
ARVATO SCM UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

ARVATO SCM UK LIMITED

COMPANY INFORMATION

Directors	Tobias Uthmann Gary Spencer (appointed 5 February 2024) Monique Klein (resigned 17 January 2023) Andreas Barth (resigned 5 February 2024)
Company secretary	Karen Waterfall
Registered number	05019402
Registered office	Plot 10a Faraday Avenue, Hams Hall Distribution Park Coleshill Birmingham B46 1AL
Independent auditor	Grant Thornton UK LLP Victoria House, 4th Floor 199 Avebury Boulevard Milton Keynes MK9 1AU

ARVATO SCM UK LIMITED

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023**

Introduction

The directors of Arvato SCM UK Limited ("the Company") present the Strategic Report for the year ended 31 December 2023.

Business review

The Company is part of the global network of Arvato, a division of Bertelsmann Group. The Company is 100% owned by Bertelsmann UK Limited, which is ultimately owned by Bertelsmann SE & Co. KGaA, the ultimate parent Company of Bertelsmann Group (Bertelsmann). Bertelsmann is an international media, services and education Company which encompasses eight divisions: RTL Group, Penguin Random House, Gruner + Jahr and BMG are the Group's media businesses. Arvato and Bertelsmann Printing Group provide services. The Bertelsmann Education Group comprises the businesses in the third segment of education. More than 100 start-up investments are grouped in Bertelsmann Investments. In 2023 the group's businesses, with their more than 145,000 employees, generated revenues of almost €21 billion globally.

Arvato SCM UK operations are centrally financed by Bertelsmann SE & Co. KGaA. As such, the Company benefits from Bertelsmann's financial strength and funds are provided by its parent Company as required on a daily cash pooling basis.

Business performance

In 2023 the revenues were £67,369,114 (2022: £55,361,542) and the operating profit was £185,976 (2022: operating loss £3,125,440). The Company added additional clients during the year and continued to invest in infrastructure and to provide optimised operational solutions to its client base.

Strong revenue numbers in Consumer Products and Technology sectors for the year has led to positive year end results. Some key clients whose volumes year on year has grown significantly, account for more than 20% of the UK Revenue. Management strategy is to actively work through portfolio management and to turn around loss making clients into a profitable position.

Overall revenue is up by 21% on last year, and with the onboarding of new clients this year and onto next, we expect growth to continue.

Key performance indicators

The Company monitors progress and performance during the year and historical trend data which is set out in the following KPI's:

- Revenue for the year was £67,369,114 (2022: £55,361,542)
- Gross profit for the year was £43,048,225 (2022: £33,639,785)
- Operating profit for the year was £185,976 (2022: loss of £3,128,625)

The KPIs are in line with forecast expectations. Detailed explanations for the year on year movements are included in the business review and business performance sections.

Business development

In the year to 31 December 2023, the Company continued to expand relationships and service offerings to the existing portfolio of clients and at the same time provide additional supply chain solutions to new clients.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Future developments

The Company strives to deliver profitable growth through creating value for our domestic and international clients by delivering customised, innovative supply chain solutions that support our clients' changing needs. In 2023 the Company continued to invest in new technologies and infrastructure including an autostore solution for one of its key clients to support growth and profitability.

In May of 2024 the company purchased selected assets (Land and Buildings) of a site in Corby for a purchase consideration of £15m. As part of the agreement Arvato has agreed to continue to serve the customer base, that originally occupied the purchased premises with warehouse and distribution services.

Principal risks and uncertainties

The Company has expanded its provision of services to clients operating in a range of industry segments including medical devices, pharma, consumer products, beauty cosmetics and high-tech products.

Key challenges include:

- Price pressure and competition in the logistics solutions business
- Introduction of competitors in the inventory management business
- A limited part of our revenue is invoiced in Euros, so we do have a continuing uncertainty due to changes in exchange rates
- High inflation
- Challenging labour market

Risk management within the Company and the wider Arvato group is approached comprehensively and is in general performed as a continuing and proactive process, incorporating risk assessments from all areas of the business.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Directors' section 172 statement

The Directors of the Company must act in accordance with a set of general duties, as detailed in section 172 of the UK Companies Act 2006, summarised as follows:

A director of a Company must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long-term;
- the interest of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between the shareholders of the Company.

