

**THE ORION PUBLISHING GROUP LIMITED**

**Annual Report and Financial Statements**

**Year ended 31st December 2021**

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**REPORT AND FINANCIAL STATEMENTS 2021**

<b>CONTENTS</b>	<b>Page</b>
Company Information	1
Strategic Report	2
Directors' Report	5
Statement of Directors' Responsibilities	6
Independent Auditor's Report	7
Statement of Comprehensive Income	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12

**REPORT AND FINANCIAL STATEMENTS 2021**

**COMPANY INFORMATION**

**DIRECTORS**

P de Cacqueray  
D Shelley  
F Bakhouché

**SECRETARY**

P de Cacqueray

**REGISTERED OFFICE**

Carmelite House  
50 Victoria Embankment  
London  
EC4Y 0DZ

**COMPANY NUMBER**

02663988 (England and Wales)

**AUDITOR**

Mazars LLP  
Chartered Accountants & Statutory Auditor  
30 Old Bailey  
London  
EC4M 7AU

## STRATEGIC REPORT

The Directors present their strategic report for The Orion Publishing Group Limited for the year ended 31st December 2021.

### Review and Analysis of the Business During the Current Year

The Company continued to trade as a book publisher throughout the year.

#### Key performance indicators

Management use a range of performance measures to monitor and manage the business. The performance measures are set out below:

Revenue, gross profit margin, distribution and administrative expenses as a percentage of revenue, profit before tax, profit after tax, and cash.

#### Development and financial performance during the year

As reported in the Company's statement of comprehensive income, revenue has decreased from £66,946,418 in 2020 to £59,489,972 in the current year. The current year delivered expected levels of revenue. The prior year's performance was boosted by a few key titles.

Gross profit margin has decreased from 53% in 2020 to 50% in 2021. This is mainly due to an increase in stock destroyed during the year.

Distribution costs as a percentage of revenue remained relatively consistent, increasing from 5% in 2020 to 6% in 2021.

Administrative expenses as a percentage of revenue have increased from 28% in 2020 to 30% in 2021. This is due to revenue decreasing while administrative expenses have remained consistent as they are more fixed by nature.

There was a profit before taxation of £13,397,911 for the year ended 31st December 2020 compared to £1,718,145 for the year ended 31st December 2021. This decrease in profit is mainly due to the decrease in revenue and an impairment of the investment in Littlehampton Book Services Limited.

There was a profit after taxation of £10,466,783 for the year ended 31st December 2020 compared to a loss after taxation £222,718 for the year ended 31st December 2021.

The total comprehensive income after tax has decreased from £9,766,943 in 2020 to £3,434,282 in 2021 as a result of the profit before taxation as explained above, and favourable actuarial movements in the defined benefit pension scheme in 2021.

#### Financial position at the reporting date

The statement of financial position shows that the Company's net assets at the year end have decreased from £29,192,226 to £23,126,508. This is as a result of the Company's total comprehensive income for the year being lower than the value of dividends paid.

The Company's cash in hand and intercompany balances decreased by £8,099,347 in the year as a result of working capital fluctuations and the dividend paid.

#### Principal Risks and Uncertainties Facing the Business

The Orion Publishing Group Limited is part of the Hachette UK (Holdings) Group.

#### Treasury operations and financial instruments

The Hachette UK (Holdings) Group operates a centralised treasury function which is responsible for managing the liquidity, interest, credit and foreign currency risks associated with the individual companies' activities.

##### Liquidity risk

The Group manages its cash and borrowing requirements centrally to maximise interest income and minimise interest expense, whilst ensuring that the Group has sufficient liquid resources to meet the operating needs of its businesses.

##### Interest rate risk

The Group is exposed to fair value interest rate risk on its fixed rate borrowings and cash flow interest rate risk on floating rate deposits, bank overdrafts and loans. The Group uses interest rate derivatives to manage the mix of fixed and variable rate debt so as to reduce its exposure to changes in interest rates.

##### Foreign currency risk

The Group's principal foreign currency exposures arise from trading operations in overseas companies. Group policy permits but does not demand that these exposures may be hedged in order to fix the cost in sterling. This hedging activity involves the use of foreign exchange forward contracts.

##### Credit risk

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Group 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 a provision is made based on expected losses over the remaining term of the receivable.

## STRATEGIC REPORT (continued)

### Principal Risks and Uncertainties Facing the Business (cont.)

#### High street bookshop chains

Generalist high street bookshop retail chains across the world are facing strong competition from internet retailers, and particularly in the UK, alternate retail outlets such as supermarkets. The Company is not dependent upon any one sales channel or distributor for trade sales. The Company also anticipates that sales lost to bookshops will be substituted by sales made through other channels, such as internet physical sales, and also growth in e-book sales; and as such has adapted its sales force.

#### Change in technology

Worldwide sales of personal electronic e-book readers such as Amazon's Kindle and Apple's iPad have grown rapidly. The rising number of consumers owning these devices has driven a strong surge in the demand for downloadable books in comparison to physical books. Whilst this trend has plateaued and physical books have stabilised, there is still a risk that e-book downloads could substitute printed book purchases, and that authors might be unwilling to sell both the digital and print publishing rights. In addition, there is a risk of piracy, as e-books may be sold on sites without payment, or without authority. The Company seeks to mitigate these risks by combining e-book rights into all our contracts. The Company also has sales relationships to sell its e-books through robust third party platforms and distributors. The Company was an early adopter of e-book technology and has developed strategic alliances to ensure it continues to develop business in this area.

