

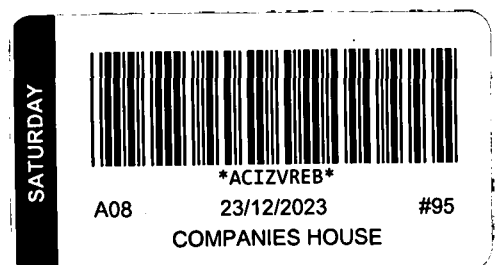
Registered number: 05019402

---

**ARVATO SCM UK LIMITED**

---

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**



---

**ARVATO SCM UK LIMITED**

---

**COMPANY INFORMATION**

---

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

---

**ARVATO SCM UK LIMITED**

---

**CONTENTS**

---

	Page
<b>Strategic Report</b>	1 - 11
<b>Directors' Report</b>	12 - 13
<b>Directors' Responsibilities Statement</b>	14
<b>Independent Auditor's Report To The Members of Arvato SCM UK Limited</b>	15 - 18
<b>Statement of Comprehensive Income</b>	19
<b>Balance Sheet</b>	20 - 21
<b>Statement of Changes in Equity</b>	22
<b>Notes to the Financial Statements</b>	23 - 41

---

## ARVATO SCM UK LIMITED

---

### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

---

#### Introduction

The directors of Arvato SCM UK Limited ("the Company") present the Strategic Report for the year ended 31 December 2022.

#### 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 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 2022 the revenues were £55,361,542 (2021: £50,710,600) and the operating loss was £3,125,440 (2021: operating profit £918,022). 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 2022, 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.

#### 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 continuing to invest in both technologies and people in order to facilitate growth in this marketplace.

---

**ARVATO SCM UK LIMITED**

---

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

---

**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.



## Arvato SCM UK Limited Streamlined Energy and Carbon Reporting (SECR) Disclosure for Reporting Year 2022

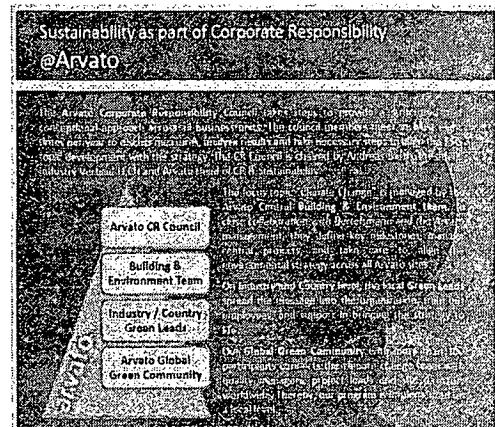
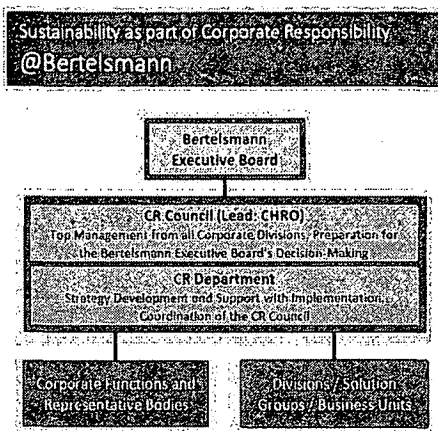
### Introduction

Arvato SCM UK Ltd Environmental protection is an integral part of our corporate responsibility. We keep the principle of sustainable development in mind in every activity we undertake. It is our objective to create and sustain a positive legacy to future generations. We strive for a responsible use of natural resources in the production and distribution of our products and services, to ensure environmentally responsible procurement.

### Executive Summary

#### Overview

- Arvato SCM UK Limited is a part of the solution group Bertelsmann SE & Co. KGaA but is classified as a separate Limited Company in accordance with the UK Companies Act 2006. Therefore, this SECR solely covers the activities and undertaking of the UK only.
- As a fully consolidated subsidiary of the solution group, Arvato operates in a decentralised corporate structure. Decentralisation does not imply an abandonment of a planned and targeted approach. Executives from the Bertelsmann divisions meet regularly to discuss the further development of group wide priorities that flank and compliment the overall corporate strategy, the anchoring of corporate responsibility in the divisions and the cross-divisional coordination of ESG activities.



