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CASELL LIMITED

REPORT AND ACCOUNTS

31 DECEMBER 2001



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COMPANY INFORMATION

DIRECTORS:

A J V Cheetham
P C K Roche
P de Cacqueray

SECRETARY:

I Oliver

REGISTERED OFFICE:

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

REGISTERED NUMBER:

2004498

AUDITORS:

Mazars
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 2001.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the company continued to be publishing.

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.

The trade and assets of a significant part of the business, comprising stock, work in progress and royalty advances, was disposed of on 31 December 2001 for a cash consideration of £9,030,000.

Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future

RESULTS AND DIVIDENDS

The retained profit for the year was £12,011,000, which was significantly affected by exceptional items presented in note 4 of the financial statements.

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

DIRECTORS AND THEIR INTERESTS

The following directors held office during the whole of the period from 1 January 2001 to date of this report unless otherwise stated.

A J V Cheetham (Chairman)
P C K Roche
P de Cacqueray (appointed 3rd September 2001)

A J V Cheetham, P C K Roche and P de Cacqueray 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

A resolution to re-appoint Mazars Neville Russell as auditors will be proposed at the forthcoming 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


18th June 2002

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

We have audited the financial statements on pages 7 to 22. These financial statements have been prepared under the historical cost convention, and on the basis of the accounting policies set out on pages 10 and 11.

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.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 2001 and of the profit of the Company for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Mazars
Chartered Accountants
and Registered Auditors
24 Bevis Marks
London
EC3A 7NR

25/09/2002

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2001

	Notes	Continuing Operations	Acquisitions	Discontinued	Total	Total
		2001 £'000	2001 £'000	2001 £'000	2001 £'000	2000 £'000
TURNOVER	2	6,225	48,116	4,201	58,542	8,437
Cost of sales		(4,739)	(27,609)	(3,024)	(35,372)	(5,395)
GROSS PROFIT		1,486	20,507	1,177	23,170	3,042
Net operating expenses	3	(1,424)	(18,835)	(1,678)	(21,937)	(3,799)
Exceptional gain/(loss)	4	15,688	-	-	15,688	(11,374)
OPERATING PROFIT/(LOSS)	5	15,750	1,672	(501)	16,921	(12,131)
Profit on sale of an operation				2,486	2,486	-
Interest receivable and other income	8	-	-	-	-	1,905
Amounts written off investments		(4,459)	(341)	-	(4,800)	(55)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST		11,291	1,331	1,985	14,607	(10,281)
Interest payable and similar charges	9				(2,786)	(1,355)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	10				11,821	(11,636)
Taxation	11				190	-
RETAINED PROFIT/(LOSS) FOR THE YEAR	19				12,011	(11,636)

There are no recognised gains or losses other than the loss for the year.

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.

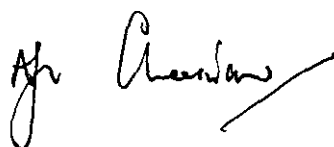
BALANCE SHEET as at 31 December 2001

	Notes	2001 £'000	2000 £'000
FIXED ASSETS			
Tangible Assets	12	51	-
Investments	13	1	4,459
		<hr/> 52	<hr/> 4,459
CURRENT ASSETS			
Stock	14	12,838	3,544
Debtors	15	16,276	983
Cash at bank		3	68
		<hr/> 29,117	<hr/> 4,595
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	<hr/> (26,315)	<hr/> (19,942)
NET CURRENT ASSETS/(LIABILITIES)		<hr/> 2,802	<hr/> (15,347)
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 2,854	<hr/> (10,888)
PROVISIONS	17	<hr/> (1,731)	<hr/> -
		<hr/> 1,123	<hr/> (10,888)
CAPITAL AND RESERVES			
Called up share capital	18	1,468	1,468
Share premium account	19	8,004	8,004
Profit and loss account	19	(8,349)	(20,360)
EQUITY SHAREHOLDERS' FUNDS	20	<hr/> 1,123	<hr/> (10,888)

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

18 June 2002

A J V Cheetham
Director



P C K Roche
Director



CASH FLOW STATEMENT**For the year ended 31 December 2001**

	Notes	2001 £'000	2000 £'000
Net cash inflow/(outflow) from operating activities	23	(3,826)	(519)
Returns on investments and servicing of finance	24	(2,786)	550
Capital expenditure and financial investment	24	(46)	-
Acquisitions and disposals	24	6,593	-
		-----	-----
Cash inflow before use of liquid resources and financing		(65)	31
		-----	-----
Increase/(Decrease) in cash		(65)	31
		=====	=====

Reconciliation of net cash flow to movement in net debt

Movement in net funds in the period	25	(65)	31
Net funds/(debt) at 1 January	25	68	37
		-----	-----
Net funds at 31 December	25	3	68
		=====	=====

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2001****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.

