

Report & Financial Statements

For the year ended 31 December 2011

**The Orion Publishing
Group Limited**

Registered Number: 2663988

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THE ORION PUBLISHING GROUP LIMITED

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THE ORION PUBLISHING GROUP LIMITED

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COMPANY INFORMATION

DIRECTORS

A Nourry (Chairman)
P de Cacqueray
MJ Edwards
SC Lamb
DAR Manderson
PCK Roche
Lord Weidenfeld
TM Hely Hutchinson
L Milton
C Jarvis
JC Wood

SECRETARY

C Jarvis

REGISTERED OFFICE

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

REGISTERED NUMBER

2663988

AUDITORS

Mazars LLP
Tower Bridge House, St Katharine's Way
London E1W 1DD

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31 December 2011 in relation to The Orion Publishing Group Limited (Company No 2663988)

PRINCIPAL ACTIVITY

The company's principal activity is publishing

BUSINESS REVIEW

Turnover in the year was £63.8m compared to £66.5m in the prior year, a decrease of 4.1%. This decrease reflects the adverse market conditions in the year. The overall market has been difficult in 2011 with sales impacted by the overall UK economic climate.

Orion had publishing success in 2011 with a number of fiction and non-fiction titles. The fiction list was led by new titles from Ian Rankin, Michael Connelly, Anthony Horowitz and Harlan Coben. A particular highlight was *The Tiger's Wife* by Tea Obrecht, which won the Orange Prize for Fiction in June. On the non-fiction list, *The Hairy Bikers* continue to consolidate their position as a major cookery brand with two successful books this year – *Mums Still Know Best* and *Perfect Pies*. Other highlights included Simon Sebag Montefiore's *Jerusalem*, Joanna Lumley's *Absolutely* and Keith Lemon's *The Rules*.

The company made a loss before tax and interest for the year of £0.4m compared with a profit of £3.9m in the previous year. The company cash reserves decreased to £0.7m, down from £7.4m at the end of 2010. However a £2.0m dividend was paid to the parent company (2010: £1.5m) as well as £1.2m in additional contributions (2010: £nil) to the defined benefit pension scheme, which was closed to further accrual during the year.

Prospects for 2012 are good with a strong publishing programme including new titles from regular authors Harlan Coben, Linwood Barclay, Ian Rankin, Kate Mosse and Michael Connelly. This is in addition to the paperback outings of the fiction list from 2011. The market is undergoing a period of transition with the rise of ebooks and Orion is strongly placed to capitalise on this. On the non-fiction side of the business, 2012 has a particularly strong list with the publication of Michael Palin's *Brazil*, *The Second World War* by Antony Beevor and John Lennon's *Letters*, as well as two new cookery books by *The Hairy Bikers*.

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.

The company's treasury function is centrally controlled by the Group, which is responsible for managing the liquidity, interest, credit and foreign currency risks associated with the company's activities.

LIQUIDITY RISK

The company's cash and borrowing requirements are managed centrally by the Group to maximise interest income and minimise interest expenses, whilst ensuring that the company has sufficient liquid resources to meet the operating needs of its business.

DIRECTORS' REPORT (continued)

INTEREST RATE RISK

The company is exposed to cash flow interest rate risk on floating rate deposits. This risk is centrally controlled by managing the mix of fixed and variable rate debt at Group level so as to reduce its exposure to changes in interest rates.

CREDIT RISK

Investments of cash surpluses and borrowings 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 debt where necessary.

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 loss for the financial year was £500,000 (2010 retained profit was £2,726,000).

The directors recommend payment of a final dividend of £nil (2010 £2,000,000).

DIRECTORS AND THEIR INTERESTS

The following directors of the company have held office during the whole of the period from 1 January 2011 to the date of this report, unless otherwise stated:

A Nourry (Chairman)
P de Cacqueray
M Edwards
SC Lamb
DAR Manderson
PCK Roche FCA (Chief Executive)
Lord Weidenfeld
TM Hely Hutchinson
L Milton
M Prior (resigned 10 June 2011)
C Jarvis (appointed 10 June 2011)
JC Wood

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.

