

**HODDER & STOUGHTON LIMITED**

**Report and Financial Statements**

**Year ended 31st December 2010**



**REPORT AND FINANCIAL STATEMENTS 2010**

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**REPORT AND FINANCIAL STATEMENTS 2010**

**COMPANY INFORMATION**

**DIRECTORS**

T M Hely Hutchinson (Chairman)  
P de Cacqueray  
J Hodder-Williams  
M Johnson  
P C K Roche  
T Webster

**SECRETARY**

P de Cacqueray

**REGISTERED OFFICE**

338 Euston Road  
London NW1 3BH

**COMPANY NUMBER**

651692 (England and Wales)

**AUDITORS**

Mazars LLP  
Chartered Accountants and Statutory Auditors  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

## **DIRECTORS' REPORT**

The Directors submit their Report and Financial Statements for the year ended 31st December 2010

### **Parent Company**

The Company is a wholly-owned subsidiary of Hachette UK Limited, its ultimate parent company being Lagardere SCA

### **Activities**

The Company continued to trade as book publishers

### **Review of Developments and Future Prospects**

There was a profit on ordinary activities before taxation of £4,104,994 for the year ended 31st December 2010 compared with a profit on ordinary activities before taxation of £960,754 for the year ended 31st December 2009

Sales increased by 2% in 2010 compared to 2009

The gross profit percentage has increased from 41% in 2009 to 44% in 2010. This increase is primarily due to reduced stock, and royalty and returns provision charges in 2010

Distribution costs as a percentage of sales decreased by 1% compared to 2009 due to increased efficiencies and cost cutting

Administrative costs as a percentage of sales remained constant compared to 2009

The Company disposed of a Medical Text on 16th June 2009 realising a profit of £153k and a Humanities backlist on 8th July 2009 realising a profit of £247k

The Company will be looking for sales growth, margin improvement and cost savings in 2011 to generate higher profits over the 2010 performance

### **Treasury Operations and Financial Instruments**

The Hachette UK (Holdings) Group operates a centralised treasury function which is responsible for managing the liquidity, interest and foreign currency risks associated with the Group's activities

The Group's principal financial instruments include derivative financial instruments, the purpose of which is to manage currency risks and interest rate risks arising from the Group's activities, and bank overdrafts, loans and corporate bonds, the main purpose of which is to raise finance for the Group's operations. In addition, the Group has various other financial assets and liabilities such as trade receivables and trade payables arising directly from its operations. Derivative transactions which the Group enters into principally comprise forward exchange contracts. In accordance with the Group's treasury policy, derivative instruments are not entered into for speculative purposes

#### **Liquidity risk**

The Group manages its cash and borrowing requirements centrally to maximise interest income and minimise interest expense whilst ensuring that the Group has sufficient liquid resources to meet the operating needs of its businesses

#### **Interest rate risk**

The Group is exposed to fair value interest rate risk on its fixed rate borrowings and cash flow interest rate risk on floating rate deposits, bank overdrafts and loans. The Group uses interest rate derivatives to manage the mix of fixed and variable rate debt so as to reduce its exposure to changes in interest rates

## **DIRECTORS' REPORT (continued)**

### **Foreign currency risk**

The Group's principal foreign currency exposures arise from trading operations in overseas companies. Group policy permits but does not demand that these exposures may be hedged in order to fix the cost in sterling. This hedging activity involves the use of foreign exchange forward contracts.

### **Credit risk**

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

### **Dividends**

The Directors paid a dividend of £1,000,000 in the year ended 31st December 2010 (year ended 31st December 2009: £5,000,000). The Directors propose a dividend of £2,500,000 to be paid in 2011.

### **Directors**

The names of the present Directors of the Company are shown on page 1.

### **Directors' Indemnity**

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for directors and officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted by them as officers or employees of the Company.

Appropriate directors' and officers' liability insurance cover is in place in respect of all of the Company's directors.

### **Equal Opportunities, Training and Disabled Persons**

The Company's policy and practice is to be an "equal opportunities employer" and all staff are appointed without regard to sex, colour or creed. It is also the Company's policy to employ, to the best of its ability and within the opportunities available, people with disabilities. The policy of training is a commitment to improving job performance, increasing skills and encouraging self-development. In the event of an existing employee becoming disabled, the Company will make efforts to continue his or her employment and to arrange for appropriate training.

