

39

Report & Financial Statements

For the year ended 31 December 2006

**The Orion Publishing
Group Limited**

Registered Number: 2663988



THE ORION PUBLISHING GROUP LIMITED

CONTENTS	Page
Company Information	1
Directors' Report	2 - 4
Auditors' Report	5 - 6
Profit and Loss Account	7
Balance Sheet	8
Notes to the Financial Statements	9 – 23

COMPANY INFORMATION

DIRECTORS

A Nourry (Chairman)
P de Cacqueray
MJ Edwards
MJ Evans
SC Lamb
DAR Manderson
PCK Roche FCA
Lord Weidenfeld
TM Hely Hutchinson
L Milton
M Prior

SECRETARY

M Prior

REGISTERED OFFICE

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

REGISTERED NUMBER

2663988

AUDITORS

Mazars LLP
24 Bevis Marks
LONDON EC3A 7NR

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31 December 2006

PRINCIPAL ACTIVITY

The company's principal activity is publishing

BUSINESS REVIEW

Turnover in the year was £68.5m compared with £66.8m in the prior year, an increase of 2.5%. However gross profitability on sales was down from 41.1% in 2005 to 39.2% in 2006. This fall was due to the overcrowded marketplace for Christmas non-fiction titles which lead to poorer performance than expected of a number of titles. The overall market has been difficult in 2006 with only 2.9% growth in value. However, a 4% increase in volume terms highlights the increasing discounting in the industry.

From a publishing perspective there was some remarkable success in 2006. Orion published the biggest selling book of 2006 in Kate Mosse's *Labyrinth* which sold over 1 million copies in paperback editions. Orion also achieved success with Maeve Binchy's *Whitethorn Woods* in hardcover, and in non-fiction with both Terry Wogan's *Mustn't Grumble* and the first volume of Michael Palin's *Diaries 1969-1979*. Orion's children's publishing was also very successful in the year with Francesca Simon's *Horrid Henry and the Football Fiend*.

The company made a profit before tax for the year of £4.4m compared with £5.3m in the previous year. This includes an exceptional pension payment of £1.35m made to reduce the pension deficit in the Orion scheme. The company also increased its cash reserves to £7.0m, adding £4.4m despite the pension payment. During the year management has focused on improving stock holding and as a result gross stock levels have fallen by almost 5%.

In the year the company consolidated its operations in one building and vacated the Wellington House property. Shortly after the year end agreements were reached for the let of the 2nd floor to a third party.

Prospects for 2007 are good with a strong publishing programme including new titles from Ian Rankin, Michael Connelly, Harlan Coben and Kate Mosse on the fiction list coupled with a very strong autumn non-fiction presentation.

FINANCIAL INSTRUMENTS

The company has various financial assets and liabilities such as trade receivables and trade payables arising directly from its operations. The company does not undertake any hedging activity.

FOREIGN CURRENCY RISK

The company's principal foreign currency exposure arises from trading operations with customers and suppliers in non-sterling currency.

RESULTS AND DIVIDENDS

The retained profit for the financial year was £3,420,000 (2005: £4,662,000).

The directors do not recommend the payment of a final dividend (2005: nil).

DIRECTORS' REPORT (continued)**DIRECTORS AND THEIR INTERESTS**

The following directors of the company have held office during the whole of the period from 1 January 2006 to the date of this report, unless otherwise stated

A Nourry (Chairman)
 P de Cacqueray
 M Edwards
 MJ Evans
 SC Lamb
 DAR Manderson
 F Meriot (resigned 27 November 2006)
 PCK Roche FCA (Chief Executive)
 ICG Trewin (resigned 31 July 2006)
 Lord Weidenfeld
 TM Hely Hutchinson
 L Milton
 M Prior (appointed 3rd January 2006)
 D Young (appointed 20th April 2006) (resigned 22nd June 2007)
 R Kitson (appointed 19th December 2006) (resigned 22nd June 2007)

The interests of the directors in the shares of the company at 31 December 2006 are as follows

	At 31 December 2006	At 31 December 2005
	Number of Shares	Number of Shares
	New Ordinary	New Ordinary
PCK Roche	-	58,498

No directors held share options during the year

None of the directors hold any interest in the shares of any other group company incorporated in England and Wales

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

DIRECTORS' REPORT (continued)