- Sustainability as Part of the Arvato Group is managed by the central team in close collaboration with Bertelsmann. The central team define key milestones, manage central projects and align environmental strategy across all Arvato sites.
- Country level leads "Green leads" spread the message, lead and action strategy at a local level.
- Arvato SCM UK Ltd for the reporting year 2022 undertook a period of growth to meet corporate aims. This period of growth resulted in operational changes, which shifted the UK element from a single site of operation to a multiple site set up:
  - Separated its two industry verticals into two clear distinct sites of operation. Consumer products (CP) based at existing site in Hams Hall, Birmingham, and Technical Products (TECH) being moved to a newly acquired site at EMG, Derby.
  - Took ownership of the UK healthcare vertical based at Kings Norton, Birmingham.
- Previously submitted SECR accounted for the single site format only. The 2022 shall be the first reporting year that encompasses all the Arvato UK industries and sites. **2022 reporting year is therefore labelled our base year.**

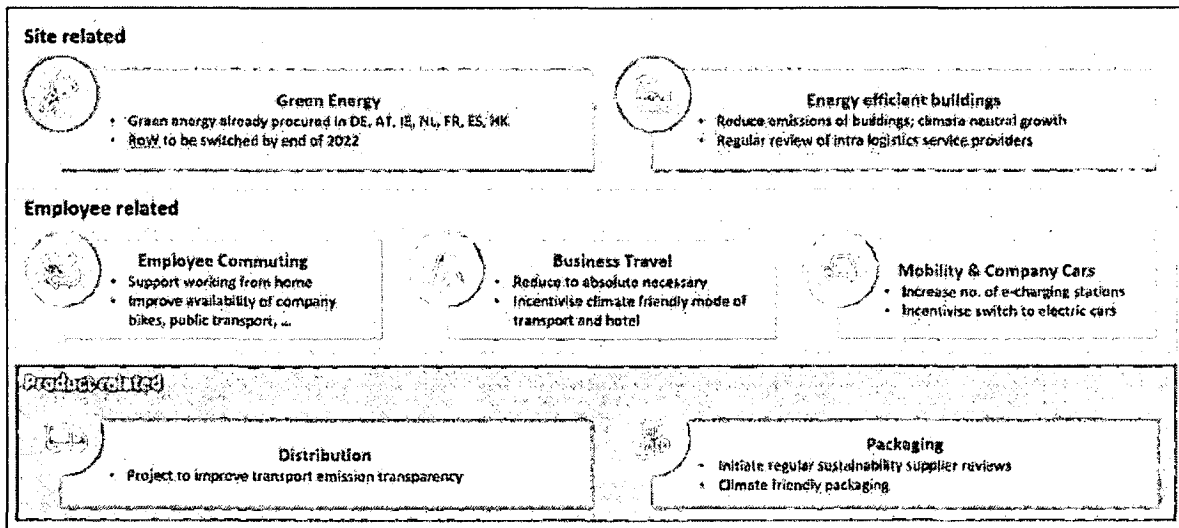
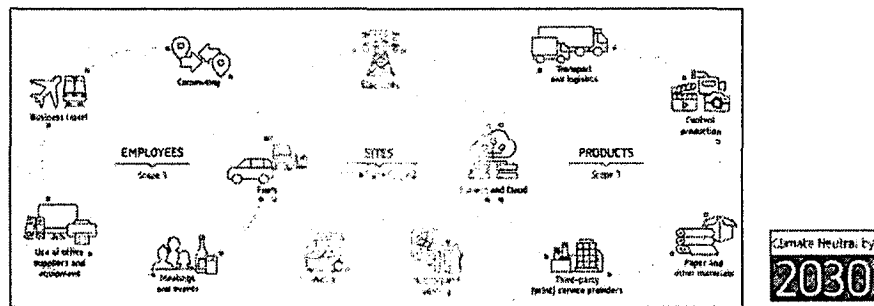
# arvato

- This report has been drafted in accordance with the UK GOV Environmental reporting guidelines: including Streamlined Energy and Carbon Reporting requirements<sup>1</sup>

## Strategy

Bertelsmann overall strategy is to aspire to become climate neutral by 2030, by cutting absolute greenhouse gas emissions by 50 percent compared to 2018. This reduction target was validated by the Science Based Targets Initiative (SBTi) in March 2021. The SBTi confirmed that this climate target is ambitious and is in line with the Paris Climate agreement. The overall strategy is aimed at taking responsibility for reducing and offsetting greenhouse gas emissions resulting from its business activities.

The climate strategy prioritises measures to avoid and reduce emissions – ahead of offsetting remaining emissions. It comprises of three fields of action: “Sites,” “employees,” and “products,” and is concretised by Group-wide milestones and specific measure plans of individual corporate divisions.



