

CASELL LIMITED (FORMERLY CASELL PLC)

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COMPANY INFORMATION

DIRECTORS:

A J V Cheetham
P C K Roche

SECRETARY:

I Oliver

REGISTERED OFFICE:

Orion House
5 Upper St Martin's Lane
LONDON WC2H 9EA

REGISTERED NUMBER:

2004498

AUDITORS:

Mazars Neville Russell
24 Bevis Marks
LONDON EC3A 7NR

DIRECTORS' REPORT

The directors present their report and the audited financial statements of Cassell Limited ('the company') for the year ended 31 December 2000.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the company continued to be publishing.

Both the level of business and the year end position have been affected by difficult trading conditions, turnover decreased by £3 million. Following the group reorganisation decided on 5 February 2001, the directors expect that the level of activity will improve in the foreseeable future.

During the year, Cassell Plc changed its name to Cassell Limited.

POST BALANCE SHEET EVENTS

As part of a group reorganisation decided on 5 February 2001 and effective 1 January 2001, the company acquired the activity, including all assets and liabilities, of the following fellow group undertakings:

- Orion Books Limited,
- Weidenfeld & Nicolson Limited,
- JM Dent & Sons Limited,
- Cassell Educational Limited.

RESULTS AND DIVIDENDS

The retained loss for the year was £11,636,000, which was significantly affected by exceptional items presented in note 6 of the financial statements.

The directors do not recommend the payment of a final dividend.

PAYMENT OF CREDITORS

It is the company's policy to pay suppliers in accordance with the payment terms negotiated with them provided that the supplier is also meeting all relevant terms and conditions.

During the year to 31 December 2000, the company did not have any trade creditors as all procurement is carried through The Orion Publishing Group Limited.

DIRECTORS AND THEIR INTERESTS

The following directors held office during the whole of the period from 1 January 2000 to date of this report unless otherwise stated.

A J V Cheetham (Chairman)
P C K Roche
M O'Sullivan (resigned on 15 August 2000)

A J V Cheetham and P C K Roche are directors of the immediate parent company, The Orion Publishing Group Limited, and their interests in the shares of that company are shown in its accounts.

DIRECTORS' REPORT (continued)**INTRODUCTION OF THE EURO**

The directors have evaluated the impact of the Euro for the company and its subsidiaries especially with regard to its effect on the trading relationship with European customers. The directors have decided to use the advent of the Euro as an opportunity to enhance the way the company and its subsidiaries trade with customers, regardless of location.

EMPLOYEES

Information on the trading performance of the company is made available to all employees and consultation procedures are maintained to ensure that employees are aware of the company's progress.

Suitable procedures are in operation to support the company's policy that disabled persons (whether registered or not) shall be considered for employment and subsequent training, career development and promotion on the basis of their aptitude and abilities.

The company has insured its officers against liabilities for breach of trust in relation to the company.

AUDITORS

Mazars Neville Russell have expressed their willingness to continue as auditors and a resolution for their re-appointment will be proposed at the Annual General Meeting.

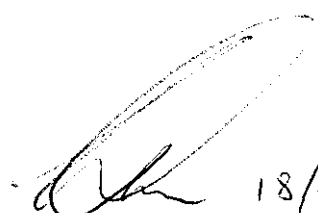
STATEMENT OF DIRECTOR'S RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records which 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 1985. 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.

By order of the Board
Ian Oliver
Company Secretary
Orion House
5 Upper St Martin's Lane
LONDON WC2H 9EA



18/06/01

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
CASSELL LIMITED**

We have audited the financial statements on pages 5 to 17. These financial statements have been prepared under the historical cost convention, and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and transactions with the company is not disclosed.

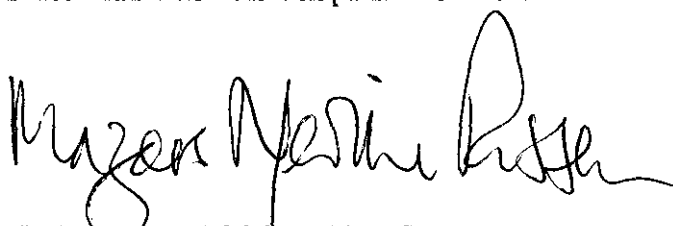
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company as at 31 December 2000 and of the loss of the Company for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