AUDITORS

Mazars LLP have signified their willingness to continue in office and a resolution to reappoint them as auditors to the Company and to authorise the directors to fix their remuneration will be proposed at the Annual General Meeting

STATEMENT OF DIRECTORS' 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 year. 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 group will continue in business

The directors confirm that the financial statements comply with the above requirements

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

At the time of this report the directors are aware

- there is no relevant audit information of which the auditors are unaware and,
- that they have taken all the steps they ought to have to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

On behalf of the Board



P de Cacqueray
Director

In July 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ORION PUBLISHING GROUP LIMITED

We have audited the financial statements of Orion Publishing Group Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, Balance Sheet and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 company'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.

AUDITORS' REPORT (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Mazars LLP

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

27 JULY 2007

PROFIT AND LOSS ACCOUNT**For the year ended 31 December 2006**

	Notes	2006 £'000	2005 £'000
TURNOVER	2	68,501	66,837
Cost of sales		(41,637)	(39,375)
		<u>26,864</u>	<u>27,462</u>
Net operating expenses	3	(23,699)	(21,700)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		3,165	5,762
Income from fixed asset investment	6	1,531	4
Interest receivable and similar income		10	34
Interest payable and similar charges	7	(270)	(521)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	8	4,436	5,279
Taxation	9	(1,016)	(617)
RETAINED PROFIT FOR THE FINANCIAL YEAR	20	<u>3,420</u>	<u>4,662</u>

The company's income and expenses for the year all relate to continuing operations

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

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

BALANCE SHEET as at 31 December 2006

	Note	2006 £'000	2005 £'000
FIXED ASSETS			
Goodwill	10	4,150	4,409
Tangible assets	11	1,421	989
Investments	12	92	92
		<u>5,663</u>	<u>5,490</u>
CURRENT ASSETS			
Stock	13	8,174	8,571
Debtors	14	35,856	35,774
Cash		6,958	2,606
		<u>50,988</u>	<u>46,951</u>
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	16	<u>(29,312)</u>	<u>(28,202)</u>
NET CURRENT ASSETS		<u>21,676</u>	<u>18,749</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>27,339</u>	<u>24,239</u>
CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	(84)	(143)
PROVISIONS FOR LIABILITIES AND CHARGES	18	<u>(666)</u>	<u>(927)</u>
		<u>26,589</u>	<u>23,169</u>
CAPITAL AND RESERVES			
Called up share capital	19	6,773	6,773
Share premium account	20	17,148	17,148
Profit and loss account	20	2,668	(752)
EQUITY SHAREHOLDERS' FUNDS	21	<u>26,589</u>	<u>23,169</u>

Approved by the Board on
and signed on its behalf by

P de Cacqueray
Director

in July 2007

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2006****1. ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The directors consider that the accounting policies set out below are suitable, have been consistently applied and are supported by reasonable and prudent judgements and estimates.

(a) Consolidated financial statements

The financial statements contain information about The Orion Publishing Group 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.

(b) Going concern

These financial statements have been prepared on a going concern basis.

(c) 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.

(d) Leased assets

Where assets are financed by leasing agreements, which give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the cash value as at the date of commencement of the lease. The corresponding leasing commitment is included in obligations under finance leases. Rentals payable are apportioned between interest, which is charged to the profit and loss account and capital, which reduces the outstanding commitment.

Rentals payable relating to all other leases are charged as incurred to the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006 (continued)**1. ACCOUNTING POLICIES (continued)****(e) 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
Office equipment	- 20%
Computer equipment	- 25%
Fixtures and fittings	- 15%
Motor vehicles	- 25%

(f) Investments

Fixed asset investments are stated at original cost less provision for permanent diminution in value.

(g) Cash flow statements

In accordance with Financial Reporting Standard No. 1 (Revised), the company is exempt from preparing a cash flow statement as its ultimate parent undertaking, Lagardere SCA, has included a cash flow statement in its financial statements which are publicly available.

(h) Stock

Stock including work in progress is stated at the lower of cost and net realisable value. Cost comprises the direct costs of production, paper, printing and binding.

(i) 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 2006 (continued)

1. ACCOUNTING POLICIES (continued)

(j) Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax. Deferred tax assets are recognised only to the extent that the directors consider it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on a non-discounted basis.

