Report & Financial Statements

For the year ended 31 December 2010

The Orion Publishing Group Limited

Registered Number: 2663988

THE ORION PUBLISHING GROUP LIMITED

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THE ORION PUBLISHING GROUP LIMITED

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 2010 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 £66 4m compared to £68 4m in the prior year, a decrease of 3 0% This decrease reflects the adverse market conditions in the year, particularly the failure of the Borders chain The gross profitability on sales has increased to 42 8% in 2010 compared with 42 0% in 2009 The overall market has been difficult in 2010 with sales impact by the overall UK recessionary climate

Orion had a great deal of publishing success in 2010 Life by Keith Richards was a major non-fiction success in the Christmas market selling 264 thousand through Neilsen Bookscan In addition the Hairy Biker's Mums Know Best sold in excess of 150 thousand copies cementing their position as a major cookery brand There was also a large amount of fiction success in the year with new titles by Maeve Binchy, Michael Connelly and Harlan Coben all performing strongly Orion also successfully debuted Justin Cronin whose Passage trilogy will be a major performer over the next 6 years The sales in 2010 were also boosted by the sustained success of Charlaine Harris where £5m of books were sold

The company made a profit before tax and interest for the year of £3 9m compared with £2 5m in the previous year The company cash reserves decreased to £7 4m, down from £8 1m at the end of 2009 However a £1 5m dividend was paid to the parent company (2009 £3m)

Prospects for 2011 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 strong fiction list from 2010 The market is at the start of a period of transition with the rise of ebooks and Orion is strongly placed to capitalise on this with 1500 ebooks available at the end of 2010 On the Non-Fiction side of the business The Hairy Bikers will publish two new cookery books and Jerusalem by Simon Sebag Montefiore is poised to be the major historical title of the year

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 profit for the financial year was £2,726,000 (2009 £1,170,000)

The directors recommend payment of a final dividend of £2,000,000 (2009 £1,500,000)

DIRECTORS AND THEIR INTERESTS

The following directors of the company have held office during the whole of the period from 1 January 2010 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 (appointed 1 January 2011)

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 judgments 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,
- 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

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

14/6/2011

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 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 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 (APBs) Ethical Standards for Auditors This report, including our opinion, has been prepared for and only for the company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to 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 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on the other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

S. Russell

Samantha Russell (Senior statutory auditor)
for and on behalf of Mazars LLP, Chartered Accountants and Statutory Auditor

Tower Bridger House
St Katharine's Way
London
E1W 1DD

Date 16 June 2011

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
TURNOVER	2	66,462	68,450
Cost of sales		(37,965)	(39,685)
		28,497	28,765
Net operating expenses	3	(24,551)	(24,281)
Loan waiver	6	-	(2,000)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		3,946	2,484
Interest receivable and similar income		2	7
Interest payable and similar charges	7	(14)	(19)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	8	3,934	2,472
Taxation	9	(1,208)	(1,302)
RETAINED PROFIT FOR THE FINANCIAL YEAR	21	2,726	1,170

The company's income and expenses for both years 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 years

BALANCE SHEET as at 31 December 2010

	Note	2010 £'000	2009 £'000
FIXED ASSETS			
Intangible Assets	11	144	192
Goodwill	11	3,114	3,373
Tangible assets	12	941	1,191
Investments	13	92	92
		4,291	4,848
CURRENT ASSETS			
Stock	14	4,758	5,010
Debtors	15	37,993	35,897
Cash		7,434	8,100
		50,185	49,007
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	17	(26,934)	(27,201)
NET CURRENT ASSETS		23,251	21,806
TOTAL ASSETS LESS CURRENT LIABILITIES		27,542	26,654
CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	18	(116)	(199)
PROVISIONS FOR LIABILITIES AND CHARGES	19	(439)	(694)
		26,987	25,761
CAPITAL AND RESERVES			
Called up share capital	20	6,773	6,773
Share premium account	21	17,148	17,148
Profit and loss account	21	3,066	1,840
EQUITY SHAREHOLDER'S FUNDS	22	26,987	25,761

Approved by the Board on 14/6/11
and signed on its behalf by

P de Cacqueray
Director

2011

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

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

(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 2010 (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 2010 (continued)

1. ACCOUNTING POLICIES (continued)

(n) Intangible assets

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

(o) Pension cost

The company participates in a multi employer defined benefit scheme with contributions affected by a surplus or deficit in the scheme

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 23 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 2007 and updated to 31 December 2009 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 2010

(p) Significant accounting estimates

Royalty advances

Unearned royalty advances are written down to the extent that they are not to be 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 2010 (continued)

2. GEOGRAPHICAL ANALYSIS OF TURNOVER

	2010 £'000	2009 £'000
United Kingdom	49,340	51,556
United States of America / Canada	3,323	3,138
Australia	6,078	6,314
Rest of the World	7,667	7,442
	66,408	68,450