CHARTERED ACCOUNTANTS
and Registered Auditors

London

12 July 2001

PROFIT AND LOSS ACCOUNT**For the year ended 31 December 2000**

	Notes	Total 2000 £'000	Total 1999 £'000
TURNOVER	2	8,437	11,437
Cost of sales		(5,395)	(7,431)
		<hr/>	<hr/>
GROSS PROFIT		3,042	4,006
Net operating expenses	3	(3,799)	(5,620)
Exceptional loss	6	(11,374)	-
		<hr/>	<hr/>
OPERATING LOSS		(12,131)	(1,614)
Loss on disposal of business		-	(70)
Interest receivable and other income	7	1,905	-
Amounts written off investments		(55)	-
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		(10,281)	(1,684)
Interest payable and similar charges	8	(1,355)	(571)
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	9	(11,636)	(2,255)
Taxation	10	-	-
		<hr/>	<hr/>
RETAINED LOSS FOR THE YEAR	16	<u>(11,636)</u>	<u>(2,255)</u>

The company's turnover and expenses all relate to continuing operations.

There is no difference between the loss on ordinary activities before taxation and the retained loss reported in the profit and loss account and the equivalent figures calculated on the historical cost basis.

BALANCE SHEET as at 31 December 2000

	Notes	2000 £'000	1999 £'000
FIXED ASSETS			
Investments	11	4,459	15,888
		<u>4,459</u>	<u>15,888</u>
CURRENT ASSETS			
Stock	12	3,544	2,790
Debtors	13	983	2,825
Cash at bank		68	37
		<u>4,595</u>	<u>5,652</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(19,942)	(20,792)
NET CURRENT LIABILITIES		(15,347)	(15,140)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(10,888)</u>	<u>748</u>
		<u>(10,888)</u>	<u>748</u>
CAPITAL AND RESERVES			
Called up share capital	15	1,468	1,468
Share premium account	16	8,004	8,004
Profit and loss account	16	(20,360)	(8,724)
		<u>(10,888)</u>	<u>748</u>
EQUITY SHAREHOLDERS' FUNDS	17	<u>(10,888)</u>	<u>748</u>

Approved by the Board on
and signed on its behalf by:

18/6/01

A J V Cheetham
Director

P C K Roche
Director

A J V Cheetham
P C K Roche

CASH FLOW STATEMENT

For the year ended 31 December 2000

	Notes	2000 £'000	1999 £'000
Net cash inflow/(outflow) from operating activities	20	(519)	4,570
Returns on investments and servicing of finance	21	550	(571)
Taxation	21	-	(27)
Acquisitions and disposals	21	-	(70)
Cash inflow before use of liquid resources and financing		31	3,902
Increase in cash		31	3,902

Reconciliation of net cash flow to movement in net debt

Movement in net funds in the period	22	31	3,902
Net funds/(debt) at 1 January	22	37	(3,865)
Net funds at 31 December	22	68	37

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2000****1. ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been consistently applied, is set out below.

BASIS OF ACCOUNTING**(a) Accounting convention**

The financial statements are prepared under the historical cost convention.

(b) Consolidated financial statements

The financial statements contain information about Cassell Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Lagardere SCA, a company incorporated in France.

(c) Going concern

The parent company, The Orion Publishing Group Limited, has indicated its willingness to provide sufficient funds to enable the company to meet its liabilities as they fall due and consequently the financial statements are prepared on a going concern basis.

(d) Fixed asset investments

Investments in subsidiary undertakings are included in the company's balance sheet at cost less amounts written off where, in the opinion of the directors, there has been a permanent diminution in value. In addition certain loans to subsidiary undertakings have been classified as part of these investments.

(e) Stock

Stock including work in progress is stated at the lower of cost and estimated net realisable value. Cost comprises the direct costs of production, paper, printing and binding. Direct staff costs are included in work in progress on specific projects.

(f) Royalties

Contracted royalty advances are recorded when payment is made. Royalty advances are included in other debtors. Unearned balances are written down to the extent that they are not covered by estimated future earnings.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2000

1. ACCOUNTING POLICIES (continued)

(g) Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

(h) Turnover

Turnover excludes value added tax and represents the contracted value of books sold and royalty income.

(i) Pension costs

The company's pension plan is open to all eligible employees and is a funded defined benefit scheme. Contributions are received from the company and employees.

Payments to the pension plan are based on independent actuarial advice. Contributions are charged to the profit and loss account in the year in which they become due. Variations from regular cost are allocated over the remaining service lives of current employees.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2000

2. GEOGRAPHICAL ANALYSIS OF TURNOVER

	2000	1999
	£'000	£'000
United Kingdom	6,327	9,191
United States of America	736	1,025
Australia	448	574
Rest of the world	926	647
	<u>8,437</u>	<u>11,437</u>

3. NET OPERATING EXPENSES

	2000	1999
	£'000	£'000
Distribution costs	1,762	2,522
Administrative expenses	2,037	3,098
	<u>3,799</u>	<u>5,620</u>

4. EMPLOYEE INFORMATION

The average monthly number of persons, including executive directors, employed by the company during the year was 31 (1999: 45) all of whom were involved in book publishing.

