

Registered number: 05019402

ARVATO SCM UK LIMITED

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



ARVATO SCM UK LIMITED

COMPANY INFORMATION

Directors	Andreas Barth Tobias Uthmann
Company secretary	Karen Waterfall
Registered number	05019402
Registered office	Plot 10a Faraday Avenue, Hams Hall Distribution Park Coleshill Birmingham B46 1AL

ARVATO SCM UK LIMITED

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ARVATO SCM UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

The directors of Arvato SCM UK Limited ("the Company") present the Strategic Report for the year ended 31 December 2021.

Business review

About Arvato SCM

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 2021 the group's businesses, with their more than 145,000 employees, generated revenues of €18,7 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 2021 the Company completed the realignment of its Supply Chain Solutions clients into the single legal entity together with the associated costs from this project. As a consequence, in 2021 the revenues were £50,710,600 (2020: £37,202,783) and the operating profit was £918,022 (2020: operating loss £94,318). The Company added additional clients during the year and continued to invest in infrastructure and to provide optimised operational solutions to its client base.

Business development

In the year to 31 December 2021, 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. Revenue in the year represented a 36% growth compared to the previous year as a result of the additional Arvato business as identified above.

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 2021 the Company invested in a new site in the East Midland Gateway, while we continue to invest in technologies and people facilitate growth in this marketplace.

ARVATO SCM UK LIMITED

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

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:

- Covid-19
- 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
- Shortages in the availability of IT hardware

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.

Covid-19

The Company, like all companies globally on different timescales, has been impacted by the global Covid-19 pandemic outbreak since February 2020.

Following the removal of all remaining domestic restrictions for COVID-19 in England this year, we continue to follow the guidance provided by the UK Government on steps we take to reduce the risk of catching and spreading the infection. This includes recommending our colleagues get vaccinated and follow good hygiene practises.



Arvato SCM UK Streamlined Energy and Carbon Reporting Disclosure 2021

UK Greenhouse gas emissions and energy use data for the period 1 January 2021 to 31 December 2021. The previous year has been included to demonstrate Arvato SCM UK’s commitment to reducing their energy use and greenhouse gas emissions.

Energy Consumption - Green Electricity – Arvato SCM UK took the decision to purchase 100% Green electricity historically. The Intensity Ratio for 2021 is 29% lower than the previous year, overall energy usage has improved slightly due to the full year effect of the changes made in 2020, however the largest movement in the ratio is due to the year-on-year increase in revenue.

	2020	2021
Total Energy Consumption kWh	9,960,542	8,657,321
Total Electricity Consumption kWh	5,879,717	4,583,414
Percentage "Green Electricity"	100%	100%
Total Heat Consumption in kWh	4,165,108	3,891,609
Energy – Transport Fuels in kWh	109,874	108,563

In 2021

- Arvato SCM have now completely upgraded to LED lighting
- SMART metres were fitted to energy metres to allow for accurate reporting
- Business travel increased but still limited to essential only
- Implemented a full recycling operation on all cardboard and plastic packaging
- Reduced energy use by switching off air handling and heating to offices when not in use
- Arvato SCM have acquired a new site this will be constructed in 2022, however in 2021 this is only a shell and had no electrical mains connection.

Targets

Arvato SCM UK is committed to managing environmental issues effectively across our entire value chain. We have set three key targets for the future

- **Zero by 30:** reduce our carbon footprint to become climate neutral in our direct operations, and in our wider supply chain by 2030
- **Sustainable sourcing:** ensure 100% of our consumables are ethically sourced
- **Content:** use the power of our brand, and that of our clients, to enhance our environmental posture in the UK

Emissions

Site related emissions	unit	2020	2021
Scope 1 Mobile Fuels	t CO2e	44	41
Scope 1 Stationary Fuels	t CO2e	19	17
Scope 2 Electricity	t CO2e	2677	2578
Scope 2 Heat	t CO2e	778	768

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Scope 3 Waste	t CO2e	77	74
<i>Scope 3 Energy related</i>	<i>t CO2e</i>	118	115
Total	t CO2e	3,713	3,593

Employee related emissions	unit	2020	2021
Scope 3 Business Travel	t CO2e	42	53
Scope 3 Hotel	t CO2e	44	93
Scope 3 Employee Commuting	t CO2e	2978	2976
Scope 3 Office Paper	t CO2e	65	62
Scope 3 IT Devices	t CO2e	467	367
Total	t CO2e	3,596	3,551