3. NET OPERATING EXPENSES

	2010 £'000	2009 £'000
Distribution costs	9,002	8 842
Administrative expenses	15,549	15.439
	24,551	24,281

4. EMPLOYEE INFORMATION

The average monthly number of persons, including executive directors, employed by the company during the year was 151 (2009 147) all of whom were involved in book publishing

	2010 £'000	2009 £'000
Staff costs, including directors' emoluments, were		
Wages and salaries	7,018	6,795
Social security	766	721
Other pension costs	495	477
	8,279	7,993

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010 (continued)

5. DIRECTORS' EMOLUMENTS AND DIRECTORS' INTERESTS

Directors emoluments:	**2010 £'000**	**2009 £'000**
Emoluments	1,240	1,358
Pension contributions Retirement benefit scheme	116	110
Total emoluments	1,356	1,468

Highest paid director:	**2010 £'000**	**2009 £'000**
Emoluments	345	413
Accrued pension	29	29
	374	442

During the period the following number of directors:	**2010 No.**	**2009 No.**
Accrued benefits under defined benefit schemes	4	4

6. LOAN WAIVER

	2010 £'000	**2009 £'000**
Debt waiver relating to Littlehampton Book Services Limited	-	(2,000)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010 (continued)

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2010 £'000	2009 £'000
Interest payable on bank loans and overdrafts	2	6
Hire purchase and finance leasing charges	12	13
	14	19

8. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2010 £'000	2009 £'000
Profit on ordinary activities before taxation is stated after charging /(crediting)		
Auditors' remuneration		
- Audit fee	55	54
- Amounts payable to Mazars LLP by the company in respect of other services relating to taxation	6	8
Depreciation		
- Owned assets	186	219
- Assets held under finance leases	130	115
- Amortisation	307	337
Profit on disposal of fixed assets	(13)	(16)
Exchange (gain) / loss	(154)	238
Operating lease rentals		
- Property	1,040	1,029
- Other	127	107

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010 (continued)

9. TAXATION

	2010		2009	
	£'000	£'000	£'000	£'000
(a) Analysis of charge in period				
Current tax				
UK corporation tax on profits of the period	1,154		1,270	
Foreign tax suffered at source	56		-	
Current tax charge for period (see (b) below)		1,210		1,270
Deferred Tax				
Origination & reversal of timing differences	(2)		32	
Total deferred tax		(2)		32
Tax on profit on ordinary activities		1,208		1,302

(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 (28%) The differences are explained below

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	3,880	2,472
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	1,086	692
Effects of		
Expenses not deductible for tax purposes	209	142
Non deductible expense item (Intercompany loan waiver)	-	560
Depreciation in excess of capital allowances	(18)	(25)
Utilisation of tax losses	(105)	(116)
Other timing differences	38	17
Current tax charge for period (see (a) above)	1,210	1,270

As at 31 December 2010 a deferred tax asset of £251k (2009 £365k) arising on tax losses carried forward was unrecognised (note 16)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010 (continued)

10. DIVIDENDS

	2010 £'000	2009 £'000
Amounts recognised as distributions to equity holders in the period		
2010 final dividend paid	1,500	-
2009 final dividend paid	-	3,000
	1,500	3,000

11. INTANGIBLE FIXED ASSETS

	Licences £'000	Goodwill £'000	Total £'000
COST			
At 1 January 2010	290	5,186	5,476
Additions	-	-	-
At 31 December 2010	290	5,186	5,476
AMORTISATION			
At 1 January 2010	(98)	(1,813)	(1,911)
Charge for the year	(48)	(259)	(307)
At 31 December 2010	(146)	(2,072)	(2,218)
NET BOOK VALUE			
At 31 December 2010	144	3,114	3,258
At 31 December 2009	192	3,373	3,565

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010 (continued)

12. TANGIBLE ASSETS

	Leasehold Improvements £'000	Equipment fixtures and fittings £'000	Motor vehicles £'000	Total £'000
COST				
At 1 January 2010	1,099	3,144	632	4,875
Additions	11	9	55	75
Disposals	-	(361)	(69)	(430)
At 31 December 2010	1,110	2,792	618	4,520
ACCUMULATED DEPRECIATION				
At 1 January 2010	421	2,912	351	3,684
Charge for the period	79	107	130	316
Disposals	-	(361)	(60)	(421)
At 31 December 2010	500	2,658	421	3,579
NET BOOK AMOUNT				
At 31 December 2010	610	134	197	941
At 31 December 2009	678	232	281	1,191

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 2010	618	(421)	197
At 31 December 2009	632	(351)	281

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010 (continued)