Encompassing the overall environmental strategic aims, Arvato, inclusive of the UK element, has a clear orientation towards growth and are planning to increase its global and local footprints both in the terms of space and employees until 2030. To account for future growth, we are not only looking at absolute emissions, but also to pursue the load to minimise negative impact per parcel. Our four goals are:

<sup>1</sup> <https://www.gov.uk/government/publications/environmental-reporting-guidelines-including-mandatory-greenhouse-gas-emissions-reporting-guidance>

ARVATO SCM UK LIMITED




Scope 1: Emissions from operations that are owned or controlled by Arvato.  
 Scope 2: Emissions from the generation of purchased or acquired electricity, heating or cooling consumed by Arvato.  
 Scope 3: All indirect emissions (not included in scope 2) that occur in the value chain of Arvato.

**Arvato UK Performance**

UK Greenhouse gas emissions and energy use data for the period 1 January 2022 to 31 December 2022. Arvato SCM UK Limited has no global presence and is UK based only.

Calculations were conducted using Arvato green screen tool (see methodology) and Government conversion factors for company reporting of greenhouse gas emissions - GOV.UK (www.gov.uk) – both using ascribed GHG factors.

**Energy Consumption (M) - Green Electricity** – Arvato SCS UK took the decision to purchase 100% Green in 2019. All UK sites are now supplied with green electricity.

	2022
Total Energy Consumption (kWh)	1,354,925,671
Total Electricity Consumption (kWh)	784,703,709
Percentage "Green Electricity"	100%
Total Heat Consumption (kWh)	567,467
Energy - Transport Fuels (kWh) (+)	2754,962

(+) included: Air travel, train and rental cars – no data to support emission choice. Highest emission factor for each mode chosen

ARVATO SCM UK LIMITED



Emissions (M)

Site Related Emissions	Unit	2022
Emissions from combustion of gas (S2)	t CO2 e	4.42
Emissions from combustion of fuel for transport Purposes (S1)	t CO2 e	560.59
Emissions from Business travel (S3)	t CO2 e	11.25
Emissions from purchased electricity (S2)	t CO2 e	46.89
<b>Total</b>	<b>t CO2 e</b>	<b>623.15</b>

Emissions (Total)

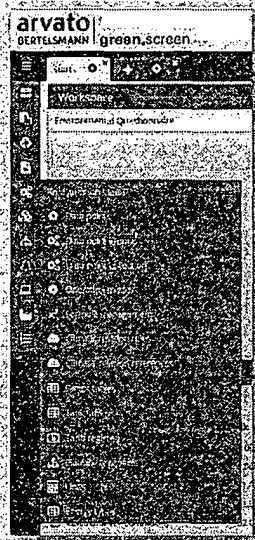
Total Emissions	Unit	2022
Scope 1	t CO2 e	560.59
Scope 2	t CO2 e	51.31
Scope 3	t CO2 e	11.25
<b>Sum of S1+S2+S3</b>	<b>t CO2 e</b>	<b>623.15</b>

Intensity Ratios

Intensity Ratio	2022
Tonnes of CO2e per £M Revenue	11.33
Tonnes of CO2e per SQM	82.6

Methodology

Country green leads working alongside many other areas of the organisation, collect the required data and input into the organisations green tool, named green.screen.



**What is green.screen?**

- green.screen is an IT platform to collect, store and analyze energy and environmental data.
- Basis for our annual environmental data collection as well as monthly data analysis.
- The results of the annual environmental data collection are part of the Bertelsmann Annual Report (link). The auditor KPMG has conducted the 2022 audit of our Scope 1&2 emissions on a reasonable assurance base.

**How does it work?**

- Depending on type, the data is collected at site level, company level or group level.
- Consumption data (e.g. kWh or metric tonnes) is multiplied with specific (country) individual CO2 factors to calculate emissions. Factor libraries include DEFRA, IEA and Ecolivent.
- Other data types are evaluated outside of green.screen and are added to the system afterwards.

**How do we work with green.screen?**

- Dashboards at all organizational levels visualize the data and trends over the course of months and years.
- Consumption and emission KPIs (e.g., per m²) allow comparisons.
- As green.screen is a living system, further functionalities and data points can be added.

# arvato

Scope Model				
Arvato emission lens	Scope	Emission type	Definition	Examples
Site related emissions	Scope 1		Emissions from operations that are owned or controlled by the reporting company	Emissions from power generation, fossil fuel combustion in owned boilers, furnaces, vehicles, etc.
	Scope 2		Emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the reporting company	Use of purchased electricity, steam, heating, or cooling
Employee- / Service-related emissions	Scope 3		All indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions	Production/Service provision/transportation of products, use of sold products

We cluster all relevant Scope 1 and Scope 2 emissions as well as a specific selection of Scope 3 emissions into site-related emissions.

Further Scope 3 emissions are clustered into employee related emissions respectively service-related emissions.