### **Employee Involvement**

The Company is committed to involving all employees in the performance and development of the Company. Employees are encouraged to discuss with management matters of interest to the employee and subjects affecting day-to-day operations of the Company.

### **Statement as to Disclosure of Information to Auditors**

The directors have taken all the necessary steps to make us aware, as directors, of any relevant audit information and to establish that the auditors are aware of that information.


As far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware.

**DIRECTORS' REPORT (continued)**

**Reappointment of Auditors**

Mazars LLP will continue as auditors in accordance with section 487(2) of the companies Act 2006

Approved by the Board of Directors and signed on behalf of the Board

  
P de Cacqueray  
Director

Date 14/6/11

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

## HODDER & STOUGHTON LIMITED

### INDEPENDENT AUDITORS' REPORT

#### To the member of Hodder & Stoughton Limited

We have audited the financial statements of Hodder & Stoughton Limited for the year ended 31st December 2010 which comprise the Profit and Loss account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

#### Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report, including our opinion, has been prepared for and only for the company's member 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 member those matters we are required to state to it 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 member for our audit work, for this report, or for the opinions we have formed.

#### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at <http://www.frc.org.uk/apb/scope/private.cfm>

#### Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

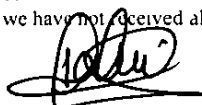
#### Opinion on the other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Matters on which we are required to report by exception

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

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



David Herbinet (Senior statutory auditor)

For and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
Tower Bridge House,  
St Katharine's Way,  
London, E1W 1DD  
Date 16 June 2011



# HODDER & STOUGHTON LIMITED

## PROFIT AND LOSS ACCOUNT

For the year ended 31st December 2010

	Note	Year ended 31st December 2010 £	Restated Year ended 31st December 2009 £
<b>TURNOVER</b>	<b>3</b>	<b>98,390,430</b>	<b>96,284,189</b>
Cost of sales		(55,448,347)	(57,052,281)
<b>Gross profit</b>		<b>42,942,083</b>	<b>39,231,908</b>
Distribution costs		(7,204,137)	(7,422,546)
Administrative expenses		(34,334,314)	(34,146,557)
Other operating income		2,701,362	2,897,907
<b>OPERATING PROFIT</b>	<b>5</b>	<b>4,104,994</b>	<b>560,712</b>
Profit on disposal	<b>6</b>	-	400,042
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>4,104,994</b>	<b>960,754</b>
Tax charge on profit on ordinary activities	<b>7</b>	(1,209,943)	(370,148)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND PROFIT FOR THE FINANCIAL YEAR</b>	<b>16, 17</b>	<b>2,895,051</b>	<b>590,606</b>

All results are derived from continuing operations

There are no recognised gains or losses other than the profit attributable to shareholders of the Company of £2,895,051 in the year ended 31st December 2010 (year ended 31st December 2009 profit of £590,606)  
Consequently a separate statement of total recognised gains and losses is not presented

# HODDER & STOUGHTON LIMITED

## BALANCE SHEET 31st December 2010

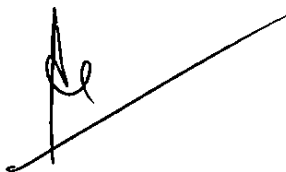
	Note	31st December 2010	Restated 31st December 2009
		£	£
<b>FIXED ASSETS</b>			
Intangible assets	9	5,051,127	4,844,197
Investments	10	2	2
		<u>5,051,129</u>	<u>4,844,199</u>
<b>CURRENT ASSETS</b>			
Stocks	11	11,207,577	12,271,766
Debtors	12	43,408,683	48,452,474
Cash at bank and in hand		6,465	6,465
		<u>54,622,725</u>	<u>60,730,705</u>
<b>CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	13	<u>(51,619,344)</u>	<u>(59,415,445)</u>
<b>NET CURRENT ASSETS</b>		<u>3,003,381</u>	<u>1,315,260</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>8,054,510</u>	<u>6,159,459</u>
<b>CAPITAL AND RESERVES</b>			
Called up equity share capital	15	25,000	25,000
Profit and loss account	16	8,029,510	6,134,459
<b>EQUITY SHAREHOLDER'S FUNDS</b>	17	<u>8,054,510</u>	<u>6,159,459</u>

The financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors

14/6/11

P De Cacqueray  
Director



**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31st December 2010**

**1 BASIS OF PREPARATION**

The financial statements are for the year ended 31st December 2010

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards and in compliance with the Companies Act 2006

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about it as a group. In accordance with FRS1 (Revised) a cash flow statement has not been provided as a consolidated cash flow statement is provided in the financial statements of the ultimate parent company.

The comparative information for the year ended 31 December 2009 has been restated due to a change in the classification of the provision for returns. It is considered that this classification is more appropriate. This restatement has no impact on net profit.

**2 ACCOUNTING POLICIES**

**a) Investments**

Investments held as fixed assets are stated at cost less provision for any impairment.

**b) Intangible assets**

Licences purchased from other publishers for previously published titles are amortised from the month of the first Company publication over the expected revenue-earning period of each licence.

**c) Goodwill**

The Company's accounting policy in respect of accounting for goodwill is regulated by Financial Reporting Standards 10 and 11. Goodwill, representing the excess of purchase consideration over the fair value of assets acquired, is capitalised in the balance sheet as an asset and amortised in the profit and loss account over its useful economic life. In accordance with FRS 10, where goodwill is regarded as having an indefinite economic life it is not amortised but is subject to an annual test for impairment. Goodwill previously written off up to 31st December 1997 has not been reinstated in the balance sheet.

**d) Deferred taxation**

In accordance with FRS 19 'Deferred tax' the Company provides deferred tax in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred taxation is not provided on timing differences arising from the sale or revaluation of fixed assets unless, at the balance sheet date, a binding commitment to sell the asset has been entered into and it is unlikely that any gain will qualify for rollover relief. Deferred taxation is measured on a non-discounted basis.

**e) Stocks**

Stocks are valued at the lower of cost and net realisable value. Cost represents materials, direct labour and appropriate production suppliers' overheads.

**f) Turnover**

Turnover represents sales by the Company to outside customers excluding Value Added Tax.

**g) Pension costs**

The Company participates in a defined benefit scheme operated by Hachette UK Limited and a number of defined contribution schemes for certain of its employees.

The company has adopted FRS 17 'Retirement Benefits'. As the directors are unable to identify the Company's share of the underlying assets and liabilities of the scheme, the costs in respect of the defined benefit scheme are charged to the profit and loss account on a contribution basis. Costs in respect of the Company's defined contribution pension payments are charged to the profit and loss account on an accruals basis as contributions become payable.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2010

### 2 ACCOUNTING POLICIES (cont)

#### h) Foreign currencies

Assets and liabilities in foreign currencies are translated into Sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account when arriving at the operating profit.

#### i) Leases

Rental costs under operating leases are charged to the profit and loss account as incurred.

The cost of assets held under finance leases and hire purchase contracts is included under tangible assets and depreciation is provided in accordance with the Company's accounting policy for the class of asset concerned. Finance charges calculated on the reducing balance basis are charged as incurred.

#### j) Related parties

The Company has taken advantage of the exemption in Financial Reporting Standard 8 - Related Party Disclosures available to subsidiaries which are 100% controlled by the group not to disclose transactions with other group companies and investors of the group qualifying as related parties.

#### k) Significant accounting estimates

##### *Royalty advances*

Unearned royalty advances are written down to the extent that they are not expected to be covered by estimated future earnings.

##### *Returns*

The company sells books on a sale or return basis. Other creditors includes an estimate for returns expected to be received after the year end.