(k) Turnover

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

(l) Operating Lease Rentals

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

(m) Goodwill

Goodwill value is assessed every year and impaired if needed. In the absence of specific impairment it is amortised over a period of 20 years on a straight-line basis.

(n) Pension Cost

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.

The company accounts for pension costs in accordance with FRS17. The Directors are unable to identify the Company's share of the underlying assets and liabilities of the Scheme and accordingly account for the scheme as if it were a defined contribution scheme. The scheme is fully accounted for under IAS 19 in the Group financial statements of Lagardere SCA.

For the purposes of these financial statements, the figures in note 22 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 1 January 2003 by a qualified independent actuary. In order to provide information about the existence of a surplus or deficit of the scheme, a separate valuation of the scheme using the measurement basis required by FRS17 was obtained at 31 December 2006.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006 (continued)

2. GEOGRAPHICAL ANALYSIS OF TURNOVER

	2006 £'000	2005 £'000
United Kingdom	54,718	55,176
United States of America	2,626	2,058
Australia	5,389	4,208
Rest of the World	5,768	5,395
	<u>68,501</u>	<u>66,837</u>

3. NET OPERATING EXPENSES

	2006 £'000	2005 £'000
Distribution costs	10,034	9,769
Administrative expenses Before exceptional items	12,315	
Exceptional item Lump sum payment to the pension fund	<u>1,350</u>	
Administrative expenses	13,665	11,931
	<u>23,699</u>	<u>21,700</u>

4. EMPLOYEE INFORMATION

The average monthly number of persons, including executive directors, employed by the company during the year was 165 (2005 166) all of whom were involved in book publishing

	2006 £'000	2005 £'000
Staff costs, including directors' emoluments, were		
Wages and salaries	6,452	6,399
Social security	688	692
Other pension costs	<u>616</u>	<u>638</u>
	<u>7,756</u>	<u>7,729</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006 (continued)

5. DIRECTORS' EMOLUMENTS AND DIRECTORS' INTERESTS

Directors emoluments:	2006 £'000	2005 £'000
Emoluments	1,157	1,131
Pension contributions Retirement benefit scheme	132	117
	<u> </u>	<u> </u>
Total emoluments	<u>1,289</u>	<u>1,248</u>

Highest paid director:	2006 £'000	2005 £'000
Emoluments	316	335
Accrued pension	42	39
	<u> </u>	<u> </u>
	<u>358</u>	<u>374</u>

During the period the following number of directors:	2006 No.	2005 No.
Accrued benefits under defined benefit schemes	5	6
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006 (continued)

6. INCOME FROM FIXED ASSET INVESTMENTS

	2006 £'000	2005 £'000
Dividends receivable from investment in Littlehampton Book Service Limited (2005 Double Exposure Limited)	1,531	4

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £'000	2005 £'000
Interest payable on bank loans and overdrafts	108	465
Interest payable on group loans	144	33
Hire purchase and finance leasing charges	18	23
	<u>270</u>	<u>521</u>

8. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2006 £'000	2005 £'000
Profit on ordinary activities before taxation is stated after charging		
Auditors' remuneration		
- Audit fee	41	41
- Amounts payable to Mazars LLP by the company in respect of non-audit services	5	16
Depreciation		
- Owned assets	245	247
- Assets held under finance leases	137	165
- Amortisation	259	259
Loss / (Profit) on disposal of fixed assets	1	(15)
Exchange loss / (gain)	170	(122)
Operating lease rentals		
- Property	1,492	1,435
- Other	86	92

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006 (continued)

9. TAXATION

	2006	2005
	£000	£000
(a) Analysis of charge in period		
Current tax		
UK corporation tax on profits of the period	642	41
	<u> </u>	<u> </u>
Current tax charge for period (see (b) below)	642	41
Deferred Tax		
Origination & reversal of timing differences	374	576
	<u> </u>	<u> </u>
Total deferred tax	374	576
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	1,016	617
	<u> </u>	<u> </u>

(b) Factors affecting tax charge for period

The tax assessment for the period is lower than the standard rate of corporation tax in the UK (30%) The differences are explained below