**Why do we use the term "CO2e" instead of "CO2"?**

"CO2e, or carbon dioxide equivalent, is a standard unit for measuring carbon footprints. The idea is to express the impact of each different greenhouse gas in terms of the amount of CO2 that would create the same amount of warming. That way, a carbon footprint consisting of lots of different greenhouse gases can be expressed as a single number. [...] Standard ratios are used to convert the various gases into equivalent amounts of CO2."

Source: The Guardian (2011): What are CO2e and global warming potential (GWP)?, online available <https://www.theguardian.com/environment/2011/sep/22/co2e-global-warming-potential> (accessed 10th May 2023).

## Energy Efficiency Action Taken for 2022

- The focus for 2022 was the bringing online a new site. The introduction of a new facility marries with the Arvato SCM overall strategy of growth and to increase overall global footprint. While achieving UK growth *considerate planning, procurement and sustainability were major factors in the decision making* between potential venues. As part of the site selection process, environmental factors were mandatory. These factors considered the environmental impact of build and the running of the facility.
  - **Build (EMG, Derby UK)** – This site was purpose built by a 3<sup>rd</sup> party contractor. The building was built to BREEAM standards. These involves an assessment to evaluate the procurement, design, construction and operation of a development against a range of targets based on performance benchmarks. It focuses on the sustainable value across a range of categories:
    - Energy.
    - Land use and ecology.
    - Water.
    - Health and Wellbeing.
    - Pollution.
    - Transport.
    - Materials.
    - Waste.
    - Management.
  - Each category focuses on the most influential factors, including reduced carbon emissions, low impact designs, adaption to climate change, ecological value and biodiversity protection.
  - Our site achieved an "Excellent" rating.
  - Site is provisioned with several self-sustainable systems.
    - Photovoltaic system installed with scope for additional panels to be fitted as the site grows.
    - Rainwater harvesting for sanitary systems.
    - 100 percent LED lighting that are motion detected.

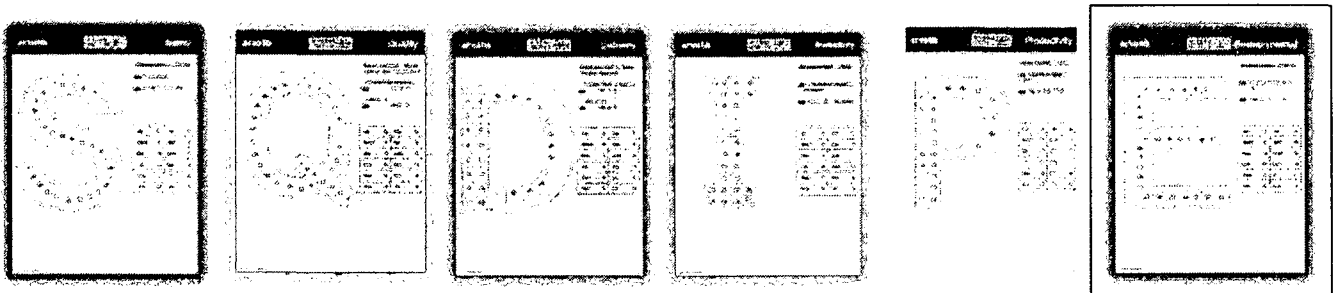


## arvato

- Smart meters attached for accurate reporting of consumption of utilities.
- Electronic car chargers installed that are free to employees, visitors and partners.
- Planting of flora and installed a regime for the cleaning and maintenance.
- Waste processing machines purchased and installed.

### Energy Efficiency Plans for 2023

- **A new dedicated green lead for the UK** - who shall have representees at each site has been agreed. They shall work and collaborate with the global green team and community. All efforts shall align with the overall corporate green objectives,
  - **Site** - reduce overall emissions by focusing on trending presented in the data and taking reasonable and practicable measures. This shall be inclusive of incoming utilities, waste, IT and building efficiency/improvements.
  - **People** - Raising overall awareness of the subject is firmly on agenda, establishing an interest organisational wide and calling on all stakeholders to actively engage and contribute to the global/local goals.
  - **Product** - Engaging and collaborating with our clients. Achieving an agreed balance of measures that can have a positive impact on both parties. Focusing on packaging and transport.
- **Lean Management** – Internal visual management system for operations has been adapted and the environmental topic at a local level has been added. Starting small, setting achievable KPI against local waste management. As the visual managements system evolves and improves so will the “E” element. Raising awareness to the main arena of our workforce and forcing departments to take ownership. It is expected that multiple key performance indicators across all departments, in sustainability will be created, enforced and monitored in order to meet overall 2030 goal.



- **Corporate Green Building Policy released** – it is now mandatory that all new buildings meet a set criteria in regards to ESG standards. This policy mandates that effort in procurement, design, operation, and maintenance must have ESG as the key factor in decision making. This policy will guide ESG effort in future period of growth. It is expected this policy will be extended, in the future, to current pre-owned and rented properties that will also govern improvements and regeneration projects.