(g) Foreign currency

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of transaction. Balances denominated in a foreign currency are translated into sterling at the exchange rate ruling on the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2001

1. ACCOUNTING POLICIES (continued)

(h) 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.

(i) Turnover

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

(j) Pension costs

Pension costs are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees. The pension charge is calculated on the basis of actuarial advice.

(k) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. The cost of fixed assets is the purchase cost together with any incidental costs of acquisition. Depreciation is calculated to write off the cost of the fixed assets over their estimated useful lives on a straight line basis. The principal annual rates used for this purpose are as follows:

Leasehold improvements	- depreciated over the remaining period of the leases to which they relate
Fixtures and fittings	- 15%-25%
Computer equipment	- 20%-25%

(l) Operating Lease Rentals

Rentals payable under operating leases are charged on a straight-line basis over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2001

2. GEOGRAPHICAL ANALYSIS OF TURNOVER

	2001	2000
	£'000	£'000
United Kingdom	44,912	6,327
United States of America	3,945	736
Australia	3,138	448
Rest of the world	6,547	926
	<u>58,542</u>	<u>8,437</u>

3. NET OPERATING EXPENSES

	2001	2000
	£'000	£'000
Distribution costs	11,430	1,762
Administrative expenses	10,507	2,037
	<u>21,937</u>	<u>3,799</u>

4. EXCEPTIONAL GAIN (LOSS)

	2001	2000
	£'000	£'000
Exceptional gain/(loss) on loan waiver	<u>15,688</u>	<u>(11,374)</u>

The company received loan waivers from other group companies as part of a group reorganisation.

5. OPERATING PROFIT/(LOSS)

	Continuing operations Year ended 31 December 2001 £	Discontinued operations Year ended 31 December 2001 £	Total Year ended 31 December 2001 £	As restated Continuing Operations Year ended 31 December 2000 £	As restated Discontinued Operations Year ended 31 December 2000 £	As restated Total Year ended 31 December 2000 £
Turnover	54,341	4,201	58,542	4,701	3,736	8,437
Cost of sales	(32,348)	(3,024)	(35,372)	(2,705)	(2,690)	(5,395)
Gross Profit	21,993	1,177	23,170	1,996	1,046	3,042
Operating expenses	(20,259)	(1,678)	(21,937)	(2,421)	(1,378)	(3,799)
Exceptional gain/(loss)	15,688	-	15,688	(11,374)	-	(11,374)
	<u>17,422</u>	<u>(501)</u>	<u>16,921</u>	<u>(11,799)</u>	<u>(332)</u>	<u>(12,131)</u>
	=====	=====	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2001****6. EMPLOYEE INFORMATION**

The average monthly number of persons, including executive directors, employed by the company during the year was 57 (2000: 31) all of whom were involved in book publishing.

	2001 £'000	2000 £'000
Staff costs, including directors' emoluments, were:		
Wages and salaries	2,457	743
Social security costs	253	71
Pension costs	193	41
	<u>2,903</u>	<u>855</u>

7. DIRECTORS' EMOLUMENTS AND DIRECTORS' INTERESTS

The directors received no emoluments in respect of their services to the company in the year (2000: £Nil).

	2001 £'000	2000 £'000
8. INTEREST RECEIVABLE AND OTHER INCOME		
Income from fixed asset investments	-	1,905
	<u>-</u>	<u>1,905</u>
9. INTEREST PAYABLE AND SIMILAR CHARGES		
Group notional recharge of interest	2,786	1,355
	<u>2,786</u>	<u>1,355</u>
10. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		
Profit/(Loss) on ordinary activities before taxation is stated after charging:		
Staff costs (refer to note 4)	2,903	855
Foreign exchange gain	100	-
	<u>3,003</u>	<u>855</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

11. TAXATION

The tax credit of £190,000 results from the surrender of tax losses to other group companies. There is no charge arising for taxation in the year, as the company has trading tax losses brought forward of £8,608,475 at 1 January 2001.

12. TANGIBLE FIXED ASSETS

	Short Leasehold Improvements £'000	Furniture, Fixtures, Fittings and Motor vehicles £'000	Computer Equipment £'000	Total £'000
COST				
At 1 January 2001				
Additions	107	11	65	183
Disposals	(107)	(11)	-	(118)
	<u>-</u>	<u>-</u>	<u>65</u>	<u>65</u>
At 31 December 2001	<u>-</u>	<u>-</u>	<u>65</u>	<u>65</u>
DEPRECIATION				
At 1 January 2001				
Charge for the year	25	4	14	43
Disposals	(25)	(4)	-	(29)
	<u>-</u>	<u>-</u>	<u>14</u>	<u>14</u>
At 31 December 2001	<u>-</u>	<u>-</u>	<u>14</u>	<u>14</u>
NET BOOK VALUE				
At 31 December 2001	<u>-</u>	<u>-</u>	<u>51</u>	<u>51</u>
At 31 December 2000	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2001