### 3 TURNOVER

Analysis by geographical area

	Year ended 31st December 2010 £	Restated Year ended 31st December 2009 £
United Kingdom	73,450,152	88,020,436
Australia & New Zealand	6,346,600	3,543,572
Continental Europe	5,593,398	2,389,391
North America	3,751,749	560,273
Asia	4,079,113	845,528
Rest of World	5,169,418	924,989
	<u>98,390,430</u>	<u>96,284,189</u>

The Directors consider the Company to have one class of business, book publishing, and thus no analysis of turnover by class of business is provided.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31st December 2010**

**4 INFORMATION REGARDING EMPLOYEES AND DIRECTORS**

The average monthly number of persons (including Directors) employed by the Company during the year was

	Year ended 31st December 2010 Number	Year ended 31st December 2009 Number
UK Consumer Publishing	172	176
UK Educational, Academic & Professional Publishing	151	159
	<b>323</b>	<b>335</b>
<b>Staff costs (for the above persons)</b>	<b>£</b>	<b>£</b>
Wages and salaries	12,999,749	12,803,686
Social security costs	1,375,944	1,263,610
Other pension costs	2,510,478	1,812,168
	<b>16,886,171</b>	<b>15,879,464</b>

The directors are also directors of either Hachette UK Limited, Hachette UK (Holdings) Limited, Orion Publishing Group Limited or Watts Publishing Group Limited. Their emoluments cannot be allocated between the companies and have therefore been disclosed in the financial statements of Hachette UK Limited, Hachette UK (Holdings) Limited, Orion Publishing Group Limited or Watts Publishing Group Limited as appropriate.

**5 OPERATING PROFIT**

	Year ended 31st December 2010 £	Year ended 31st December 2009 £
Operating profit is after charging		
Amortisation		
Licences	13,939	13,939
Rentals under operating leases		
Other operating leases	372,394	370,945

The audit fee of £59,280 (2009: £55,000) was borne by the Company's parent, Hachette UK Limited.

**6 PROFIT ON DISPOSAL**

The Company disposed of a Medical Text on 16th June 2009 and a Humanities Backlist on 8th July 2009.

	Year ended 31st December 2010 £	Year ended 31st December 2009 £
Consideration	-	677,000
Net book value of items sold	-	(234,958)
Costs of disposal	-	(42,000)
Profit on disposal	-	400,042

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2010

## 7 TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31st December 2010 £	Year ended 31st December 2009 £
UK corporation tax on profits in the year	1,188,088	91,253
Foreign tax suffered at source	77,608	75,254
Adjustments in respect of previous periods	(44,468)	-
	<u>1,221,228</u>	<u>166,507</u>
Deferred tax - origination and reversal of timing differences	<u>(11,285)</u>	<u>203,641</u>
	<u>1,209,943</u>	<u>370,148</u>
<b>Reconciliation of tax charge</b>		
Tax on profits at UK standard rate of corporation tax - 28% (2009 28%)	1,149,398	269,011
Capital allowances in excess of depreciation	(1,816)	(2,269)
Permanent differences	103,046	101,135
Other timing differences	15,068	(201,370)
Prior year over provision	(44,468)	-
	<u>1,221,228</u>	<u>166,507</u>
	31st December 2010 £	31st December 2009 £
The deferred tax included in the balance sheet is as follows		
Included in debtors (note 12)	<u>53,119</u>	<u>41,834</u>
Accelerated depreciation	7,002	9,077
Other timing differences	<u>46,117</u>	<u>32,757</u>
	<u>53,119</u>	<u>41,834</u>
Deferred tax asset at the start of the year	41,834	245,475
Deferred tax charge in the profit and loss account for the year	<u>11,285</u>	<u>(203,641)</u>
Deferred tax asset at the end of the year	<u>53,119</u>	<u>41,834</u>

A resolution was passed by Parliament on 29 March 2011 to reduce the corporation tax rate to 26% from 1 April 2011. However, as this change was not substantially enacted by the Balance Sheet date, the 26% rate has not been reflected in these accounts. Instead, deferred tax has been provided at the rate of 27% which had been previously enacted to apply from 1 April 2011.

Further reductions to the corporation tax rates have been proposed in the March 2011 UK Finance Budget to reduce the corporation tax rate by 1% per annum to 23% by 1 April 2013. However as none of these further reduced rates were substantially enacted by the Balance Sheet date, they are not included in these accounts either.