ARVATO SCM UK LIMITED



Prior year Performance

Below disclosure relates to 2021. This is shown separately as the preparation methodology changed in 2022, and the details cannot be compared to current year numbers.

	2021
Total Energy Consumption kWh	8,657,321
Total Electricity Consumption kWh	4,583,414
Percentage "Green Electricity"	100%
Total Heat Consumption in kWh	3,891,609
Energy – Transport Fuels in kWh	108,563

Emissions

Site related emissions	unit	2021
Scope 1 Mobile Fuels	t CO2e	41
Scope 1 Stationary Fuels	t CO2e	17
Scope 2 Electricity	t CO2e	2,578
Scope 2 Heat	t CO2e	768
Scope 3 Waste	t CO2e	74
Scope 3 Energy related	t CO2e	115
<b>Total</b>	<b>t CO2e</b>	<b>3,593</b>

Employee related emissions	unit	2021
Scope 3 Business Travel	t CO2e	53
Scope 3 Hotel	t CO2e	93
Scope 3 Employee Commuting	t CO2e	2,976
Scope 3 Office Paper	t CO2e	62
Scope 3 IT Devices	t CO2e	367
<b>Total</b>	<b>t CO2e</b>	<b>3,551</b>

Total Emissions	2021
Scope 1	58
Scope 2	3,346
Scope 3	3,740
<b>Sum of S1+S2+S3</b>	<b>7,144</b>

Intensity Ratio	2021
Tonnes of CO2e per £M Revenue	139.34

---

## ARVATO SCM UK LIMITED

---

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

---

#### **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.

---

**ARVATO SCM UK LIMITED**

---

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

---

**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 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.

**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 December 2023

and signed on its behalf.



**Tobias Uthmann**  
Director

---

## ARVATO SCM UK LIMITED

---

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

---

The directors present their report and the financial statements for the year ended 31 December 2022.

#### 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 £2,876,536 (2021 - loss £356,944).

No dividends were paid during the year (2021: £Nil). The directors do not recommend the payment of a dividend.

#### Directors

The directors who served during the year were:

Andreas Barth (appointed 8 June 2022)

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

Sebastian Verhoeven (resigned 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.

---

## ARVATO SCM UK LIMITED

---

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

---

#### 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

Following completion of current year audit, KPMG LLP will step down as the Company's auditors. The Board intends to subsequently appoint Grant Thornton UK LLP as the Company's successor auditor.

This report was approved by the board on 22 December 2023

and signed on its behalf.



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 2022**

---

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 2022 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 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.

---

## ARVATO SCM UK LIMITED

---

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

---

#### **Fraud and breaches of laws and regulations – ability to detect**

##### *Identifying and responding to risks of material misstatement due to fraud*

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

- Enquiring of directors as to the Company's policies and procedures to prevent and detect fraud as well as whether the directors 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 inspectoin 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.

---

## ARVATO SCM UK LIMITED

---

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

---

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

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

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing noncompliance 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 14, 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.

---

**ARVATO SCM UK LIMITED**

---

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

---

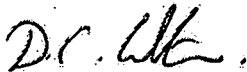
**Auditor's responsibilities**

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](http://www.frc.org.uk/auditorsresponsibilities).

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

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



**David Caseldine (Senior statutory auditor)**

**for and on behalf of**

**KPMG LLP**

*Chartered Accountants*

1 Sovereign Square

Sovereign Street

Leeds

LS1 4DA

Date: 22 December 2023

**ARVATO SCM UK LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £	2021 £
Turnover	4	55,361,542	50,710,600
Cost of sales		(21,721,757)	(20,514,297)
<b>Gross profit</b>		<b>33,639,785</b>	<b>30,196,303</b>
Administrative expenses		(36,765,225)	(29,278,281)
<b>Operating (loss)/profit</b>	5	<b>(3,125,440)</b>	<b>918,022</b>
(Loss) on disposal of fixed assets		(3,185)	-
Interest payable and similar expenses	8	(1,361,325)	(499,954)
<b>(Loss)/profit before tax</b>		<b>(4,489,950)</b>	<b>418,068</b>
Tax on (loss)/profit	9	1,613,414	(775,012)
<b>Loss for the financial year</b>		<b>(2,876,536)</b>	<b>(356,944)</b>

There were no recognised gains and losses for 2022 or 2021 other than those included in the statement of comprehensive income.

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

There was no other comprehensive income for 2022 (2021:£NIL).

The notes on pages 23 to 41 form part of these financial statements.