DIRECTORS' REPORT (continued)

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 the 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

The Directors at the time when this Directors' report is approved have confirmed that

- so far as the Directors are aware there is no relevant audit information of which the auditors are unaware, and
- that they have taken all the steps that ought to have been taken as Directors in order to make themselves aware of any information needed by the Company's auditor in connection with preparing its report and to establish that the auditors are aware of that information

On behalf of the Board



P de Cacqueray
Director

26/7/2012

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

We have audited the financial statements of The Orion Publishing Group Limited for the year ended 31 December 2011 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 4, 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 is made solely to 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 them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member as a body 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 web-site at 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 2011 and of its loss 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



Samantha Russell (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 27 JULY 2012

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
TURNOVER	2	63,751	66,462
Cost of sales		(37,262)	(37,965)
		<u>26,489</u>	<u>28,497</u>
Net operating expenses	3	(26,850)	(24,551)
		<u>(361)</u>	<u>3,946</u>
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST			
Interest receivable and similar income		2	2
Interest payable and similar charges	6	(25)	(14)
		<u>(384)</u>	<u>3,934</u>
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7		
Taxation	8	(116)	(1,208)
		<u>(500)</u>	<u>2,726</u>
RETAINED (LOSS) / PROFIT FOR THE FINANCIAL YEAR	20		

The company's income and expenses for both years 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

There are no recognised gains or losses other than those included in the profit and loss account

BALANCE SHEET as at 31 December 2011

	Note	2011 £'000	2010 £'000
FIXED ASSETS			
Intangible Assets	10	331	144
Goodwill	10	2,855	3,114
Tangible assets	11	917	941
Investments	12	92	92
		<u>4,195</u>	<u>4,291</u>
CURRENT ASSETS			
Stock	13	5,089	4,758
Debtors	14	36,289	37,993
Cash		688	7,434
		<u>42,066</u>	<u>50,185</u>
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	16	<u>(21,633)</u>	<u>(26,934)</u>
NET CURRENT ASSETS		<u>20,433</u>	<u>23,251</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>24,628</u>	<u>27,542</u>
CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	(141)	(116)
PROVISIONS FOR LIABILITIES AND CHARGES	18	-	(439)
		<u>24,487</u>	<u>26,987</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	566	3,066
EQUITY SHAREHOLDER'S FUNDS	21	<u>24,487</u>	<u>26,987</u>

Approved by the Board on
and signed on its behalf by



P de Cacqueray
Director

26/7/

2012

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

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 400 of the Companies Act 2006 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 with the company expected to return to profitability in 2012 driven by a strong fiction and non-fiction list including new releases from established authors such as Ian Rankin, Maeve Binchy, Kate Mosse, Anthony Beever, Keith Lemon and Michael Palin.

(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.

(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%

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011 (continued)

1. ACCOUNTING POLICIES (continued)

(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

(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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011 (continued)

1. ACCOUNTING POLICIES (continued)

(n) **Intangible assets**

Intangible assets include publishing licences. These are shown at cost less amortisation. Intangible assets are amortised through the profit and loss account in equal instalments over the lifetime of the licence.

(o) **Pension cost**

The Company has adopted FRS 17 'Retirement Benefits'. As the directors are unable to identify the Company's share of the underlying net 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.

(p) **Significant accounting estimates**

Royalty advances

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

Returns

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011 (continued)

2. GEOGRAPHICAL ANALYSIS OF TURNOVER

	2011 £'000	2010 £'000
United Kingdom	48,066	49,340
United States of America / Canada	2,293	3,323
Australia	6,099	6,078
Rest of the World	7,293	7,667
	<u>63,751</u>	<u>66,408</u>

3. NET OPERATING EXPENSES

	2011 £'000	2010 £'000
Distribution costs	8,333	9,002
Administrative expenses	18,517	15,549
	<u>26,850</u>	<u>24,551</u>

4. EMPLOYEE INFORMATION

The average monthly number of persons, including executive directors, employed by the company during the year was 161 (2010 151) all of whom were involved in book publishing

	2011 £'000	2010 £'000
Staff costs, including directors' emoluments, were		
Wages and salaries	7,094	7,018
Social security	834	766
Other pension costs	2,177	495
	<u>10,105</u>	<u>8,279</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011 (continued)