The directors fulfil these duties as follows:

The interest of the Company's employees

The board recognises that employees are central to the long-term success of the Company. The Company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Company plays a major role in maintaining its prosperity. The Company encourages the involvement of employees by means of regular meetings with staff and staff representatives to keep them informed of the Company's progress. The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or sexual orientation.

Community and environment

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

Challenging labour market

The labour market in 2023 has been challenging, employment in the UK continues to rise, alongside job vacancies, meaning recruitment difficulties remain. The company benchmarks pay and salary levels in line with the UK market and has aligned the salary and grading of employees appropriately. The Company has invested in an in-house recruitment specialist resource and in developing the employer branding.

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ARVATO SCM UK LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

General

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

This report was approved by the board on 22 July 2024 and signed on its behalf.

Tobias Uthmann
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023**

The directors present their report and the financial statements for the year ended 31 December 2023.

Principal Activities of the Business

The Company's principal activities are the provision of tailored supply chain solutions to clients in the healthcare, consumer products and high-tech industries in the United Kingdom.

Results and dividends

The loss for the year, after taxation, amounted to £1,344,660 (2022 - loss £2,876,536).

No dividends were paid during the year (2022: £Nil). The directors do not recommend the payment of a dividend.

Directors

The directors who served during the year and up to the date of this report were:

Gary Spencer (appointed 5 February 2024)

Tobias Uthmann

Monique Klein (resigned 17 January 2023)

Andreas Barth (resigned 5 February 2024)

Our people

We confirm that the Company complies with the Disability Discrimination Act 1995, which replaced the Disabled Persons (Employment) Act 1944. It is the Company's policy to give full and fair consideration to applications for employment made by disabled persons, and to recruit individuals fairly and objectively on the basis of their particular skills, aptitudes and abilities.

Where existing employees become disabled, it is the Company's policy wherever practical to provide continuing employment under normal terms and conditions and to provide training, career development and promotion wherever appropriate.

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 management and employees to allow a free flow of information and ideas.

Corporate and social responsibility

The Company made no political or charitable donations, nor incurred any political expenditure during the year. However, in line with our values, we remain committed to meeting our environmental obligations and to supporting charities and communities in the UK through our employee base.

Future developments

The directors' views of the factors which are key to the future success of the Company are set out in the Strategic Report.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Corporate governance

The Company's Board of Directors is committed to a modern and responsible approach to corporate governance. We are committed to responsible behaviour towards employees, customers and our business partners.

We incorporate the comprehensive global risk management control system in place throughout Bertelsmann to help identify, mitigate, control and monitor risks that are identified through all facets of our business. This supports our corporate approach of integrity, responsibility, in citizenship throughout our business.

Financial risk management

The Company's business operations are financed by Bertelsmann SE & Co. KGaA. As such, the Company benefits from Bertelsmann's financial strength and funds are provided by its parent Company as required on a daily cash pooling basis.

Other measures to control financial risks, such as hedging against foreign currency exposures, are managed on a case-by-case basis, backed by the support of the treasury department of Bertelsmann SE & Co. KGaA.

Going concern

The Directors conclusions in relation to the going concern status of the Company are set out in note 2.3 to the financial statements.

Disclosure of information to auditor

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

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

Auditor

During the year, Grant Thornton UK LLP were appointed as the auditors of the Company. The auditors, Grant Thornton UK LLP will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 22 July 2024 and signed on its behalf.

Tobias Uthmann
Director

Plot 10a Faraday Avenue, Hams Hall Distribution Park
Coleshill
Birmingham
B46 1AL

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK-adopted international accounting standards. 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 and profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted international accounting standards have been followed;
- 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 to 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.

Tobias Uthmann

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARVATO SCM UK LIMITED

Opinion

We have audited the financial statements of Arvato SCM UK Limited (the 'company') for the year ended 31 December 2023, which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, 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 Financial Reporting Standard 101 'Reduced Disclosure Framework' (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 31 December 2023 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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.

Going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as cost of living crisis, rising inflation and interest rates, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the directors' 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 of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARVATO SCM UK LIMITED

Other information

The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report and financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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.