**ARVATO SCM UK LIMITED**  
**REGISTERED NUMBER: 05019402**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2022**

	Note	2022 £	2021 £
<b>Fixed assets</b>			
Intangible assets	10	65,096	61,878
Tangible assets	11	14,833,092	6,109,469
Right-of-use assets	11	19,775,604	22,919,580
Deferred tax asset	12	-	202,893
		<u>34,673,792</u>	<u>29,293,820</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	13	17,868,136	11,689,704
Cash at bank and in hand	14	200	30,487
		<u>17,868,336</u>	<u>11,720,191</u>
Creditors: amounts falling due within one year	15	(32,244,389)	(20,563,437)
<b>Net current liabilities</b>		<u>(14,376,053)</u>	<u>(8,843,246)</u>
<b>Total assets less current liabilities</b>		<u>20,297,739</u>	<u>20,450,574</u>
Creditors: amounts falling due after more than one year	16	(16,257,507)	(19,063,105)
		<u>4,040,232</u>	<u>1,387,469</u>
<b>Provisions for liabilities</b>			
Other provisions	19	(29,299)	-
<b>Net assets</b>		<u><u>4,010,933</u></u>	<u><u>1,387,469</u></u>

---

ARVATO SCM UK LIMITED  
REGISTERED NUMBER: 05019402

---

BALANCE SHEET (CONTINUED)  
AS AT 31 DECEMBER 2022

---

	Note	2022 £	2021 £
<b>Capital and reserves</b>			
Called up share capital	20	100	100
Capital contribution reserve	20	5,500,000	-
Profit and loss account		(1,489,167)	1,387,369
		<u>4,010,933</u>	<u>1,387,469</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 22 December 2023.



**Tobias Uthmann**  
Director

The notes on pages 23 to 41 form part of these financial statements.

**ARVATO SCM UK LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital £	Capital contribution reserve £	Profit and loss account £	Total equity £
<b>At 1 January 2021</b>	100	-	1,744,313	1,744,413
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(356,944)	(356,944)
<b>At 1 January 2022</b>	100	-	1,387,369	1,387,469
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(2,876,536)	(2,876,536)
<b>Contributions by owners</b>				
Loan waiver	-	5,500,000	-	5,500,000
<b>At 31 December 2022</b>	100	5,500,000	(1,489,167)	4,010,933

The notes on pages 23 to 41 form part of these financial statements.

---

## ARVATO SCM UK LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

---

#### 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:

##### 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 2022 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 2022

---

#### 2. Accounting policies (continued)

##### 2.4 Going concern

Notwithstanding net current liabilities of £14.4m as at 31 December 2022, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The company meets its day to day working capital requirements from operational cash flows, cash pooling agreement and trading balances with the group headed by Bertelsmann SE & Co. KGaA, the ultimate parent company.

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 a severe but plausible downside case. These forecasts show that the Company will have sufficient funds, through funding from the cash pooling agreement, to meet its liabilities as they fall due 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

###### *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.

---

## ARVATO SCM UK LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

---

#### 2. Accounting policies (continued)

##### 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.

##### 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

---

## ARVATO SCM UK LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

---

#### 2. Accounting policies (continued)

##### 2.8 Leases (continued)

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.

##### 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 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.

---

## ARVATO SCM UK LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

---

#### 2. Accounting policies (continued)

##### 2.12 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

##### 2.13 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 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.

##### 2.14 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.

---

**ARVATO SCM UK LIMITED**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

---

**2. Accounting policies (continued)**

**2.15 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.

---

## ARVATO SCM UK LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

---

#### 2. Accounting policies (continued)

##### 2.16 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.

##### 2.17 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.

---

**ARVATO SCM UK LIMITED**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

---

**2. Accounting policies (continued)**

**2.18 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.

**2.19 Deferred income**

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

**2.20 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.

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

---

**ARVATO SCM UK LIMITED**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

---

**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.

**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 2022**

---

**4. Turnover**

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

	2022 £	2021 £
Sale of services	<b>38,957,793</b>	36,370,234
Other operating income	<b>16,403,749</b>	14,340,366
	<u><b>55,361,542</b></u>	<u>50,710,600</u>

Other operating income consists of recharges to group companies.