Total Emissions	Unit	2020	2021
Scope 1	t CO2e	63	58
Scope 2	t CO2e	3455	3346
Scope 3	t CO2e	3791	3740
Sum of S1+S2+S3	t CO2e	7,309	7,144

Intensity Ratio	Unit	2020	2021
Tonnes of CO2e per £M Revenue	t CO2e	196.46	139.34 -29%

Reporting Methodology

We have followed the UK BEIS (Department Business, Energy & Industrial Strategy) guidance. The energy and emission figures provided are taken from Bertelsmann's "Green Screen", this a Bertelsmann owned internal recording application used by all companies within the Bertelsmann Group including Arvato SCM UK. All conversions are completed using government guidance ratios and the scopes 1, 2 and 3 are as outlined by BEIS guidance pages 50 and 51.

ARVATO SCM UK LIMITED

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

Directors' section 172 statement

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

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

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

The directors fulfil these duties as follows:

The interest of the Company's employees

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

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.

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

Challenging labour market


The labour market in 2022 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 have aligned the salary and grading of the employees appropriately. The Company has invested in an in-house recruitment specialist resource and in developing the employer branding.

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 26 January 2023

and signed on its behalf.


Tobias Uthmann (Jan 26, 2023 19:22 GMT)

Tobias Uthmann
Director

ARVATO SCM UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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

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, and in the Republic of Ireland via an overseas branch.

Results and dividends

The loss for the year, after taxation, amounted to £356,944 (2020 - profit £321,841).

No dividends were paid during the year (2020: £Nil). The directors do not recommend any further dividend payments.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Patrick Corbett (resigned 31 October 2021)

Monique Klein (appointed 8 June 2022, resigned 17 January 2023)

Ian Montgomery (resigned 8 June 2022)

Adele Marie Smith (resigned 30 June 2022)

Tobias Uthmann (appointed 21 July 2021)

Sebastian Verhoeven (resigned 8 June 2022)

Andreas Barth (appointed 8 June 2022)

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.

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

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 2.4 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

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

This report was approved by the board on 26 January 2023

and signed on its behalf.


Tobias Uthmann (Jan 26, 2023 16:22 GMT)

Tobias Uthmann
Director

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

ARVATO SCM UK LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

ARVATO SCM UK LIMITED

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 2021 which comprise the Statement of Comprehensive income, the Balance sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

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

Basis for opinion

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

Going concern

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

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

Our conclusions based on this work:

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

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

- Enquiring of directors as to the Company's policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that management may be in a position to make inappropriate accounting entries; and
- the risk that revenue is recorded in the wrong period.

We did not identify any additional fraud risks.

We performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to revenue and cash accounts with corresponding entries to unusual accounts. We also tested a sample of revenue items recorded close to the year end to ensure that they were recorded in the correct accounting period.

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

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

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

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

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, employment law and certain aspects of company legislation recognising the nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

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

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

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

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

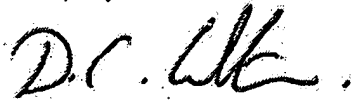
A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

ARVATO SCM UK LIMITED

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

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

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



David Caseldine (Senior statutory auditor)

for and on behalf of

KPMG LLP, Statutory Auditor

Chartered Accountants

1 Sovereign Square

Sovereign Street

Leeds

LS1 4DA

Date: 26 January 2023

ARVATO SCM UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	2020 £
Turnover	4	50,710,600	37,202,783
Cost of sales		(20,514,297)	(13,497,449)
Gross profit		30,196,303	23,705,334
Administrative expenses		(29,278,281)	(23,799,652)
Operating profit/(loss)	5	918,022	(94,318)
Interest payable and similar expenses	8	(499,954)	(421,575)
Profit/(loss) before tax		418,068	(515,893)
Tax on profit/(loss)	9	(775,012)	837,734
(Loss)/profit for the financial year		(356,944)	321,841

There were no recognised gains and losses for 2021 or 2020 other than those included in the statement of comprehensive income.

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

The notes on pages 19 to 35 form part of these financial statements.