	2000	1999
	£'000	£'000
Staff costs, including directors' emoluments, were:		
Wages and salaries	743	1,077
Social security costs	71	100
Pension costs	41	31
	<u>855</u>	<u>1,208</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

5. DIRECTORS' EMOLUMENTS AND DIRECTORS' INTERESTS

None of the directors (1999 – none) accrued retirement benefits under money purchase schemes and none of the directors (1999 –none) accrued retirement benefits under a defined benefit scheme during the year.

6. EXCEPTIONAL LOSS

	2000 £'000	1999 £'000
Exceptional loss on loan waiver	<u>11,374</u>	<u>-</u>

As part of a group reorganisation decided on 5 February 2001 and effective 1 January 2001, the company has, as at 31 December 2000 :

- granted a loan waiver to certain subsidiary undertakings,
- depreciated certain fixed assets investments (refer note 11),
- received dividend from certain subsidiary undertakings (refer note 23).

The net impact of this reorganisation reflected in the financial statements of Cassell Limited at 31 December 2000 is an additional loss before tax of approximately £9,524,000.

7. INTEREST RECEIVABLE AND OTHER INCOME

	2000 £'000	1999 £'000
Income from fixed asset investments	<u>1,905</u>	<u>-</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £'000	1999 £'000
Group notional recharge of interest	<u>1,355</u>	<u>571</u>

9. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2000 £'000	1999 £'000
Loss on ordinary activities before taxation is stated after charging:		
Staff costs (refer to note 4)	855	1,208
Auditors' remuneration		
- for audit services	-	9

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

10. TAXATION

No charge for taxation arises during the year. The company has current year losses adjusted for taxation purposes of approximately £2,091,000 which are available for surrender to other group companies or for carry forward, together with tax losses brought forward at 1 January 2000 of £7,501,000. Tax losses are surrendered to other group companies at £nil value.

11. FIXED ASSET INVESTMENTS

	Shares in Subsidiary Undertakings £'000	Loans to Subsidiary Undertakings £'000	Total £'000
COST			
At 1 January	1,140	14,748	15,888
Waived during the year	-	(11,374)	(11,374)
	<u>1,140</u>	<u>3,374</u>	<u>4,514</u>
PROVISION FOR DIMINUTION IN VALUE			
At 1 January	-	-	-
Amount written off during the year	(55)	-	(55)
	<u>(55)</u>	<u>-</u>	<u>(55)</u>
NET BOOK VALUE			
At 31 December 2000	<u>1,085</u>	<u>3,374</u>	<u>4,459</u>
At 31 December 1999	<u>1,140</u>	<u>14,748</u>	<u>15,888</u>

The company's principal investments in subsidiary undertakings are as follows:

Subsidiary undertaking	Country of incorporation	Class of share	Percentage of shares held
Cassell Educational Limited (1)	England	Ordinary	100%
Victor Gollancz Limited (2)	England	Ordinary	100%
Blandford Publishing Limited (2)	England	Ordinary	100%

(1) Book publishing

(2) Non trading

Raw materials and consumables	-	31
Work in progress	528	497
Finished goods	3,016	2,262
	<u>3,544</u>	<u>2,790</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

13. DEBTORS	2000 £'000	1999 £'000
Other debtors	983	2,802
Prepayments and accrued income	-	23
	<u>983</u>	<u>2,825</u>

Debtors are all due within one year except certain advances to authors, included in other debtors, which may be recovered until after one year.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2000 £'000	1999 £'000
Amounts owed to group undertakings	18,896	19,197
Taxation and social security	-	11
Other creditors	463	153
Accruals and deferred income	583	1,431
	<u>19,942</u>	<u>20,792</u>

Amounts owed to group companies are essentially amounts owed by Cassell Limited to The Orion Publishing Group Limited, a fellow group undertaking, in relation to financial support received from it.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

15. CALLED UP SHARE CAPITAL

	2000 £'000	1999 £'000
Authorised		
17,500,000 ordinary shares of 20p each	3,500	3,500
Allotted, called up and fully paid		
7,339,540 ordinary shares of 20p each	1,468	1,468

16. RESERVES

	Share Premium £'000	Profit & loss Account £'000	2000 £'000
At 1 January	8,004	(8,724)	(720)
Retained loss for the year	-	(11,636)	(11,636)
	-----	-----	-----
At 31 December	8,004	(20,360)	(12,356)
	=====	=====	=====