Matters on which we are required to report by exception

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
- 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 16, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARVATO SCM UK LIMITED

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant legal and regulatory frameworks are those that are related to financial reporting legislation including related Companies Act 2006 legislation and taxation legislation. We identified the following areas as those most likely to have such an effect: Anti-bribery, Employment and Social Security Legislations, Data Protection, Money Laundering, and Contract legislation;
- We obtained an understanding of the applicable legal and regulatory frameworks and how the group and parent company is complying with those frameworks by making enquiries of management and those charged with governance. We corroborated our enquiries through inspection of Board meeting minutes. We considered the results from our other tests to identify instances of non-compliance;
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur and the risk of management override of controls. Audit procedures performed by the engagement team included:
 - Identifying and assessing the design and implementation of controls management has in place to prevent and detect fraud;
 - Challenging assumptions and judgements made by management in its significant accounting estimates; and
 - Identifying and testing journal entries, in particular manual journal entries to revenue.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

ARVATO SCM UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARVATO SCM UK LIMITED

- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation;
 - knowledge of the industry in which the client operates;
 - understanding of the legal and regulatory requirements specific to the entity/regulated entity including:
 - the provisions of the applicable legislation;
 - the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules;
 - the applicable statutory provisions;
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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.

Taras Kulyk

Senior statutory auditor

for and on behalf of

Grant Thornton UK LLP

Statutory Auditor
Chartered Accountants
Milton Keynes

22 July 2024

ARVATO SCM UK LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Note	2023 £	2022 £
Turnover	4	67,369,114	55,361,542
Cost of sales		(24,320,889)	(21,721,757)
Gross profit		43,048,225	33,639,785
Administrative expenses		(42,862,249)	(36,768,410)
Operating profit/(loss)	5	185,976	(3,128,625)
Interest payable and similar expenses	8	(2,576,977)	(1,361,325)
Loss before tax		(2,391,001)	(4,489,950)
Tax on loss	9	1,046,341	1,613,414
Loss for the financial year		(1,344,660)	(2,876,536)

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

There was no other comprehensive income for 2023 (2022: £nil).

The notes on pages 25 to 47 form part of these financial statements.

ARVATO SCM UK LIMITED
REGISTERED NUMBER: 05019402

BALANCE SHEET
AS AT 31 DECEMBER 2023

	Note	2023 £	As restated 2022 £
Fixed assets			
Intangible assets	10	47,025	65,096
Tangible fixed assets	11	23,121,001	14,833,092
Right-of-use assets	17	24,629,668	19,775,604
		<u>47,797,694</u>	<u>34,673,792</u>
Current assets			
Debtors: amounts falling due within one year	13	15,854,525	17,868,136
Cash at bank and in hand	14	12,328	200
		<u>15,866,853</u>	<u>17,868,336</u>
Creditors: amounts falling due within one year	15	(36,257,065)	(30,674,876)
Net current liabilities		<u>(20,390,212)</u>	<u>(12,806,540)</u>
Total assets less current liabilities		<u>27,407,482</u>	<u>21,867,252</u>
Creditors: amounts falling due after more than one year	16	(20,007,690)	(16,257,507)
		<u>7,399,792</u>	<u>5,609,745</u>
Provisions for liabilities			
Deferred tax	12	(2,053,732)	-
Other provisions	19	(2,679,787)	(1,598,812)
		<u>(4,733,519)</u>	<u>(1,598,812)</u>
Net assets		<u><u>2,666,273</u></u>	<u><u>4,010,933</u></u>

ARVATO SCM UK LIMITED
REGISTERED NUMBER: 05019402

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2023

	Note	2023 £	<i>As restated</i> 2022 £
Capital and reserves			
Called up share capital	20	100	100
Capital contribution reserve	21	5,500,000	5,500,000
Profit and loss account	21	(2,833,827)	(1,489,167)
Total shareholders' funds		<u>2,666,273</u>	<u>4,010,933</u>

Prior year balances have been restated as detailed in note 22.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 22 July 2024.

Tobias Uthmann
Director

The notes on pages 25 to 47 form part of these financial statements.