5. DIRECTORS' EMOLUMENTS AND DIRECTORS' INTERESTS

Directors' emoluments:	2011 £'000	2010 £'000
Emoluments	1,347	1,240
Pension contributions Retirement benefit scheme	172	116
Total emoluments	1,519	1,356

Highest paid director:	2011 £'000	2010 £'000
Emoluments	309	345
Accrued pension	24	29
	333	374

During the period the following number of directors:	2011 No.	2010 No.
Accrued benefits under defined benefit schemes	5	4

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011 (continued)

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2011 £'000	2010 £'000
Interest payable on bank loans and overdrafts	14	2
Hire purchase and finance leasing charges	11	12
	<u>25</u>	<u>14</u>

7. (LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2011 £'000	2010 £'000
(Loss) / profit on ordinary activities before taxation is stated after charging /(crediting)		
Auditors' remuneration		
- Audit fee	67	55
- Amounts payable to Mazars LLP by the company in respect of other services relating to taxation	6	6
Depreciation		
- Owned assets	155	186
- Assets held under finance leases	115	130
- Amortisation	307	307
Profit on disposal of fixed assets	(11)	(13)
Exchange loss / (gain)	197	(154)
Operating lease rentals		
- Property	1,065	1,040
- Other	<u>113</u>	<u>127</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011 (continued)

8. TAXATION

	2011	2010
	£'000	£'000
(a) Analysis of charge in period		
Current tax		
UK corporation tax on (loss) / profit for the period	138	1,154
Foreign tax suffered at source	66	56
	<u> </u>	<u> </u>
Current tax charge for period (see (b) below)	204	1,210
Deferred Tax		
Origination & reversal of timing differences	(88)	(2)
	<u> </u>	<u> </u>
Total deferred tax	(88)	(2)
	<u> </u>	<u> </u>
Tax on (loss) / profit on ordinary activities	116	1,208
	<u> </u>	<u> </u>

(b) Factors affecting tax charge for period

The tax assessment for the period is higher than the standard rate of corporation tax in the UK (26.5%). The differences are explained below

	2011	2010
	£'000	£'000
(Loss) / profit on ordinary activities before tax	(384)	3,880
	<u> </u>	<u> </u>
(Loss) / profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010 28%)	(101)	1,086
<i>Effects of</i>		
Expenses not deductible for tax purposes	193	209
Capital allowances in excess of depreciation	(18)	(18)
Utilisation of tax losses	(18)	(105)
Other timing differences	148	38
	<u> </u>	<u> </u>
Current tax charge for period (see (a) above)	204	1,210
	<u> </u>	<u> </u>

As at 31 December 2011 a deferred tax asset of £216k (2010 £251k) arising on tax losses carried forward was unrecognised (note 15)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011 (continued)

9. DIVIDENDS

	2011 £'000	2010 £'000
Amounts recognised as distributions to equity holders in the period		
2011 final dividend paid (£0 43 per share)	2,000	-
2010 final dividend paid (£0 32 per share)	-	1,500
	<u>2,000</u>	<u>1,500</u>

10. INTANGIBLE FIXED ASSETS

	Licences £'000	Goodwill £'000	Total £'000
COST			
At 1 January 2011	290	5,186	5,476
Additions	235	-	235
	<u>525</u>	<u>5,186</u>	<u>5,711</u>
At 31 December 2011			
AMORTISATION			
At 1 January 2011	(146)	(2,072)	(2,218)
Charge for the year	(48)	(259)	(307)
	<u>(194)</u>	<u>(2,331)</u>	<u>(2,525)</u>
At 31 December 2011			
NET BOOK VALUE			
At 31 December 2011	<u>331</u>	<u>2,855</u>	<u>3,186</u>
At 31 December 2010	<u>144</u>	<u>3,114</u>	<u>3,258</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011 (continued)