ARVATO SCM UK LIMITED
REGISTERED NUMBER: 05019402

BALANCE SHEET
AS AT 31 DECEMBER 2021


	Note	2021 £	2020 £
Fixed assets			
Intangible assets	10	61,878	79,417
Right-of-use assets	11	22,919,580	7,347,334
Tangible assets	11	6,109,469	4,597,148
Deferred tax assets	12	202,893	922,138
		<u>29,293,820</u>	<u>12,946,037</u>
Current assets			
Debtors: amounts falling due within one year	13	11,689,704	9,045,555
Cash at bank and in hand	14	30,487	346,899
		<u>11,720,191</u>	<u>9,392,454</u>
Creditors: amounts falling due within one year	15	(20,563,437)	(14,652,417)
Net current liabilities		<u>(8,843,246)</u>	<u>(5,259,963)</u>
Total assets less current liabilities		<u>20,450,574</u>	<u>7,686,074</u>
Creditors: amounts falling due after more than one year	16	(19,063,105)	(5,941,661)
		<u>1,387,469</u>	<u>1,744,413</u>
Net assets		<u><u>1,387,469</u></u>	<u><u>1,744,413</u></u>

ARVATO SCM UK LIMITED
REGISTERED NUMBER: 05019402

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Capital and reserves			
Called up share capital	19	100	100
Profit and loss account		1,387,369	1,744,313
		<u>1,387,469</u>	<u>1,744,413</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26 January 2023.


Tobias Uthmann (Jan 26, 2023 16:22 GMT)

Tobias Uthmann
Director

The notes on pages 19 to 35 form part of these financial statements.

ARVATO SCM UK LIMITED

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

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2021	100	1,744,313	1,744,413
Comprehensive income for the year			
Loss for the year	-	(356,944)	(356,944)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(356,944)	(356,944)
Total transactions with owners	-	-	-
At 31 December 2021	100	1,387,369	1,387,469

The notes on pages 19 to 35 form part of these financial statements.

ARVATO SCM UK LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2020	100	1,422,472	1,422,572
Comprehensive income for the year			
Profit for the year	-	321,841	321,841
	<hr/>	<hr/>	<hr/>
Other comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	321,841	321,841
	<hr/>	<hr/>	<hr/>
Total transactions with owners	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2020	100	1,744,313	1,744,413

The notes on pages 19 to 35 form part of these financial statements.

ARVATO SCM UK LIMITED

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

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.

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:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the 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 paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

2.3 New standards, amendments and IFRIC interpretations

There are no amendments to accounting standards or IFRIC Interpretations Committee (IFRS IC) interpretations that are effective for the year ended 31 December 2021 that have had a material impact on the Company's financial statements.

ARVATO SCM UK LIMITED

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

2. Accounting policies (continued)

2.4 Going concern

Notwithstanding net current liabilities of £8.8m as at 31 December 2021, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have considered the trading position of the Company and its business risks, and have prepared a cash flow forecast for a period of at least 12 months from the date of approval of the financial statements, including considering a severe but plausible downside case. These forecasts show that the Company will have sufficient funds, through funding from its ultimate parent company, Bertelsmann SE & Co. KGaA, to meet its liabilities as they fall due during the going concern assessment period.

Those forecasts are dependent on Bertelsmann SE & Co. KGaA providing additional financial support during the going concern assessment period. Bertelsmann SE & Co. KGaA has indicated its intention to continue to make available such funds as are needed by the company during the going concern assessment period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Accordingly, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

2.5 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.

2.6 Foreign currency

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.

2.7 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, value added tax and other sales related taxes.

Revenue is recognised on completion of services and is invoiced to the client based on predetermined billing criteria. The nature of how a client is billed for services provided will depend upon the nature of the work undertaken.

ARVATO SCM UK LIMITED

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

2. Accounting policies (continued)

2.8 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

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.

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

ARVATO SCM UK LIMITED

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

2. Accounting policies (continued)

2.9 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.

2.10 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.

2.11 Impairment

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.

ARVATO SCM UK LIMITED

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

2. Accounting policies (continued)

2.12 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.

2.13 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

2.14 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.

Depreciation is provided on the following basis:

Short-term leasehold property	- 5 to 7 years
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 life time 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.

ARVATO SCM UK LIMITED

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

2. Accounting policies (continued)

2.15 Trade and other receivables

Trade and other receivables at the statement of financial position date comprise amounts receivable from the sale of services to third parties. Trade and other receivables from group companies comprise amounts receivable from recharge of costs and sale of services to fellow subsidiaries of the Bertelsmann group.