ARVATO SCM UK LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Called up share capital £	Capital contribution reserve £	Profit and loss account £	Total equity £
At 1 January 2022	100	-	1,387,369	1,387,469
Comprehensive income for the year				
Loss for the year	-	-	(2,876,536)	(2,876,536)
Contributions by and distributions to owners				
Loan waiver	-	5,500,000	-	5,500,000
At 1 January 2023	100	5,500,000	(1,489,167)	4,010,933
Comprehensive income for the year				
Loss for the year	-	-	(1,344,660)	(1,344,660)
At 31 December 2023	<u>100</u>	<u>5,500,000</u>	<u>(2,833,827)</u>	<u>2,666,273</u>

The notes on pages 25 to 47 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

1. General information

Arvato SCM UK Limited (the "Company") is a private Company limited by shares, incorporated and domiciled in London, England, United Kingdom.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("UK-adopted IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

The following principal accounting policies have been applied:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting policies (continued)

2.2 Financial Reporting Standard 101 - reduced disclosure exemptions

The Company is included in the consolidated financial statements of Bertelsmann SE & Co KGaA as at 31 December 2023 and these financial statements may be obtained from Bertelsmann SE & Co KGaA, Corporate Communications, Carl Bertelsmann Strasse 270, Postfach 111, D-33311

Gütersloh, Germany. The consolidated financial statements include the below listed information.

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

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
- the requirements of the following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) statement of cash flows;
 - 10(f) statement of financial position as at the beginning of the preceding period when retrospective restatement or reclassifications apply;
 - 16 statement of compliance with all IFRS;
 - 38A requirement for minimum of two primary financial statements, including cash flow statements;
 - 38B, 38C, 38D additional comparative information;
 - 40A, 40B, 40C, 40D requirements to provide additional statements in respect of retrospective restatements and reclassifications;
 - 111 statement of cash flows information; and
 - 134 - 136 capital management disclosures.
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting policies (continued)

2.3 Going concern

In preparing these financial statements, the directors have assessed the ability of the Company to continue to operate for a period of at least twelve months from the date of signing the financial statements.

The Company has undertaken a risk assessment and forecasting exercise to assess the Company's liquidity position. The forecast for the going concern period has been prepared using the three year plan approved by the Board and takes account of prior trends and expected titles to be published in the future and key cost drivers such as commodity prices and inflation.

For the purposes of the Company's going concern assessment, the directors have performed sensitivity analysis on cashflows based on unforeseen changes in demand and the potential impact of increased inflationary pressures. In addition, reverse stress testing has been performed to establish the levels of performance where cash availability would be breached. The results of the analysis demonstrated that there was sufficient cash availability within the current intra group cash pooling facility to deal with all of the identified plausible scenarios.

The forecast is dependent on the group cash pooling facility being available for the going concern period and Bertelsmann UK Limited not seeing repayment of the amounts currently due. The directors note that the terms of the facility state that that it can be terminated by either party with three days notice and, therefore, the Company has received written confirmation from Bertelsmann UK Limited that it will not seek repayment of the amounts currently due for the going concern period.

Based on the Company's current trading performance, the sensitivity and reverse stress testing scenarios performed and the written confirmation of support from Bertelsmann UK Limited, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of no less than twelve months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2.4 Financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting policies (continued)

2.5 Foreign currency

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in pound sterling, which is also the functional currency of the Company.

Transactions and balances

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

2.6 Revenue

Revenue is recognized in accordance with the IFRS 15 contract-based five-step model. Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods or services supplied, stated net of discounts, customer rebates, returns and value added taxes.

The Company reviews each revenue contract for the relevant performance obligations to determine the contracts treatment in line with IFRS 15. Revenue is recognized when performance obligations have been satisfied. For revenue from services rendered over a period of time, income is recognized as each performance obligation of the contract is satisfied and control of the service passes to the customer.

Group recharge income comprises charges to fellow group companies for centralized costs incurred on their behalf. Income is recognized as the costs are incurred, and is charged on at cost.

2.7 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting policies (continued)

2.7 Leases (continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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

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

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

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset or restore the site or underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The present value of the expected costs are included in the related right-of-use asset. The obligation is recorded within provisions on the balance sheet. The value of such provision is reviewed regularly and any changes to the estimation results in an adjustment made to the provision with the corresponding side effecting the right of use asset. The same considerations are performed for any provisions which falls outside the scope of IFRS 16, in relation to the costs to dismantle. These are expensed to build up over the period of the lease. The carrying values of these are held within provisions.

During the year, management determined a change in its expected occupancy, resulting in a revaluation of the lease liability presented on the balance sheet. The corresponding entry was to the right of use asset.

The Company account for lease reassessment and lease modifications in line with IFRS 16. Management reviews any changes as and when these falls due. For lease modifications, an assessment is made as to whether, in substance, the change results to a separate lease and therefore the creation of a new lease liability and right of use asset or a modification, and therefore remeasurement, of the initial lease agreement.