11. TANGIBLE ASSETS

	Leasehold Improvements £'000	Equipment fixtures and fittings £'000	Motor vehicles £'000	Total £'000
COST				
At 1 January 2011	1,110	2,792	618	4,520
Additions	-	118	128	246
Disposals	-	-	(97)	(97)
	<u>1,110</u>	<u>2,910</u>	<u>649</u>	<u>4,669</u>
At 31 December 2011	1,110	2,910	649	4,669
ACCUMULATED DEPRECIATION				
At 1 January 2011	500	2,658	421	3,579
Charge for the period	79	76	115	270
Disposals	-	-	(97)	(97)
	<u>579</u>	<u>2,734</u>	<u>439</u>	<u>3,752</u>
At 31 December 2011	579	2,734	439	3,752
NET BOOK AMOUNT				
At 31 December 2011	<u>531</u>	<u>176</u>	<u>210</u>	<u>917</u>
At 31 December 2010	<u>610</u>	<u>134</u>	<u>197</u>	<u>941</u>

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 2011	<u>649</u>	<u>(439)</u>	<u>210</u>
At 31 December 2010	<u>618</u>	<u>(421)</u>	<u>197</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011 (continued)

12. INVESTMENTS

	Shares in subsidiary undertakings £'000	Total £'000
COST		
At 1 January 2011	24,972	24,972
	<u> </u>	<u> </u>
At 31 December 2011	24,972	24,972
	<u> </u>	<u> </u>
PROVISION FOR DIMINUTION IN VALUE		
At 1 January 2011	(24,880)	(24,880)
	<u> </u>	<u> </u>
At 31 December 2011	(24,880)	(24,880)
	<u> </u>	<u> </u>
NET BOOK VALUE		
At 31 December 2011	92	92
	<u> </u>	<u> </u>
At 31 December 2010	92	92
	<u> </u>	<u> </u>

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%

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011 (continued)

13. STOCK

	2011	2010
	£'000	£'000
Raw materials and work in progress	769	1,065
Finished goods	4,320	3,693
	<u>5,089</u>	<u>4,758</u>

14. DEBTORS

	2011	2010
	£'000	£'000
Trade debtors	16,379	16,902
Amounts owed by group undertakings	1,350	2,637
Other debtors	17,441	17,431
Deferred tax asset (see note 15)	565	477
Prepayments and accrued income	554	546
	<u>36,289</u>	<u>37,993</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 2011 (continued)

15. DEFERRED TAX ASSET

	2011 £'000	2010 £'000
Included in debtors (note 14)		
Accelerated capital allowances	51	73
Other timing differences	214	80
Tax losses carried forward	300	324
	<u>565</u>	<u>477</u>
PROVIDED		
Deferred tax asset at 1 January	477	475
Deferred tax credit in profit and loss account	88	2
	<u>565</u>	<u>477</u>
Deferred tax asset at 31 December		
Tax losses carried forward	216	251
	<u>216</u>	<u>251</u>
UNPROVIDED		

A resolution was passed by Parliament on 26 March 2012 to reduce the corporation tax rate to 24% from 1 April 2012. However, as this charge was not substantially enacted by the Balance Sheet date, the 24% rate has not been reflected in these accounts. Instead deferred tax has been provided at the rate of 25% which had been previously enacted to apply from 1 April 2012.

Further reductions to the corporation tax rates have been proposed in the March 2012 UK Finance Budget, to reduce the corporation tax rate by 1% per annum to 22% by April 2014. However as none of these further reduced rates were substantially enacted by the Balance Sheet, they are not included in these accounts either.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011 (continued)

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £'000	2010 £'000
Obligations under hire purchase and finance leases	87	110
Trade creditors	5,272	7,349
Amounts owed to group undertakings	1,633	1,540
Corporation tax	204	1,156
Other tax and social security	321	341
Other creditors	11,643	13,904
Accruals and deferred income	2,473	2,534
	<u>21,633</u>	<u>26,934</u>

The company has entered into a Composite Agreement with certain other group companies. Each participating company has provided a guarantee to the bank which authorises the bank to allow set-off for interest purposes and in certain circumstances, to off-set positive bank balances to reduce overdrafts within the group.