## 8 DIVIDENDS

	Year ended 31st December 2010 £	Year ended 31st December 2009 £
Amounts recognised as distributions to equity holders in the year		
2010 dividend paid up of £40.00 per share (2009 £200.00)	<u>1,000,000</u>	<u>5,000,000</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31st December 2010**

**9 INTANGIBLE FIXED ASSETS**

	Goodwill £	Intellectual Property Rights £	Total £
Cost			
At 1st January 2010	3 821,342	1,156 494	4 977,836
Additions	220 869	-	220,869
At 31st December 2010	<u>4 042,211</u>	<u>1,156,494</u>	<u>5,198 705</u>
Accumulated amortisation			
At 1st January 2010	-	133,639	133 639
Charge for the year	-	13,939	13 939
At 31st December 2010	<u>-</u>	<u>147,578</u>	<u>147,578</u>
Net book value			
At 31st December 2010	<u>4,042,211</u>	<u>1,008,916</u>	<u>5,051,127</u>
At 31st December 2009	<u>3,821,342</u>	<u>1 022 855</u>	<u>4 844,197</u>

Intellectual property rights in respect of the earlier acquisition of the Chapman and Hall list (cost £918,210) are regarded by the Directors as having an indefinite useful life. Accordingly no amortisation has been charged since the year ended 31 August 2000 and an annual impairment test is being carried out to support the values. Amortisation previously charged to the profit and loss account has not been written back.

In accordance with FRS 10, where goodwill is regarded as having an indefinite life, it is not amortised but is subject to an annual test for impairment. As permitted under FRS 10, this represents a departure, for the purposes of giving a true and fair view, from the requirements of the Companies Act 2006, which requires goodwill to be amortised.

Since it is not possible to identify a finite useful life for goodwill on the purchases above, it is not possible to quantify any amortisation, which would be charged. The application of an impairment test (which is carried out annually) supports the value of goodwill and as a result, no charge for impairment is required at the balance sheet date.

**10 INVESTMENTS**

	Shares in subsidiary undertakings £
Cost	
At 1st January 2010 and 31st December 2010	<u>4,557,228</u>
Provision	
At 1st January 2010 and 31st December 2010	<u>4,557,226</u>
Net book value	
At 31st December 2010 and 31st December 2009	<u>2</u>

The subsidiary undertakings are as follows

	Country of incorporation and operation	Proportion of nominal value of issued shares held	Registered in	Principal activity
New English Library Limited	Great Britain	100%	England and Wales	Dormant
Edward Arnold (Publishers) Limited	Great Britain	100%	England and Wales	Dormant

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31st December 2010**

**11 STOCKS**

	31st December 2010 £	31st December 2009 £
Raw materials and consumables	3,865	4,204
Work in progress	2,431,349	3,034,889
Finished goods and goods for sale	8,772,363	9,232,673
	<u>11,207,577</u>	<u>12,271,766</u>

**12 DEBTORS**

	31st December 2010 £	Restated 31st December 2009 £
Trade debtors	21,791,143	19,626,344
Amounts owed by parent and fellow subsidiary undertakings	6,476,408	13,467,475
Other debtors	14,541,671	14,891,867
Deferred tax	53,119	41,834
Prepayments and accrued income	546,342	424,954
	<u>43,408,683</u>	<u>48,452,474</u>

Other debtors include royalty advances paid to authors

**13 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31st December 2010 £	Restated 31st December 2009 £
Trade creditors	6,834,206	9,816,222
Amounts owed to parent company and fellow subsidiary undertakings	27,672,581	32,287,278
Amounts owed to subsidiary undertakings	2	2
Other taxation and social security	11,713	16,294
Other creditors	10,089,133	11,351,815
Accruals and deferred income	7,011,709	5,943,834
	<u>51,619,344</u>	<u>59,415,445</u>



## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31st December 2010

#### 14 PENSION OBLIGATIONS

The Company operates a defined benefits scheme for the Hachette UK Limited Group and a number of defined contribution schemes for certain of its employees and, for others, makes contributions to their personal pension schemes

##### a) *Defined benefits scheme*

The Company participates in the Hodder Headline Staff Retirement Benefits Plan providing benefits based on final pensionable earnings for UK employees who are members. As the directors are unable to identify the Company's share of the underlying assets and liabilities of the Scheme, the costs in respect of the defined benefit scheme are charged to the profit and loss account on a contribution basis. The Scheme is fully accounted for under IAS 19 in the Group financial statements of Lagardere SCA.