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting policies (continued)

2.7 Leases (continued)

leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

2.8 Finance costs

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

2.9 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.10 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting policies (continued)

2.11 Intangible assets

Intangible assets that are acquired by the company are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Computer software - 4 years

2.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives are as follows:

Short-term leasehold property	- 5 to 9 years or over the lifetime of the lease
Plant and machinery	- 4 years
Fixtures and fittings	- 4 to 7 years or over the lifetime of the lease
Right-of-use assets	- over the lifetime of the lease

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.13 Trade and other receivables

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

Trade and other receivables from group companies include the cash pooling financing facility balance with the company's parent company in the United Kingdom on which interest is charged or credited at variable rates, based on the GBP ICE Libor rate.

The Company applies IFRS 9 when using the expected credit loss model. Management adopts the "simplified approach" to determine an amount equal to the lifetime expected credit losses for insignificant trade debtors and a risk score on an individual basis for significant trade debtors. To measure the expected credit losses, trade debtors are grouped based on shared credit risk characteristics and the balance of uninsured debt across the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting policies (continued)

2.14 Impairment of non-financial assets

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

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting policies (continued)

2.15 Financial assets

The company classifies its financial assets in the following categories:

- Amortised cost
- Fair Value through profit or loss (FVTPL)
- Fair Value through other comprehensive income (FVOCI)

The classification depends on the purpose for which the financial assets were acquired i.e. the entity's business model for managing the financial assets and/or the contractual cash flow characteristics of the financial asset. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (expenses)/income together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the profit or loss under 'net impairment losses on financial and contract assets'.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. The company does not have any assets classified at FVOCI nor FVTPL.

The company assesses at the end of each reporting period whether there is objective evidence that one or more event has occurred which has impacted on the estimated cash flows of the financial asset.

Financial assets are impaired and impairment losses are incurred only if such objective evidence of impairment can be reliably measured.

2.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting policies (continued)

2.17 Trade and other payables

Trade and other payables are stated at cost and principally comprise amounts outstanding for trade purchases and ongoing costs. Trade and other payables to group companies comprise amounts payable to fellow subsidiaries of the Bertelsmann group in respect of services received and costs incurred on the company's behalf.

Trade and other payables to group companies include the cash pooling financing facility balance with the company's parent company in the United Kingdom based on which interest is charged or credited at specific rates, based on the Bank of England base rate.

Trade and other payables are stated at fair value which approximates cost.

2.18 Deferred income

Deferred income represents amounts received in advance of the performance of services to be provided.

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties, with the exception of dilapidation provisions on right-of-use assets. Please refer to note 2.7 for the leases accounting policy which covers dilapidation provisions on right-of-use assets.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

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

Impairment of assets

The directors consider that the nature of the judgements and estimates used within the calculation of asset impairment is one of the key estimates or judgements identified that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Impairment calculations are prepared each financial year comparing forecast discounted cash flows to carrying values and any previous impairments. See notes 10 and 11 for the net carrying amount of assets.

Recoverability of receivables

The Company reviews overdue trade receivables on a regular basis and makes provisions against those balances considered most at risk. Carrying amounts and further detail on provisions made against receivables are included in note 13.

Lease accounting

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

The following factors are normally the most relevant:

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

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

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

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

See note 17 for the net carrying amount of the right-of-use assets and the net carrying amount of the lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

4. Turnover

An analysis of turnover by class of business is as follows:

	2023 £	<i>As restated</i> 2022 £
Sale of services	67,369,114	55,361,542
	<u>67,369,114</u>	<u>55,361,542</u>

Included within sale of services is turnover earned from services provided to group companies.

The prior year disclosure has been restated to aggregate turnover correctly by class of business.

5. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	2023 £	2022 £
Net foreign exchange losses	44,164	70,084
Depreciation of tangible fixed assets	2,395,173	1,383,281
Impairment of tangible fixed assets	-	174,809
Depreciation of right-of-use assets	3,151,918	3,348,947
Impairment of right-of-use assets	-	349,409
Amortisation of intangible assets	32,254	39,331
Loss on disposal of tangible fixed assets	9,696	3,185
Auditors' remuneration	<u>77,250</u>	<u>42,416</u>

An impairment review was performed in 2023. No indicators of impairment were identified.