13. FIXED ASSET INVESTMENTS

	Shares in Subsidiary Undertakings £'000	Loans to Subsidiary Undertakings £'000	Total £'000
COST			
At 1 January 2001	1,140	3,374	4,514
Additions	341	-	341
Amount written off during the year	-	(3,374)	(3,374)
	<u>1,481</u>	<u>-</u>	<u>1,481</u>
PROVISION FOR DIMINUTION IN VALUE			
At 1 January 2001	(55)	-	(55)
Additional provision	(1,426)	-	(1,426)
	<u>(1,481)</u>	<u>-</u>	<u>(1,481)</u>
NET BOOK VALUE			
At 31 December 2001	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>1,085</u></u>	<u><u>3,374</u></u>	<u><u>4,459</u></u>
At 31 December 2000			

None of the company's subsidiary undertakings are trading.

	2001 £'000	2000 £'000
14. STOCK		
Work in progress	1,819	528
Finished goods	11,019	3,016
	<u>12,838</u>	<u>3,544</u>
15. DEBTORS		
Other debtors	10,591	983
Amounts owed by group companies	5,685	-
	<u>16,276</u>	<u>983</u>

Debtors are all due within one year except certain advances to authors, included in other debtors, which may not be recovered until after one year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2001 £'000	2000 £'000
Amounts owed to group undertakings	17,265	18,896
Taxation and social security	-	-
Other creditors	9,050	463
Accruals and deferred income	-	583
	<u>26,315</u>	<u>19,942</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.

17. PROVISIONS FOR LIABILITIES AND CHARGES	Other Provisions £'000	Total £'000
At 1 January 2001	-	-
Charged to profit and loss account	1,806	1,806
Utilised in year	(75)	(75)
	<u>1,731</u>	<u>1,731</u>

The provision relates to costs resulting from the disposal of part of the business.

18. CALLED UP SHARE CAPITAL	2001 £'000	2000 £'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

19. RESERVES	Share Premium £'000	Profit & loss Account £'000
At 1 January 2001	8,004	(20,360)
Retained profit for the year	-	12,011
At 31 December 2001	<u>8,004</u>	<u>(8,349)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2001

**20. RECONCILIATION OF MOVEMENTS
 IN SHAREHOLDERS' FUNDS**

	Share Capital £'000	Share Premium Account £'000	Profit and Loss Account £'000	Total 2001 £'000	Total 2000 £'000
As at 1 January 2001	1,468	8,004	(20,360)	(10,888)	748
Retained profit for the year	-	-	12,011	12,011	(11,636)
As at 31 December 2001	<u>1,468</u>	<u>8,004</u>	<u>(8,349)</u>	<u>1,123</u>	<u>(10,888)</u>

21. FINANCIAL COMMITMENTS

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

	2001 Land and Buildings £'000	2001 Office Equipment and motor vehicles £'000	2000 Land and Buildings £'000	2000 Office Equipment and motor vehicles £'000
Leases expiring:				
Within one year	-	-	-	-
Within two to five years	754	-	385	-
After five years	-	-	-	-
	<u>754</u>	<u>-</u>	<u>385</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2001****22. PENSION COSTS**

The company has continued to account for pension costs in accordance with SSAP 24 and the disclosures given in a) are those required by the Standard. FRS 17 "Retirement benefits" was issued in November 2000 but will not be mandatory for the Company until the year ended 31 December 2003. The transitional disclosures to the extent not given in a) are set out in b) below.

a) SSAP 24 disclosures**The Cassell Pension Plan**

The company operates a pension scheme ('Cassell Scheme'), providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The scheme has been closed to new members.

The total pension cost for the company was £193,000 (2000: £41,000). The pension cost is assessed in accordance with the advice of a qualified actuary using the projected unit method.

The latest full valuation report was carried out at 1 August 1999 and updated to 31 December 2001. The report showed the market value of the scheme's assets at £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.

Orion Publishing Limited Retirement Benefit Scheme

The company participates in a group pension scheme ('Orion Scheme'), providing benefits based on final pensionable pay, which is funded with the assets of the scheme held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

The total pension cost for the company was £395,000 (2000: £368,000). The pension cost is assessed in accordance with the advice of a qualified actuary using the projected unit method.