At 31st December 2010 the Scheme had a net deficit after deferred taxation of £8,744,134 (31st December 2009 deficit of £10,250,000)

For the purposes of these financial statements, these figures are only illustrative and do not impact on the results or the balance sheet of the company. It should also be noted that these figures include a substantial proportion of pension assets and liabilities relating to other group companies, which also participate in the Scheme.

A full actuarial valuation was carried out at 31st December 2008 by a qualified independent actuary and this was rolled forward for FRS17 purposes to 31st December 2010.

##### Plan assets

The weighted-average asset allocation at the year-end was as follows

	31st December 2010	31st December 2009
<b>Asset category</b>		
Equities	26%	24%
Bonds	62%	62%
Real Estate	4%	4%
Other	8%	10%
	<u>100%</u>	<u>100%</u>

##### Weighted average assumptions used to determine benefit obligations at

	31st December 2010	31st December 2009
Discount rate	5.40%	5.60%
Rate of compensation increase	3.70%	3.80%
Rate of inflation	3.20%	3.30%

##### Weighted average assumptions used to determine net pension cost for the year ended

	31st December 2010	31st December 2009
Discount rate	5.60%	6.40%
Expected long-term return on plan assets	5.60%	6.00%
Rate of compensation increase	3.80%	3.50%
Rate of inflation	3.30%	2.75%

##### The net pension liability is made up as follows

	31st December 2010	31st December 2009
Total market value of assets	66,746,572	59,783,000
Present value of scheme liabilities	(78,766,000)	(74,019,000)
Deficit in the scheme	(12,019,428)	(14,236,000)
Related deferred tax asset	3,275,294	3,986,000
Net pension liability	<u>(8,744,134)</u>	<u>(10,250,000)</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31st December 2010**

**14 PENSION OBLIGATIONS (continued)**

**(b) Other schemes**

The pension contributions payable by the Company in respect of defined contribution schemes and personal pension schemes amounts to £496,750 (year ended 31st December 2009 £385,437)

**15 CALLED UP SHARE CAPITAL**

	31st December 2010 and 31st December 2009
	Number £
Authorised, called up and fully paid £1 ordinary shares	<u>25,000</u> <u>25,000</u>

**16 MOVEMENT ON RESERVES**

	Profit and loss account £
Balance at 1st January 2010	6,134,459
Profit for the financial year	<u>2,895,051</u>
	9,029,510
Dividends Paid (note 8)	<u>(1,000,000)</u>
Balance at 31st December 2010	<u>8,029,510</u>

**17 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDER'S FUNDS**

	Year ended 31st December 2010 £	Year ended 31st December 2009 £
Opening equity shareholder's funds	6,159,459	10,568,853
Profit for the financial year	2,895,051	590,606
Dividends paid (note 8)	<u>(1,000,000)</u>	<u>(5,000,000)</u>
Closing equity shareholder's funds	<u>8,054,510</u>	<u>6,159,459</u>

**18 FINANCIAL COMMITMENTS**

At 31st December 2010, the Company was committed to making the following annual payments during the next year in respect of non-cancellable operating leases (all non property related)

	31st December 2010 £	31st December 2009 £
Leases which expire		
Within one year	53,433	77,823
Within two to five years	<u>165,501</u>	<u>142,923</u>
	<u>218,934</u>	<u>220,746</u>

**19 ULTIMATE AND IMMEDIATE PARENT COMPANIES**

Hachette UK Limited, registered in England and Wales and incorporated in Great Britain is the Company's immediate parent company

Lagardere SCA, registered and incorporated in France (Head Office 4, rue de Presbourg, 75116 Paris) is the Company's ultimate parent company and controlling entity

The accounts for the year ended 31st December 2010 were consolidated into the Group financial statements of Lagardere SCA

This is the largest and smallest group that includes the Company in its group accounts