ARVATO SCM UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

6. Employees

Staff costs were as follows:

	2023 £	2022 £
Wages and salaries	14,876,686	13,338,578
Social security costs	1,442,689	1,261,442
Cost of defined contribution scheme	466,643	402,827
	16,786,018	15,002,847

The average monthly number of employees, including the directors, during the year was as follows:

	2023 No.	2022 No.
Operations	393	374
Management	67	61
	460	435

7. Directors' remuneration

	2023 £	2022 £
Emoluments	171,522	291,296
Pension contributions	8,554	15,749
	180,076	307,045

The remuneration of Mr Andreas Barth is paid by the parent company. Mr Barth's services are of a non executive nature, and his remuneration is deemed to be wholly attributable to his services to the parent company. Accordingly, the above detail includes no remuneration in respect of Mr Barth.

	2023 £	2022 £
Highest paid director		
Emoluments	166,678	163,452
Pension contributions	8,280	78,000

ARVATO SCM UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

8. Interest payable and similar expenses

	2023 £	2022 £
Interest payable on cash pooling	1,897,209	663,185
Interest on lease liabilities	369,914	313,716
Other interest payable	309,854	384,424
	<u>2,576,977</u>	<u>1,361,325</u>

9. Taxation

	2023 £	2022 £
Corporation tax		
Current tax on profits for the year	(2,509,504)	(2,036,987)
Adjustments in respect of prior years	(590,569)	220,680
	<u>(3,100,073)</u>	<u>(1,816,307)</u>
Total current tax	<u>(3,100,073)</u>	<u>(1,816,307)</u>
Deferred tax		
Origination and reversal of timing differences	1,813,228	(127,000)
Adjustments in respect of prior years	240,504	42,300
Deferred tax rate adjustments	-	287,593
	<u>2,053,732</u>	<u>202,893</u>
Total deferred tax	<u>2,053,732</u>	<u>202,893</u>
Tax on loss	<u>(1,046,341)</u>	<u>(1,613,414)</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2022 - lower than) the standard rate of corporation tax in the UK of 23.5% (2022 - 19%). The differences are explained below:

	2023 £	2022 £
Loss on ordinary activities before tax	<u>(2,391,001)</u>	<u>(4,489,950)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.5% (2022 - 19%)	(561,885)	(853,091)
Effects of:		
Expenses not deductible for tax purposes	7,444	2,283
Recognition of losses previously unrecognised	(266,627)	(1,037,714)
Deferred tax rate differences	124,791	287,593
Additional deduction for spend on plant and machinery	-	(275,465)
Adjustments to current tax charge in respect of prior periods	(590,569)	220,680
Adjustments to deferred tax charge in respect of prior periods	240,505	42,300
Total tax for the year	<u><u>(1,046,341)</u></u>	<u><u>(1,613,414)</u></u>

Factors that may affect future tax charges

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. The future tax rate is therefore expected to be 25%.

ARVATO SCM UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

10. Intangible assets

The amortisation charge is recognised in the Statement of Comprehensive Income under the line administrative expenses.

	Computer software
	£
Cost	
At 1 January 2023	218,097
Additions	14,183
Disposals	(14,550)
	<hr/>
At 31 December 2023	217,730
	<hr/>
Amortisation	
At 1 January 2023	153,001
Charge for the year	32,254
On disposals	(14,550)
	<hr/>
At 31 December 2023	170,705
	<hr/>
Net book value	
At 31 December 2023	<u>47,025</u>
<i>At 31 December 2022</i>	<u>65,096</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

11. Tangible fixed assets

The depreciation charge is recognised in the Statement of Comprehensive Income under the line administrative expenses.

	Short-term leasehold property £	Plant and machinery £	Fixtures and fittings £	Assets under construction £	Total £
Cost					
At 1 January 2023 (as restated)	10,538,049	1,792,260	2,066,902	4,536,287	18,933,498
Additions	2,135,130	430,686	327,883	7,908,726	10,802,425
Disposals	(105,603)	(61,858)	(194,779)	-	(362,240)
Transfers	1,320,803	447,115	786,094	(2,554,012)	-
At 31 December 2023	<u>13,888,379</u>	<u>2,608,203</u>	<u>2,986,100</u>	<u>9,891,001</u>	<u>29,373,683</u>
Depreciation and impairment					
At 1 January 2023	1,941,839	979,399	1,179,168	-	4,100,406
Charge for the year	1,500,193	401,011	493,969	-	2,395,173
Disposals	(79,484)	(58,483)	(104,930)	-	(242,897)
At 31 December 2023	<u>3,362,548</u>	<u>1,321,927</u>	<u>1,568,207</u>	<u>-</u>	<u>6,252,682</u>
Net book value					
At 31 December 2023	<u>10,525,831</u>	<u>1,286,276</u>	<u>1,417,893</u>	<u>9,891,001</u>	<u>23,121,001</u>
At 31 December 2022	<u>8,596,210</u>	<u>812,861</u>	<u>887,734</u>	<u>4,536,287</u>	<u>14,833,092</u>