	2006	2005
	£000	£000
Profit on ordinary activities before tax	4,436	5,279
	<u> </u>	<u> </u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	1,331	1,584
<i>Effects of</i>		
Expenses not deductible for tax purposes	169	161
Non taxable income	(460)	-
Depreciation in excess of capital allowances	(111)	(107)
utilisation of tax losses	(457)	(1,657)
Other timing differences	170	60
	<u> </u>	<u> </u>
Current tax charge for period (see (a) above)	642	41
	<u> </u>	<u> </u>

As at 31 December 2006 a deferred tax asset of £702k arising on tax losses carried forward was unrecognised (note 15)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006 (continued)

10. GOODWILL

	£'000
COST	
At 1 January 2006 and at 31 December 2006	5,186
	<u> </u>
AMORTISATION	
At 1 January 2006	(777)
Charge for the year	(259)
	<u> </u>
At 31 December 2006	(1,036)
	<u> </u>
NET BOOK VALUE	
At 31 December 2006	4,150
	<u> </u>
At 31 December 2005	4,409
	<u> </u>

11. TANGIBLE ASSETS

	Leasehold improvements £'000	Equipment fixtures and fittings £'000	Motor vehicles £'000	Total £'000
COST				
At 1 January 2006	401	2,618	637	3,656
Additions	540	241	47	828
Disposals	-	-	(70)	(70)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2006	941	2,859	614	4,414
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ACCUMULATED DEPRECIATION				
At 1 January 2006	161	2,162	345	2,668
Charge for the period	37	208	137	382
Disposals	-	-	(57)	(57)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2006	198	2,370	425	2,993
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET BOOK AMOUNT				
At 31 December 2006	743	489	189	1,421
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2005	240	457	292	989
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006 (continued)

The gross amount of assets held under finance leases and the related accumulated depreciation included in the tables above are as follows

	Cost £'000	Depreciation £'000	Net £'000
Motor vehicles			
At 31 December 2006	<u>613</u>	<u>(425)</u>	<u>188</u>
At 31 December 2005	<u>637</u>	<u>(345)</u>	<u>292</u>

12. INVESTMENTS

	Shares in subsidiary undertakings £'000	Shares in associates £'000	Total £'000
COST			
At 1 January 2006 and at 31 December 2006	<u>24,972</u>	<u>48</u>	<u>25,020</u>
PROVISION FOR DIMINUTION IN VALUE			
At 1 January 2006 and at 31 December 2006	<u>(24,880)</u>	<u>(48)</u>	<u>(24,928)</u>
NET BOOK VALUE			
At 1 January 2006 and at 31 December 2006	<u>92</u>	<u>-</u>	<u>92</u>

a) Investments in subsidiary undertakings

The company's principal trading subsidiaries, all of which are registered and trade in England, are as follows

Company	Principal activity	% holding of ordinary shares of £1 each
Littlehampton Book Services Limited	Book distribution	100%

b) Associates

The Company's associate is McArthur & Company Publishing Limited, a book publishing and distribution company incorporated in Canada

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006 (continued)

13. STOCK

	2006	2005
	£'000	£'000
Raw materials and work in progress	1,585	1,617
Finished goods	6,589	6,954
	<u>8,174</u>	<u>8,571</u>

14. DEBTORS

	2006	2005
	£'000	£'000
Trade debtors	19,482	20,850
Amounts owed by subsidiary undertakings	2,165	655
Other debtors	12,686	12,517
Deferred tax asset (see note 15)	836	1,210
Prepayments and accrued income	687	542
	<u>35,856</u>	<u>35,774</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 2006 (continued)

15. DEFERRED TAX ASSET

	2006	2005
	£000	£000
Included in debtors (note 14)		
Accelerated capital allowances	235	346
Other timing differences	305	136
Tax losses carried forward	296	728
	<u>836</u>	<u>1,210</u>
PROVIDED		
	<u>702</u>	<u>727</u>
UNPROVIDED	<u>702</u>	<u>727</u>

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006	2005
	£'000	£'000
Bank loans payable on demand	4,523	3,533
Obligations under hire purchase and finance leases	100	127
Trade creditors	8,813	9,255
Corporation tax	642	41
Other tax and social security	222	212
Other creditors	13,204	13,323
Accruals and deferred income	1,808	1,711
	<u>29,312</u>	<u>28,202</u>