**5. Operating (loss)/profit**

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

	2022 £	2021 £
Net foreign exchange losses	<b>70,084</b>	63,940
Depreciation of tangible fixed assets	<b>1,383,281</b>	942,915
Impairment of tangible fixed assets	<b>174,809</b>	-
Amortisation of right-of-use assets	<b>3,348,947</b>	1,868,419
Impairment of right-of-use assets	<b>349,409</b>	-
Employee expenses	<b>15,002,847</b>	12,696,096
Auditors' remuneration	<b>42,416</b>	42,416
	<u><b>20,371,783</b></u>	<u>15,613,786</u>

**ARVATO SCM UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**6. Employees**

Staff costs were as follows:

	2022 £	2021 £
Wages and salaries	13,338,578	11,365,745
Social security costs	1,261,442	979,992
Cost of defined contribution scheme	402,827	350,359
	<u>15,002,847</u>	<u>12,696,096</u>

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

	2022 No.	2021 No.
Operations	374	400
Management	61	23
	<u>435</u>	<u>423</u>

**7. Directors' remuneration**

	2022 £	2021 £
Emoluments	291,296	192,377
Pension contributions	15,749	10,643
	<u>307,045</u>	<u>203,020</u>

<b>Highest paid director</b>	2022 £	2021 £
Emoluments	163,452	97,564
Pension contributions	78,000	7,643

**ARVATO SCM UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**8. Interest payable and similar expenses**

	2022 £	2021 £
Loans from group undertakings	663,185	166,209
Interest on lease liabilities	313,716	211,593
Other interest payable	384,424	122,152
	<b>1,361,325</b>	<b>499,954</b>

**9. Taxation**

	2022 £	2021 £
<b>Corporation tax</b>		
Current tax on profits for the year	(2,036,987)	31,496
Adjustments in respect of previous periods	220,680	24,470
	<b>(1,816,307)</b>	<b>55,966</b>
<b>Total current tax</b>	<b>(1,816,307)</b>	<b>55,966</b>
<b>Deferred tax</b>		
Current year	(127,000)	987,139
Adjustments in respect of previous years	42,300	6,852
Deferred tax rate adjustments	287,593	(274,945)
	<b>202,893</b>	<b>719,046</b>
<b>Total deferred tax</b>	<b>202,893</b>	<b>719,046</b>
<b>Taxation on (loss)/profit on ordinary activities</b>	<b>(1,613,414)</b>	<b>775,012</b>

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.

---

ARVATO SCM UK LIMITED

---

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

---

9. Taxation (continued)

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
(Loss)/profit on ordinary activities before tax	<u>(4,489,950)</u>	<u>418,068</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	<b>(853,091)</b>	79,433
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2,283	950
Recognition of losses previously unrecognised	<b>(1,037,714)</b>	938,252
Deferred tax rate differences	<b>287,593</b>	(274,945)
Additional deduction for spend on plant and machinery	<b>(275,465)</b>	-
Adjustments to current tax charge in respect of prior periods	<b>220,680</b>	24,470
Adjustments to deferred tax charge in respect of prior periods	<b>42,300</b>	6,852
<b>Total tax (credit)/charge for the year</b>	<u><b>(1,613,414)</b></u>	<u>775,012</u>

**Factors that may affect future tax charges**

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 enacted in the Finance (No2) Bill 2021-2022. This will impact the company's future current tax rate and results in deferred tax being provided at 25% (2021: 25%).

---

ARVATO SCM UK LIMITED

---

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

---

**10. Intangible assets**

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

	<b>Computer software £</b>
<b>Cost</b>	
At 1 January 2022	<b>175,548</b>
Additions	<b>42,549</b>
At 31 December 2022	<b>218,097</b>
<b>Amortisation</b>	
At 1 January 2022	<b>113,670</b>
Charge for the year	<b>39,331</b>
At 31 December 2022	<b>153,001</b>
<b>Net book value</b>	
At 31 December 2022	<b>65,096</b>
<i>At 31 December 2021</i>	<b>61,878</b>

**ARVATO SCM UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**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 £
<b>Cost</b>					
At 1 January 2022	5,715,048	1,337,373	1,619,987	27,702,217	36,374,625
Additions	4,823,001	4,991,174	470,723	172,904	10,457,802
Disposals	-	-	(23,808)	-	(23,808)
Revaluations	-	-	-	381,476	381,476
At 31 December 2022	<u>10,538,049</u>	<u>6,328,547</u>	<u>2,066,902</u>	<u>28,256,597</u>	<u>47,190,095</u>
<b>Depreciation</b>					
At 1 January 2022	1,175,926	575,500	811,513	4,782,637	7,345,576
Charge for the year	747,479	247,524	388,278	3,348,947	4,732,228
Disposals	-	-	(20,623)	-	(20,623)
Impairment charge	18,434	156,375	-	349,409	524,218
At 31 December 2022	<u>1,941,839</u>	<u>979,399</u>	<u>1,179,168</u>	<u>8,480,993</u>	<u>12,581,399</u>
<b>Net book value</b>					
At 31 December 2022	<u>8,596,210</u>	<u>5,349,148</u>	<u>887,734</u>	<u>19,775,604</u>	<u>34,608,696</u>
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>

Following the decision of the Company to close the transport fleet service for customers in the healthcare sector operations during the year, assets used in these operations were impaired to their recoverable amount.