Prior year balances have been restated to recognise brought forward costs of assets under construction separately from plant and machinery.

Prior year balances have been restated as detailed in note 22.

ARVATO SCM UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

12. Deferred tax assets and liabilities

	<i>1 January 2023</i>	Income statement movement	31 December 2023
	£	£	£
Movement in recognised deferred tax during the year:			
Property plant and equipment	(1,192,326)	(2,328,920)	(3,521,246)
Short term timing differences	154,613	8,585	163,198
Tax losses	1,037,713	266,603	1,304,316
	<u>-</u>	<u>(2,053,732)</u>	<u>(2,053,732)</u>
Movement in recognised deferred tax during the prior year:	<i>1 January 2022</i>	<i>Income statement movement</i>	<i>31 December 2022</i>
	£	£	£
Property plant and equipment	190,021	(1,382,347)	(1,192,326)
Short term timing differences	12,872	141,741	154,613
Tax losses	-	1,037,713	1,037,713
	<u>202,893</u>	<u>(202,893)</u>	<u>-</u>

The Company has an unrecognised deferred tax asset of £1,304,316 at 31 December 2023 (2022: £1,570,943) in relation to losses. Deferred tax will be provided on these losses when it will make sufficient future taxable profits against which the losses may be utilised.

13. Debtors

	2023	2022
	£	£
Trade debtors	11,191,948	13,199,932
Amounts owed by group undertakings	3,438,687	3,330,102
Other debtors	313,168	396,577
Prepayments and accrued income	910,722	941,525
	<u>15,854,525</u>	<u>17,868,136</u>

An allowance has been made for the expected credit loss on trade and other receivables of £65,606 (2022: £601,605). Trade and other receivables from group companies are unsecured, repayable on demand and carry interest based on the Bank of England base rate.

ARVATO SCM UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

14. Cash and cash equivalents

	2023	2022
	£	£
Cash at bank and in hand	12,328	200
	<u>12,328</u>	<u>200</u>

Cash at bank and in hand comprise cash balances and call deposits. Group cash pooling balances are included in Creditors: amounts falling due within one year, see note 15.

15. Creditors: Amounts falling due within one year

	2023	<i>As restated</i> 2022
	£	£
Trade creditors	2,692,187	4,416,173
Amounts owed to group undertakings	27,480,137	22,098,512
Lease liabilities	2,760,282	3,276,175
Social security	374,113	358,158
Other creditors	1,446,179	32,268
Accruals and deferred income	1,504,167	493,590
	<u>36,257,065</u>	<u>30,674,876</u>

Amounts owed to group companies includes the cash pooling financing facility balance with the Company's parent Company, Bertelsmann UK Limited. Amounts owed to group companies are unsecured, repayable on demand and carry interest based on the Bank of England base rate.

Prior year balances have been restated as detailed in note 22.

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

	2023	2022
	£	£
Lease liabilities	<u>20,007,690</u>	<u>16,257,507</u>

ARVATO SCM UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

17. Leases

Right-of-use assets

	Land and buildings £	Fixtures and fittings £	Total £
Cost or valuation			
At 1 January 2023	27,435,895	820,702	28,256,597
Disposals	(386,821)	(400,024)	(786,845)
Modifications	8,005,982	-	8,005,982
At 31 December 2023	<u>35,055,056</u>	<u>420,678</u>	<u>35,475,734</u>

Depreciation and impairment

At 1 January 2023	7,686,955	794,038	8,480,993
Charge for the year	3,145,088	6,830	3,151,918
Disposals	(386,820)	(400,025)	(786,845)
At 31 December 2023	<u>10,445,223</u>	<u>400,843</u>	<u>10,846,066</u>

Net book value

At 31 December 2023	<u>24,609,833</u>	<u>19,835</u>	<u>24,629,668</u>
At 31 December 2022	<u>19,748,940</u>	<u>26,664</u>	<u>19,775,604</u>

Lease liabilities are due as follows:

	2023 £	2022 £
Not later than one year	2,760,282	3,276,175
Between one and five years	11,688,779	9,891,978
Later than five years	8,318,912	6,365,529
	<u>22,767,973</u>	<u>19,533,682</u>

Lease liabilities derecognised during the year were £nil (2022: £nil).