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2006	2005
	£'000	£'000
Obligations under hire purchase and finance	<u>84</u>	<u>143</u>
Amounts payable between one and two years	84	127
Amounts payable between two and five years	-	16
	<u>84</u>	<u>143</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006 (continued)

18. PROVISIONS FOR LIABILITIES AND CHARGES

	£'000
At 1 January 2006	927
Utilised in year	(261)
	<hr/>
At 31 December 2006	666
	<hr/> <hr/>

	£'000
The provision relates to	
Onerous contract on unoccupied premises	311
Dilapidation - Wellington House	303
Lifts - Orion House	52
	<hr/>
At 31 December 2006	666
	<hr/> <hr/>

19. CALLED UP SHARE CAPITAL

	2006 £'000	2005 £'000
Authorised share capital		
Equity shares		
672,652,571 deferred shares of 1p each	6,727	6,727
5,573,502 new ordinary shares of 1p each	55	55
	<hr/>	<hr/>
	6,782	6,782
	<hr/> <hr/>	<hr/> <hr/>
Authorised, allotted, called up and fully paid		
Equity shares		
672,652,571 (2005 672,652,571) deferred shares of 1p each	6,727	6,727
4,692,303 (2005 4,692,303) new ordinary shares of 1p each	46	46
	<hr/>	<hr/>
	6,773	6,773
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006 (continued)

20. RESERVES

	Share premium account £'000	Profit and loss account £'000
Balance at 1 January 2006	17,148	(752)
Retained profit for the year	-	3,420
	<u>17,148</u>	<u>3,420</u>
Balance at 31 December 2006	<u>17,148</u>	<u>2,668</u>

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total 2006 £'000	Total 2005 £'000
As at 1 January 2006	6,773	17,148	(752)	23,169	18,411
New share capital subscribed	-	-	-	-	96
Retained profit for the year	-	-	3,420	3,420	4,662
	<u>6,773</u>	<u>17,148</u>	<u>2,668</u>	<u>26,589</u>	<u>23,169</u>
As at 31 December 2006	<u>6,773</u>	<u>17,148</u>	<u>2,668</u>	<u>26,589</u>	<u>23,169</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006 (continued)

22. PENSION COSTS

Pension costs

The Orion Group operates 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 group

The major assumptions used by the actuary were

	31 December 2006	31 December 2005
	<u>%</u>	<u>%</u>
Rate of increase in salaries p a	3.50	3.75
Limited Price Indexation Pension increases p a	2.75	2.75
Limited Price Indexation Pension increases for ex-Cassell members p a	2.75	3.75
Inflation assumption p a	2.75	2.75
Discount rate	5.00	4.75

The assets of the schemes are held in Managed Funds and Unit Trusts operated by Legal & General Investment Management Limited. The split of assets and the expected rate of return were

	Expected Rate of Return at 31 December 2006	
	p.a.	£'000
Equities & Property	7.50%	
Bonds	4.50%	
Other	4.50%	
Fair Value at 31 December 2006		21,316
Present value of Scheme liabilities		(26,722)
Deficit in the Scheme		(5,406)
Related deferred tax asset		1,622
Net pension liability		(3,784)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006 (continued)

23. FINANCIAL COMMITMENTS

At 31 December 2006 there were commitments made in the normal course of business to authors for the payment of royalty advances at various dates relating to the delivery of manuscripts and the publication of books. None of these are considered onerous. There were no material commitments in respect of capital expenditure outstanding both at 31 December 2006 and 31 December 2005.

At 31 December 2006 the company had annual commitments under leasehold property and motor vehicle operating leases as follows:

	2006 £'000	2005 £'000
Operating leases which expire		
Sundry		
Within 1 year	86	92
Property		
Over 5 years	1,313	1,435
	<u>1,399</u>	<u>1,527</u>

24. RELATED PARTY DISCLOSURES

In accordance with Financial Reporting Standard No 8 "Related Party Disclosures", transactions with other undertakings within the Lagardere group have not been disclosed in these financial statements.

25. CONTROLLING PARTIES

The immediate parent undertaking is Hachette Livre UK Limited, a company incorporated in England and Wales.

The Company's ultimate holding company is Lagardere SCA, which is registered in France and is the largest and only group to consolidate these accounts. A copy of its financial statements can be obtained from The Orion Publishing Group Limited, Orion House, 5 Upper St Martin's Lane, London WC2H 9EA.