Two of the right-of-use assets were subject to a rent increase during the year and therefore there was a subsequent revaluation of the asset to reflect the increased lease liability. The break clause has been utilised for a further right-of-use asset and hence the lease term was reduced to reflect this.

**ARVATO SCM UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**12. Deferred tax assets and liabilities**

	<i>1 January 2022</i>	<i>Income statement movement</i>	<i>31 December 2022</i>
	£	£	£
Movement in recognised deferred tax during the year:			
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>
	<u>202,893</u>	<u>(202,893)</u>	<u>-</u>
Movement in recognised deferred tax during the prior year:			
Property plant and equipment	206,920	(16,899)	190,021
Short term timing differences	3,218	9,654	12,872
Tax losses	712,000	(712,000)	-
	<u>922,138</u>	<u>(719,245)</u>	<u>202,893</u>
	<u>922,138</u>	<u>(719,245)</u>	<u>202,893</u>

The Company has an unrecognised deferred tax asset of £1,570,943 at 31 December 2022 (2021: £2,608,658) in relation to losses. Deferred tax will be provided on these losses when the Company forecasts it will make sufficient future taxable profits against which the losses may be utilised.

**13. Debtors**

	<b>2022</b>	<b>2021</b>
	£	£
Trade debtors	<b>13,199,932</b>	10,452,968
Amounts owed by group undertakings	<b>3,330,102</b>	687,184
Other debtors	<b>396,577</b>	-
Prepayments and accrued income	<b>941,525</b>	549,552
	<u><b>17,868,136</b></u>	<u>11,689,704</u>
	<u><b>17,868,136</b></u>	<u>11,689,704</u>

An allowance has been made for the expected credit loss on trade and other receivables of £601,605 (2021: £489,516). 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 2022**

**14. Cash and cash equivalents**

	<b>2022</b>	<b>2021</b>
	£	£
Bank and cash balances	<b>200</b>	30,487
	<u><b>200</b></u>	<u>30,487</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.

**15. Creditors: Amounts falling due within one year**

	<b>2022</b>	<b>2021</b>
	£	£
Trade creditors	<b>5,985,686</b>	7,568,285
Amounts owed to group undertakings	<b>22,098,512</b>	8,266,214
Lease liabilities	<b>3,276,175</b>	3,556,050
Social security	<b>358,158</b>	293,180
Other creditors	<b>32,268</b>	456,178
Accruals and deferred income	<b>493,590</b>	423,530
	<u><b>32,244,389</b></u>	<u>20,563,437</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**

	<b>2022</b>	<b>2021</b>
	£	£
Lease liabilities	<b>16,257,507</b>	19,063,105
	<u><b>16,257,507</b></u>	<u>19,063,105</u>

---

ARVATO SCM UK LIMITED

---

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

---

**17. Leases**

**Company as a lessee**

Lease liabilities are due as follows:

	2022 £	2021 £
Not later than one year	3,276,175	3,556,050
Between one year and five years	9,891,978	11,051,101
Later than five years	6,365,529	8,012,004
	<u>19,533,682</u>	<u>22,619,155</u>

Lease liabilities derecognised during the year were £Nil (2021: £Nil).

Contractual undiscounted cash flows are due as follows:

	2022 £	2021 £
Not later than one year	3,536,044	3,768,143
Between one year and five years	10,748,741	12,050,817
Later than five years	6,501,834	8,224,835
	<u>20,786,619</u>	<u>24,043,795</u>

The total cash outflow for leases in 2022 was £3,871,700 (2021: £2,432,712).

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

	2022 £	2021 £
Interest expense on lease liabilities	<u>313,716</u>	<u>211,593</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 £402,827 (2021: £350,359).

At the balance sheet date, contributions amounting to £74,176 (2021: £60,352) were payable to the scheme.

---

**ARVATO SCM UK LIMITED**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

---

**19. Provisions**

	<b>Onerous provision £</b>
Charged to the profit or loss	<b>29,299</b>
<b>At 31 December 2022</b>	<b>29,299</b>

**20. Capital and reserves**

**Share capital**

	<b>2022 £</b>	<b>2021 £</b>
<b>Allotted, called up and fully paid</b>		
100 (2021 - 100) Ordinary shares of £1.00 each	<b>100</b>	<b>100</b>

**Capital contribution**

In order to release working capital Bertelsmann UK Limited waived £5,500,000 of the intercompany loan in December 2022. This was treated as a capital contribution in the year. Bertelsmann UK Limited did not ask for or receive any additional shares in return for the waiver.

**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.