Advances		23,230	23,763
Amounts due from subsidiary undertakings		25,324	14,049
Amounts due from fellow subsidiary undertakings		931	2,140
Other debtors		8,593	13,669
Prepayments and accrued income		4,466	4,579
Deferred tax assets	11	<u>2,688</u>	<u>5,112</u>
		<u><u>92,347</u></u>	<u><u>95,204</u></u>

HarperCollins Publishers Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

17 Creditors

	2023 £ 000	2022 £ 000
Due within one year		
Trade creditors	18,395	17,975
Sterling short term loans due to parent undertakings	4,000	4,000
Amounts due to parent undertakings	17,096	18,273
Amounts due to fellow subsidiary undertakings	2,300	976
Amounts due to subsidiary undertakings	55,489	55,489
Social security and other taxes	2,710	2,305
Royalty creditor	34,278	32,256
Other creditors and accruals	36,113	35,948
	<u>170,381</u>	<u>167,222</u>

18 Provisions for liabilities

	Onerous contracts £ 000	Total £ 000
At 1 July 2022	4,715	4,715
Decrease in existing provisions	(1,876)	(1,876)
Increase due to passage of time or unwinding of discount	566	566
At 30 June 2023	<u>3,405</u>	<u>3,405</u>

The property provision relates to the company's Glasgow site. The provision reflects future rental costs in excess of market level to the extent the full cost would make activities operated from the premise uneconomic. The utilisation in the year to 30 June 2023 of £1,876,000 (2022 - £1,876,000) is the excess rent for the Glasgow property.

19 Share-based payments

Scheme details and movements

Performance Stock Units (PSUs)

The performance stock units, of Class A Common Stock of News Corporation, 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.

HarperCollins Publishers Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

19 Share-based payments (continued)

Restricted Stock Units (RSUs)

Restricted stock unit awards are grants that entitle the holder to shares of Class A Common Stock of News Corporation based on the expected vesting date. Any employee who holds RSUs shall have no ownership interest in the shares to which such RSUs relate until and unless shares are delivered to the holder. RSUs are issued under the plans of fiscal 2021, fiscal 2022 and fiscal 2023. RSUs vest over a period of 3 years, with 33.33% of units vesting each year.

Number and weighted average grant date fair value

Details on the number of PSUs and RSUs outstanding during the year are as follows:

	2023	2022
	Number	Number
Outstanding, start of period	110,369	122,251
Granted during the period	51,766	49,673
Forfeited during the period	(5,287)	(8,264)
Exercised during the period	(57,612)	(53,291)
Outstanding, end of period	<u>99,236</u>	<u>110,369</u>

Details on the number of PSUs and RSUs weighted average grant date fair value (WAGDFV) outstanding during the year are as follows:

	2023	2022
	£	£
Outstanding, start of period	13.76	11.32
Granted during the period	14.94	15.90
Forfeited during the period	15.00	14.80
Exercised during the period	12.21	10.56
Outstanding, end of period	<u>15.04</u>	<u>13.76</u>

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Notes to the Financial Statements for the year ended 30 June 2023 (continued)

20 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 2020 by a qualified actuary. The review is performed on at least a triennial basis. An updated valuation of these schemes for FRS 102 purposes was carried out by a qualified independent actuary as at 30 June 2023.

The total cost relating to defined benefit schemes for the year recognised in profit or loss as an expense was £332,000 (2022 - £771,000).

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the balance sheet are as follows:

	2023	2022
	£ 000	£ 000
Fair value of scheme assets	201,745	248,844
Present value of defined benefit obligation	(185,892)	(231,995)
Defined benefit pension scheme surplus	15,853	16,849

There are net surpluses arising from the Staff Scheme of £10,875,000 (2022 - £14,897,000) and the Executive Scheme of £11,582,000 (2022 - £9,798,000) that have not been recognised on the balance sheet as it is unlikely the asset would be realised for the company in the future. The net movement in deficit from the prior year of £2,238,000 (2022 - net movement in restriction on surplus of £10,429,000) is reflected in the Statement of Comprehensive Income. The amount recognised on the Balance Sheet is the net liability for the unapproved Scheme of £6,603,000 (2022 - £7,846,000).

HarperCollins Publishers Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

20 Pension and other schemes (continued)

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2023
	£ 000
Present value at start of year	231,995
Interest cost	8,528
Actuarial gains and losses	(39,996)
Benefits paid	(15,706)
Effect of curtailments	1,071
Present value at end of year	<u>185,892</u>

Fair value of scheme assets

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

	2023
	£ 000
Fair value at start of year	248,844
Interest income	9,267
Actuarial gains and losses	(46,981)
Employer contributions	6,321
Benefits paid	(15,706)
Fair value at end of year	<u>201,745</u>

Analysis of assets

The major categories of scheme assets are as follows:

	2023	2022
	%	%
Equity instruments	5	8
Debt instruments	76	74
Other	19	17
	<u>100</u>	<u>99</u>

Return on scheme assets

	2023	2022
	£ 000	£ 000
Return on scheme assets	<u>46,981</u>	<u>65,025</u>

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.

HarperCollins Publishers Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

20 Pension and other schemes (continued)

Principal actuarial assumptions

The principal actuarial assumptions at the balance sheet date are as follows:

	2023 %	2022 %
Discount rate - Executive	5.39	3.76
Discount rate - Staff	5.33	3.76
Discount rate - Unapproved	5.37	3.76
Future salary increases	3.50	3.25
Future pension increases	3.25	3.00
Inflation	3.50	3.25

Post retirement mortality assumptions

	2023 Years	2022 Years
Current UK pensioners at retirement age - male	22.00	22.00
Current UK pensioners at retirement age - female	24.00	24.00
Future UK pensioners at retirement age - male	23.00	23.00
Future UK pensioners at retirement age - female	25.00	26.00

21 Share capital

Allotted, called up and fully paid shares

	2023		2022	
	No. 000	£ 000	No. 000	£ 000
Ordinary share of £0.25 each	15,978	3,995	15,978	3,995
Ordinary A share of £0.25 each	37,001	9,250	37,001	9,250
	<u>52,980</u>	<u>13,245</u>	<u>52,980</u>	<u>13,245</u>

22 Obligations under operating leases

Operating leases

The total of future minimum lease payments is as follows:

	2023 £ 000	2022 £ 000
Not later than one year	11,108	7,596
Later than one year and not later than five years	29,960	20,526
Later than five years	66,758	28,475
	<u>107,826</u>	<u>56,597</u>

HarperCollins Publishers Limited

Notes to the Financial Statements for the year ended 30 June 2023 (continued)

23 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.