ARVATO SCM UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

17. Leases (continued)

Contractual undiscounted cash flows are due as follows:

	2023	2022
	£	£
Not later than one year	3,350,121	3,536,044
Between one and five years	13,286,402	10,748,741
Later than five years	8,649,975	6,501,834
	<u>25,286,498</u>	<u>20,786,619</u>

The total cash outflow for leases in 2023 was £3,768,200 (2022: £3,871,700).

The following amounts in respect of leases, where the Company is a lessee, and the corresponding right-of-use asset have been recognised in the income statement:

	2023	2022
	£	£
Interest expense on lease liabilities	369,914	313,716
Depreciation of right-of-use assets - Buildings	3,145,088	3,205,057
Depreciation of right-of-use assets - Fixtures and fittings	6,830	143,890

18. Employee benefits

The Company operates a defined contribution pension scheme. The pension costs charge for the year includes contributions payable by the Company to the scheme and amounted to £466,643 (2022: £402,827).

At the balance sheet date, contributions amounting to £82,080 (2022: £74,176) were payable to the scheme.

19. Provisions

	Onerous provision	Dilapidation provision	Total
	£	£	£
At 1 January 2023 (as restated)	29,299	1,569,513	1,598,812
Right-of-use asset additions	-	1,513,152	1,513,152
Utilised in year	(29,299)	(402,878)	(432,177)
At 31 December 2023	<u>-</u>	<u>2,679,787</u>	<u>2,679,787</u>

Prior year balances have been restated as detailed in note 22.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

20. Capital and reserves

Share capital

	2023	2022
	£	£
Allotted, called up and fully paid		
100 (2022 - 100) Ordinary shares of £1.00 each	<u>100</u>	<u>100</u>

21. Reserves

Profit and loss account

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

Capital contribution reserve

The capital contribution reserve consists of intercompany loan amounts that were waived by Bertelsmann UK Limited in order to release working capital.

22. Prior year adjustment

The Company has restated certain prior year balances relating to the following matters identified during the course of preparing these financial statements.

Reclassification adjustment

The Company identified one reclassification restatement to the prior year, as detailed below:

Reclassification of dilapidations provision

The Company has restated the comparative year to disclose the dilapidations provision in provisions rather than accruals. The impact of this adjustment is to increase provisions by £1,569,513 and decrease accruals by the same amount. There is no impact on the Company's net assets or profit after tax at 31 December 2022.

Reclassification of the disclosure of right-of-use assets

The Company has restated the comparative year notes to the financial statements to disclose right-of-use assets in the leases note, and to remove disclosure from the tangible fixed assets note. There is no impact on the Company's net assets or profit after tax at 31 December 2022.

23. Post balance sheet events

In May of 2024 the company purchased selected assets (Land and Buildings) of a site in Corby for a purchase consideration of £15m. As part of the agreement Arvato has agreed to continue to serve the customer base, that originally occupied the purchased premises with warehouse and distribution services.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

24. Related parties and immediate and ultimate controlling party

The immediate parent Company is Bertelsmann UK Limited, a Company incorporated and registered in the United Kingdom. The ultimate parent Company and ultimate controlling party is Bertelsmann SE & Co. KGaA, a Company incorporated and registered in Germany. The consolidated financial statements of this group are available to the public and may be obtained from Bertelsmann SE & Co. KGaA, Carl Bertelsmann Strasse 270, Postfach 111, D-33311, Gütersloh, Germany. No other group financial statements include the results of the Company.

The Company has a related party relationship with fellow subsidiaries of the group headed by Bertelsmann SE & Co. KGaA and with its directors and executive officers.

As the Company is a wholly owned subsidiary of Bertelsmann UK Limited, the Company is exempt from the requirement, under International Accounting Standard 24 'Related party disclosures', to disclose transactions between two or more members within the group. The Company has taken advantage of this exemption. No other related party transactions were entered in to in the year.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.