17. RECONCILIATION OF MOVEMENTS
IN SHAREHOLDERS' FUNDS

	Share Capital £'000	Share premium account £'000	Profit and Loss Account £'000	Total 2000 £'000	Total 1999 £'000
As at 1 January 2000	1,468	8,004	(8,724)	748	3,003
Retained loss for the year	-	-	(11,636)	(11,636)	(2,255)
	-----	-----	-----	-----	-----
As at 31 December 2000	1,468	8,004	(20,360)	(10,888)	748
	=====	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

18. FINANCIAL COMMITMENTS

Non-cancellable annual commitments under operating leases of the company were as follows:

	2000 Land and Buildings £'000	2000 Office Equipment and motor vehicles £'000	1999 Land and Buildings £'000	1999 Office Equipment and motor vehicles £'000
Leases expiring:				
Within one year	-	-	-	35
Within two to five years	385	-	245	-
After five years	-	-	-	-
	-----	-----	-----	-----
	385	-	245	35
	=====	=====	=====	=====

19. PENSION COSTS

The company operates a pension plan providing benefits based on final pensionable salaries. The plan is funded with the assets being held by the trustees separately from the assets of the group. The pension costs are assessed by a qualified actuary and are charged to the profit and loss account so as to spread those costs over employees' working lives with the group.

The most recent valuation of the plan was carried out at 1 August 1999, and the projected unit method was used. The plan's assets were taken at market value. The main assumptions used to determine the pension costs are rates of investment return of 7% per annum prior to retirement and 5% per annum during retirement, pensionable salary increases of 5% per annum, pension increases of 2.5% per annum where limited price indexation applies. At the valuation date, the market value of the assets of the plan was £3,088,000 and the actuarial value of those assets represented 89% of the value of the benefits that had accrued to members, after allowing for expected future increases in salaries.

Consequently the contribution rates were increased in accordance with the recommendations of the actuaries.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

20. RECONCILIATION OF OPERATING PROFIT TO
NET CASH INFLOW/(OUTFLOW) FROM OPERATING
ACTIVITIES

	2000 £'000	1999 £'000
Operating loss	(757)	(1,614)
Movements in working capital		
- Stock	(754)	(648)
- Debtors	1,842	(299)
- Creditors	(850)	7,131
	<u>(519)</u>	<u>4,570</u>

21. GROSS CASH FLOWS

	2000 £'000	1999 £'000
Returns on investments and servicing of finance		
Interest paid	(1,355)	(571)
Dividend received	1,905	-
	<u>550</u>	<u>(571)</u>
Taxation		
Advance corporation tax paid	-	(27)
Acquisitions and disposals		
Proceeds from sale of operations	-	690
Cost of disposal	-	(760)
	<u>-</u>	<u>(70)</u>
Net proceeds from sale of operations	<u>-</u>	<u>(70)</u>

22. ANALYSIS OF CHANGES IN NET
FUNDS

	At 1 January 2000 £'000	Cash flows £'000	At 31 December 2000 £'000
Cash at bank	37	31	68
	<u>37</u>	<u>31</u>	<u>68</u>
Total	<u>37</u>	<u>31</u>	<u>68</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2000

23. RELATED PARTY TRANSACTIONS

The Orion Publishing Group Limited carries through all procurement for its subsidiaries and therefore all operating expenses incurred by the subsidiaries are paid for, on their behalf, by The Orion Publishing Group Limited.

Details of the charges made by The Orion Publishing Group Limited for shared and corporate services provided, for distribution services and for interest incurred can be found in the accounts of The Orion Publishing Group Limited

Dividend were received during the year from the following subsidiary undertakings :

	£'000
Victor Gollancz Limited	1,850
Blandford Publishing Limited	55
	<u>1,905</u>

24. POST BALANCE SHEET EVENTS

As part of a group reorganisation decided on 5 February 2001 and effective 1 January 2001, the company acquired the activity, including all assets and liabilities, of the following fellow group undertakings:

- Orion Books Limited,
- Weidenfeld & Nicolson Limited,
- JM Dent & Sons Limited,
- Cassell Educational Limited.

25. CONTROLLING PARTIES

The immediate parent company is the Orion Publishing Group Limited incorporated in England, and the ultimate parent company is Lagardere SCA, incorporated in France.

The parent company of the smallest and largest group to include the company in its consolidated financial statements is Lagardere SCA, incorporated in France. Copies of its consolidated financial statements are available from 5 Upper St Martin's Lane, London WC2H 9EA.