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

	2011 £'000	2010 £'000
Obligations under hire purchase and finance	<u>141</u>	<u>116</u>
Amounts payable between one and three years	<u>141</u>	<u>116</u>

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Onerous Contract £'000	Dilapidation £'000	Total £'000
At 1 January 2011	136	303	439
Utilised in year	<u>(136)</u>	<u>(303)</u>	<u>(439)</u>
At 31 December 2011	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011 (continued)

19. CALLED UP SHARE CAPITAL

	2011 £'000	2010 £'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
	<u>6,782</u>	<u>6,782</u>
Authorised, allotted, called up and fully paid		
Equity shares		
672,652,571 (2010 672,652,571) deferred shares of 1p each	6,727	6,727
4,692,303 (2010 4,692,303) new ordinary shares of 1p each	46	46
	<u>6,773</u>	<u>6,773</u>

Summary of Class Rights

a Voting rights are permitted to each member present at a meeting. Each member has the right to one vote regardless of the number of new ordinary shares or deferred shares to be held.

b The Deferred Shares shall not carry the right to receive any dividend.

c On a return of capital on liquidation or otherwise, the surplus assets of the Company remaining after the payment of its liabilities shall be

(i) distributed amongst the holders of the shares rateably in proportion to the amounts paid up or credited as paid up, on such shares held by them respectively, and

(ii) after the holders of the shares shall have received rateably in proportion to the amounts paid up on such shares held by them the sum of £1,000,000 per share in paying the holder of the Deferred Shares in respect of each Deferred Share of which it is the holder, the amounts paid up or credited as paid up thereon.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011 (continued)

20. RESERVES

	Share premium account £'000	Profit and loss account £'000
Balance at 1 January 2011	17,148	3,066
Retained loss for the year	-	(500)
Dividends	-	(2,000)
Balance at 31 December 2011	<u>17,148</u>	<u>566</u>

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total 2011 £'000	Total 2010 £'000
As at 1 January 2011	6,773	17,148	3,066	26,987	25,761
Retained (loss) / profit for the year	-	-	(500)	(500)	2,726
Dividends	-	-	(2,000)	(2,000)	(1,500)
As at 31 December 2011	<u>6,773</u>	<u>17,148</u>	<u>566</u>	<u>24,487</u>	<u>26,987</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011 (continued)

22. PENSION COSTS

The company operates a multi employer defined benefit pension scheme, the Orion Publishing Group Limited Retirement Benefits Scheme, providing the benefit based on final pensionable pay, which is funded with the assets of the scheme held separately from those of the company

The unpaid contributions at the year end, included in 'Other Creditors' (note 16), are £nil (2010 £nil)

The company accounts for the scheme as a defined contribution scheme as it is unable to identify its share of the underlying assets and liabilities. If the company were to account for the full assets and liabilities of the scheme the following disclosures would be made

An actuarial valuation of the scheme was carried out by Mercer Limited as at 31 December 2011 using the projected unit method

For the purposes of these financial statements, the following 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

The major assumptions used by the actuary were

	31 December 2011	31 December 2010
	<u>%</u>	<u>%</u>
Rate of increase in salaries p a	N/A	3.70
Limited Price Indexation Pension increases p a	2.90	3.20
Limited Price Indexation Pension increases for ex-Cassell members p a	2.50	2.50
Inflation assumption p a	2.90	3.20
Discount rate	4.70	5.40

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011 (continued)

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 2011	Expected Rate of Return at 31 December 2010
	p.a.	p.a.
Equities & Property	7.00%	7.50%
Bonds	2.80%	4.00%
Other	4.70%	3.00%

	31 December 2011	31 December 2010
	£'000	£'000
Present value of Scheme liabilities	(35,841)	(34,436)
Fair value of Scheme assets	33,146	28,711
Deficit in the Scheme	(2,695)	(5,725)
Related deferred tax asset	701	1,546
Net pension liability	(1,994)	(4,179)

The company expects to contribute £1,873k to its pension plan in 2012

23. FINANCIAL COMMITMENTS

At 31 December 2011 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.

At 31 December 2011 the company had annual commitments under leasehold property and equipment operating leases as follows

	2011	2010
	£'000	£'000
Operating leases which expire		
Sundry		
Within 1 year	87	110
Property		
Within 1 year		16
2-5 years	-	-
Over 5 years	962	962
	<u>1,049</u>	<u>1,088</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011 (continued)

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 UK (Holdings) 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