Trade and other receivables from 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 receivables are stated at fair value which approximates cost less impairment losses.

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.

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.

ARVATO SCM UK LIMITED

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

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 are the only 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.

Recoverability of receivables

The Company reviews overdue trade receivables on a regular basis and makes provisions against those balances considered most at risk.

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.

ARVATO SCM UK LIMITED

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

4. Turnover

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

	2021	2020
	£	£
Sale of services	36,370,234	27,955,774
Other operating income	14,340,366	9,247,009
	<u>50,710,600</u>	<u>37,202,783</u>

Other operating income consists of recharges to group companies.

5. Operating profit/(loss)

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

	2021	2020
	£	£
Net foreign exchange losses / (gains)	63,940	(190,833)
Depreciation of tangible fixed assets	942,915	730,424
Amortisation of right-of-use assets	1,868,419	1,561,600
Employee expenses	12,696,096	10,219,870
Auditors' remuneration	42,416	42,416
	<u>15,513,786</u>	<u>12,844,937</u>

ARVATO SCM UK LIMITED

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

6. Employees

Staff costs were as follows:

	2021 £	2020 £
Wages and salaries	11,365,745	9,109,768
Social security costs	979,992	806,079
Cost of defined contribution scheme	350,359	304,023
	<u>12,696,096</u>	<u>10,219,870</u>

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

	2021 No.	2020 No.
Operations	400	329
Management	23	40
	<u>423</u>	<u>369</u>

7. Directors' remuneration

	2021 £	2020 £
Emoluments	192,377	102,000
Pension contributions	10,643	-
	<u>203,020</u>	<u>102,000</u>

Highest paid director	2021 £	2020 £
Emoluments	97,564	-
Pension contributions	7,643	-

ARVATO SCM UK LIMITED

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

8. Interest payable and similar expenses

	2021 £	2020 £
Loans from group undertakings	166,209	91,458
Interest on lease liabilities	211,593	227,056
Other interest payable	122,152	103,061
	499,954	421,575

9. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	31,496	(171,272)
Adjustments in respect of previous periods	24,470	272
	55,966	(171,000)
Total current tax	55,966	(171,000)
Deferred tax		
Current year	987,139	(666,734)
Adjustments in respect of previous years	6,852	-
Deferred tax rate differences	(274,945)	-
	719,046	(666,734)
Total deferred tax	719,046	(666,734)
Taxation on profit/(loss) on ordinary activities	775,012	(837,734)

ARVATO SCM UK LIMITED

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

9. Taxation (continued)

Factors affecting tax charge for the year

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

	2021 £	2020 £
Profit/(loss) on ordinary activities before tax	<u>418,068</u>	<u>(515,893)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	79,433	(98,020)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	950	2,286
Recognition of losses previously unrecognised	938,252	(712,000)
Deferred tax rate differences	(274,945)	(29,000)
Adjustments to current tax charge in respect of prior periods	24,470	-
Adjustments to deferred tax charge in respect of prior periods	6,852	(1,000)
Total tax charge for the year	<u><u>775,012</u></u>	<u><u>(837,734)</u></u>

Factors that may affect future tax charges

The current year tax credit represents amounts receivable from fellow UK subsidiaries of the Bertelsmann group in respect of current year tax losses surrendered in the UK.

In the March 2021 Budget the Government announced that the UK corporation tax rate will increase to 25% on 1 April 2023; this rate change was substantively enacted in the Finance Act 2021.

ARVATO SCM UK LIMITED

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

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 2021	155,917
Additions	20,551
Disposals	(920)
At 31 December 2021	<u>175,548</u>
Amortisation	
At 1 January 2021	76,500
Charge for the year	38,090
On disposals	(920)
At 31 December 2021	<u>113,670</u>
Net book value	
At 31 December 2021	<u>61,878</u>
At 31 December 2020	<u>79,417</u>