The latest full valuation report was carried out at 1 January 2001 and updated to 31 December 2001. The report showed the market value of the scheme's assets at £3,460,000 and the actuarial value of those assets represented 85% of the value of the benefits that had accrued to members, after allowing for expected future increases in salaries.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2001****22. PENSION COSTS (CONTINUED)**

The principle assumptions used in the two schemes' valuations were:

	Cassell scheme	Orion Scheme
	%	%
Rate of increase in salaries p.a.	4.00	4.00
Rate of increase of pensions in payment p.a.	3.50	2.50
Inflation assumption p.a.	2.50	2.50
Discount rate	6.00	6.00

Following recommendations from the actuary the group has adopted, for the Cassell Scheme, a funding rate of 20% of pensionable salary from 31 October 2000 and this contribution rate will continue until it is reviewed following the next full valuation of the scheme.

Following recommendations from the actuary the company has adopted, for the Orion Scheme, a funding rate of 16.1% of pensionable salary from October 2000 and this contribution rate will continue until it is reviewed following the next full valuation of the scheme.

b) Additional disclosures required by FRS17 – Retirement Benefits**The Cassell Pension Plan**

Under FRS 17, the actuaries are required to value the liabilities of a defined benefit scheme using the projected unit method. As disclosed in part a) above, the Cassell Pension Plan has been closed to new members, and as a result, the current service costs of the scheme will increase as the members of the scheme approach retirement under the projected unit method.

The Orion Publishing Limited Retirement Benefit Scheme

The Orion Scheme is a group funded, defined benefits scheme. The company's contributions to the scheme are affected by any surplus or deficit in the scheme, however it is not possible to identify the company's share of assets and liabilities in the scheme on a consistent and reasonable basis. Therefore, in accordance with FRS17 the scheme is accounted for as if it were a defined contribution scheme.

In order to provide information about the existence of a surplus or deficit of both schemes, a separate valuation of the scheme as at 31 December 2001 using the measurement basis required by the Standard has been obtained.

Both Schemes are invested in a unitised investment fund held with Legal & General. The split of assets and the expected rate of return were:

	Long Term Rate of Return Expected at 31 December 2001		Fair Value at 31 December 2001	
	Cassell	Orion	Cassell	Orion
Equities & Property	8.00% p.a.	8.00% p.a.	£2.247m	£5.161m
Bonds	5.25% p.a.	5.25% p.a.	£0.302m	£0.693m
Cash	4.00% p.a.	4.00% p.a.	£0.195m	£0.448m

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2001

22. PENSION COSTS (CONTINUED)

The funding position as at 31 December 2001 was as follows:

	Cassell	Orion
Total fair value of assets	£2.744m	£6.302m
Present value of Scheme liabilities	£3.700m	£8.550m
Deficit in the Scheme	(£0.956)m	(£2.248)m
Related deferred tax asset	(£ 0.287)m	(£ 0.674)m
Net pension liability	(£ 0.669)m	(£ 1.574)m

After the year end the Cassell Pension Plan was merged into The Orion Publishing Limited Retirement Benefit Scheme.

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

	2001 £'000	2000 £'000
Operating Profit/(Loss)	16,920	(757)
Depreciation	43	-
Disposal of fixed assets	89	-
Costs on disposal of business	(2,701)	-
Movements in working capital		
- Stock	(1,257)	(754)
- Debtors	(8,570)	1,842
- Creditors	(10,081)	(850)
- Provisions	1,731	-
	<u>(3,826)</u>	<u>(519)</u>

24. GROSS CASH FLOWS

	2001 £'000	2000 £'000
Returns on investments and servicing of finance		
Interest paid	(2,786)	(1,355)
Dividend received	-	1,905
	<u>(2,786)</u>	<u>550</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(46)	-
	<u></u>	<u></u>
Acquisitions and disposals		
Proceeds from disposal of business	8,500	-
Purchase of business	(1,907)	-
	<u>6,593</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2001

25. ANALYSIS OF CHANGES IN NET FUNDS	At 1 January 2001 £'000	Cash flows £'000	At 31 December 2001 £'000
Cash at bank	68	(65)	3
Total	<u>68</u>	<u>(65)</u>	<u>3</u>

26. CASHFLOW STATEMENT – ACQUISITIONS AND DISPOSALS	At 31 December 2001 £'000
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a) Purchase of businesses

There was no difference between the book value and the fair value of the assets acquired

Net assets acquired

Tangible fixed assets	137
Investments	341
Stocks	11,389
Debtors	9,280
Creditors	(19,240)
	<u>1,907</u>

Satisfied by:

Cash	<u>1,907</u>
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b) Disposal of businesses

Net assets disposed of:

Stocks	3,352
Debtors	491
	<u>3,843</u>
Profit on disposal	5,187
	<u>9,030</u>

Satisfied by:

Cash (£8,500 received in the year and balance received after the year end)	<u>9,030</u>
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NOTES TO THE FINANCIAL STATEMENTS
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27. 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

28. 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.