13. INVESTMENTS

	Shares in subsidiary undertakings £'000	Total £'000
COST		
At 1 January 2010	24,972	24,972
At 31 December 2010	24,972	24,972
PROVISION FOR DIMINUTION IN VALUE		
At 1 January 2010	(24,880)	(24,880)
At 31 December 2010	(24,880)	(24,880)
NET BOOK VALUE		
At 31 December 2010	92	92
At 31 December 2009	92	92

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%

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010 (continued)

14. STOCK

	2010 £'000	2009 £'000
Raw materials and work in progress	1,065	1,144
Finished goods	3,693	3,866
	4,758	5,010

15. DEBTORS

	2010 £'000	Restated 2009 £'000
Trade debtors	16,902	16,929
Amounts owed by group undertakings	2,637	1,998
Other debtors	17,431	16,017
Deferred tax asset (see note 16)	477	475
Prepayments and accrued income	546	478
	37,993	35,897

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 2010 (continued)

16. DEFERRED TAX ASSET

	2010 £'000	2009 £'000
Included in debtors (note 15)		
Accelerated capital allowances	73	94
Other timing differences	80	45
Tax losses carried forward	324	336
PROVIDED	477	475
Deferred tax asset at 1 January	475	507
Deferred tax credit/(charge) in profit and loss account	2	(32)
Deferred tax asset at 31 December	477	475
Tax losses carried forward	251	365
UNPROVIDED	251	365

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

Further reductions to the corporation tax rates have been proposed in the March 2011 UK Finance Budget, to reduce the corporation tax rate by 1% per annum 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 2010 (continued)

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £'000	2009 £'00
Obligations under hire purchase and finance leases	110	93
Trade creditors	7,349	7,524
Amounts owed to group undertakings	1,540	1,597
Corporation tax	1,156	1,270
Other tax and social security	341	300
Other creditors	13,904	13,458
Accruals and deferred income	2,534	2,959
	26,934	27,201

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

	2010 £'000	2009 £'000
Obligations under hire purchase and finance	116	199
Amounts payable between one and three years	116	199

19. PROVISIONS FOR LIABILITIES AND CHARGES

	Onerous Contract £'000	Dilapidation £'000	Total £'000
At January 2010	391	303	694
Utilised in year	(255)	-	(255)
At 31 December 2010	136	303	439

20. CALLED UP SHARE CAPITAL

	2010 £'000	2009 £'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
	6,782	6,782
Authorised, allotted, called up and fully paid		
Equity shares		
672,652,571 (2007 672,652,571) deferred shares of 1p each	6,727	6,727
4,692,303 (2007 4,692,303) new ordinary shares of 1p each	46	46
	6,773	6,773

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 2010 (continued)

21. RESERVES

	Share premium account £'000	Profit and loss account £'000
Balance at 1 January 2010	17,148	1,840
Retained profit for the year	-	2,726
Dividends	-	(1,500)
Balance at 31 December 2010	17,148	3,066

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total 2010 £'000	Total 2009 £'000
As at 1 January 2010	6,773	17,148	1,840	25,761	27,591
Retained profit for the year	-	-	2,726	2,726	1,170
Dividends	-	-	(1,500)	(1,500)	(3,000)
As at 31 December 2010	6,773	17,148	3,066	26,987	25,761

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010 (continued)

23. 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 17), are £0 (2009 £62,000)

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 1 January 2007 using the projected unit method These figures were updated to reflect the positions at 31 December 2010 A full valuation was undertaken January 2010 which is in the process of being finalised

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 2010	31 December 2009
	%	%
Rate of increase in salaries p a	3 70	3 80
Limited Price Indexation Pension increases p a	3 20	3 30
Limited Price Indexation Pension increases for ex-Cassell members p a	2 50	2 50
Inflation assumption p a	3 20	3 30
Discount rate	5 40	5 60

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010 (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 2010	Expected Rate of Return at 31 December 2009
	p.a.	p.a.
Equities & Property	7 50%	7 45%
Bonds	5 40%	4 70%
Other	0 50%	0 50%

	31 December 2010	31 December 2009
	£'000	£'000
Present value of Scheme liabilities	(34,436)	(33,603)
Fair Value of plan assets	28,711	25,208
Deficit in the Scheme	(5,725)	(8,395)
Related deferred tax asset	1,546	2,350
Net pension liability	(4,179)	(6,045)

The company expects to contribute £874,000 to its pension plan in 2011

24. FINANCIAL COMMITMENTS

At 31 December 2010 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 2010 the company had annual commitments under leasehold property and equipment operating leases as follows

	2010	2009
	£'000	£'000
Operating leases which expire		
Sundry		
Within 1 year	110	93
Property		
Within 1 year	16	-
2-5 years	-	57
Over 5 years	962	962
	1,142	1,112

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010 (continued)

26. 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

27. 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