ARVATO SCM UK LIMITED

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

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 £	Right-of-use asset £	Total £
Cost or valuation					
At 1 January 2021	4,191,357	945,735	1,090,683	10,261,552	16,489,327
Additions	1,529,595	395,205	530,436	17,440,665	19,895,901
Disposals	(5,904)	(3,567)	(1,132)	-	(10,603)
At 31 December 2021	<u>5,715,048</u>	<u>1,337,373</u>	<u>1,619,987</u>	<u>27,702,217</u>	<u>36,374,625</u>
Depreciation					
At 1 January 2021	679,045	411,564	540,018	2,914,218	4,544,845
Charge for the year on owned assets	502,785	167,503	272,627	1,868,419	2,811,334
Disposals	(5,904)	(3,567)	(1,132)	-	(10,603)
At 31 December 2021	<u>1,175,926</u>	<u>575,500</u>	<u>811,513</u>	<u>4,782,637</u>	<u>7,345,576</u>
Net book value					
At 31 December 2021	<u>4,539,122</u>	<u>761,873</u>	<u>808,474</u>	<u>22,919,580</u>	<u>29,029,049</u>
At 31 December 2020	<u>3,512,312</u>	<u>534,171</u>	<u>550,665</u>	<u>7,347,334</u>	<u>11,944,482</u>

12. Deferred tax assets and liabilities

	1 January 2021 £	Income statement movement £	31 December 2021 £
Movement in recognised deferred tax during the year:			
Property plant and equipment	206,920	(16,899)	190,021
Employee benefits	3,218	9,654	12,872
Tax losses	712,000	(712,000)	-
	<u>922,138</u>	<u>(719,245)</u>	<u>202,893</u>

ARVATO SCM UK LIMITED

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

	<i>1 January</i> 2020 £	<i>Income</i> <i>statement</i> <i>movement</i> £	<i>31</i> <i>December</i> 2020 £
Movement in recognised deferred tax during the prior year:			
Property plant and equipment	252,324	(45,404)	206,920
Employee benefits	2,879	339	3,218
Tax losses	-	712,000	712,000
	<u>255,203</u>	<u>666,935</u>	<u>922,138</u>

13. Debtors

	2021 £	2020 £
Trade debtors	10,452,968	8,104,200
Amounts owed by group undertakings	687,184	552,555
Prepayments and accrued income	549,552	388,800
	<u>11,689,704</u>	<u>9,045,555</u>

An allowance has been made for the expected credit loss on trade and other receivables of £489,516 (2020: £14,000). Trade and other receivables from group companies are unsecured, repayable on demand and carry interest based on the Bank of England base rate.

14. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	30,487	346,899
	<u>30,487</u>	<u>346,899</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. The parent Company has confirmed that balances can be drawn on demand from the group by the Company.

ARVATO SCM UK LIMITED

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

15. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	7,568,285	5,376,494
Amounts owed to group undertakings	8,266,214	7,328,543
Lease liabilities	3,556,050	1,457,947
Social security	293,180	203,697
Other creditors	456,178	102,397
Accruals and deferred income	423,530	183,339
	<u>20,563,437</u>	<u>14,652,417</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.

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

	2021 £	2020 £
Lease liabilities	19,063,105	5,941,661
	<u>19,063,105</u>	<u>5,941,661</u>

ARVATO SCM UK LIMITED

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

17. Leases

Company as a lessee

Lease liabilities are due as follows:

	2021 £	2020 £
Not later than one year	3,556,050	1,457,947
Between one year and five years	19,063,105	5,941,661
	<u>22,619,155</u>	<u>7,399,608</u>

Lease liabilities derecognised during the year were £Nil (2020: £500,446).

Contractual undiscounted cash flows are due as follows:

	2021 £	2020 £
Not later than one year	3,768,143	1,639,640
Between one year and five years	12,050,817	5,951,829
Later than five years	8,224,835	677,426
	<u>24,043,795</u>	<u>8,268,895</u>

The total cash outflow for leases in 2021 was £2,432,712 (2020: £1,745,571).

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

	2021 £	2020 £
Interest expense on lease liabilities	<u>211,593</u>	<u>227,056</u>

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 £350,359 (2020: £304,000).

At the balance sheet date, contributions amounting to £60,352 (2020: £51,000) were payable to the scheme.

ARVATO SCM UK LIMITED

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

19. Share capital

	2021	2020
	£	£
Allotted, called up and fully paid		
100 (2020 - 100) Ordinary shares shares of £1.00 each	100	100

20. Post balance sheet events

On 22 December 2022, the immediate parent company Bertelsmann UK Limited approved and entered into a cash pooling loan waiver with the Company, to waive £5,500,000 owed to Bertelsmann UK Limited.

21. Related parties

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.