#### Growth of internet retailers

The increasing significance of internet retailers provides opportunities to generate additional revenues by selling a wider range of titles. Marketing must be aligned to the requirements of internet retailers, and the supplier must be able to react quickly to changes in consumer demand. The Company has sales teams who are dedicated to internet outlets. The Company also subcontracts printing of books to world class suppliers who have the capacity to accommodate "on demand" ordering whilst maintaining low costs.

#### Risk of litigation

The Company ensures all contractual and legal issues are considered fully and employs expert external advisers in this field to ensure that both the interests of the Company and its authors are safeguarded.

#### Recruitment, development, and retention of a quality team

The Company continues to maintain its positive and vibrant culture and an ethos that helps engender a quality workplace whilst nurturing an entrepreneurial spirit that will enable our staff to meet the challenges ahead. The Company's staff are an integral part of the company's success story.

#### Title acquisition

This risk encompasses the payment of advances to authors to acquire new titles that subsequently remain unearned. The risk is mitigated by strong controls when considering the acquisition of rights to new titles which includes an initial book contribution evaluation process, carried out and signed off at a senior level. New titles are supported by sales and marketing resources to ensure a successful launch. There is also a system of continuous review, analysis and feedback on title performance to better inform future acquisitions.

#### Protection of our intellectual property

The advent of e-books increases the existing risk of revenue being undermined by the unauthorised copying and publication of the Company's books by third parties. The protection of intellectual property across all jurisdictions and across different forms of media is a high priority. The Company's management work closely with professional advisors and internet specialists to ensure all intellectual property rights are safeguarded.

#### Uncertainties arising from Covid-19 and Brexit

We have looked at the uncertainties arising from Covid-19 and Brexit facing all businesses and challenged ourselves as to the impact on estimates made within these financial statements including on the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment which is plainly subjective.

Brexit has created some logistical delays but the impact on our business is modest and manageable given our business model. The impact of Covid-19 proved favourable in 2020 with the Company benefitting from increased turnover, turnover decreased in 2021 but is still higher than before the pandemic. With restrictions lifting in early 2022, and fewer restrictions expected in future, the impact of Covid-19 is expected to be minimal. We specifically comment on the impact on our going concern assessment on page 5.

#### Future Developments

The Company will be looking to protect sales and profits as much as possible throughout 2022 by continuing to review and adapt processes and performing market assessments.

#### Directors' section 172 statement

The directors of the Company act in the way they consider would be most likely to promote the success of the Company for the benefit of all its members. In doing so, it considers:

#### The likely consequences of any decision in the long term

The Company has a long-term strategic plan that includes assessing the risk of any decisions it seeks to make, including clear mitigation plans. In doing so it is sufficiently considered and hedged for the future.

## STRATEGIC REPORT (continued)

### Directors' section 172 statement (continued)

#### The interest of the employees

The Company recognises that people are the heart of its business and a key driver to its success. The Company seeks to understand its workforce and engage and support them through various networks, surveys and forums. The results of these engagements are discussed at Board meetings and directly impact business decisions. The Company has a broad Diversity and Inclusion scheme and seeks to achieve employee growth and development, both personally and professionally, with a clear set of Company values underpinning the strategy. This includes a robust annual review process to embed these Company Pillars to encourage positive ways of work that seek to develop and engage the employees. The Company understands the need to attract high calibre employees in a competitive market, achieved through the long-term vision and commitment it demonstrates.

In order to capitalise on the change in ways of working during the Covid-19 pandemic, the Company has introduced an agile working policy. The main feature of this is a 3:2 model, with full-time employees working 3 days in the office, and 2 days at home each week. This is pro-rated for part-time employees. Start and finish times will be flexible with core collaboration hours where most meetings will be scheduled. The Company sees this as a key employee attraction and retention attribute.

#### The need to foster business relationships with suppliers, customers, and others

Who the Company engages with is vital to the direction of the business. The Company seeks to ensure that it protects its reputation, a key part of its wider strategic plan.

The Company understands the importance of fostering the business relationship with all of its external stakeholders, ensuring that it delivers the highest level of professionalism, quality and service. The Company employs dedicated relationship managers to foster these relationships and to ensure effective engagement.

The Company engages and communicates with agents and authors via newsletters and a specifically designed author portal. The Company regularly engages with customers via surveys, which is an effective way of understanding how to focus its business. The Company undertakes regular visits to its main printer plants.

These engagement routes ensure effective working relationships with our key stakeholders. There has been specific engagement with the Company's stakeholders given the turbulent two years experienced by all during the Covid-19 pandemic. The publishing industry has not been as severely affected by the Covid-19 pandemic as other industries, although high street shops were closed for a period of time. Distribution through online retailers picked up and flourished, with increases in physical and digital sales as a result of the lockdown. The Company has sought to adapt its approach to best serve and attract customers and other key stakeholders, ensuring increased engagement during these difficult times.

The Company's key suppliers, such as printers and hauliers, continue to trade more or less as normal. The main customers demonstrated resilience and the Company remains focused on fostering these strong relationships. The Company extended credit terms to assist the cashflow of struggling customers.

Specific engagement projects are also in place to work with key stakeholders as a result of Brexit and the changes it brings, ensuring the Company is working well with its stakeholders to deliver a good service and fostering strong business relationships.

#### The impact of operations on the community and the environment

The Company is committed to ensuring that it is an asset to the local community and seeks to ensure that it meets the highest level of health and safety and environmental standards, minimising its impact on the environment. The Company assesses all of its processes and supplies, to reduce the environmental impact, and seeks to adapt as necessary, whilst maintaining effective business. The Company seeks to engage with the community, where appropriate, to achieve this and encourages its employees to engage with the community with the use of Volunteer Days.

#### The desirability of maintaining a reputation of high standards of business conduct

Continuous improvement is at the heart of how the Company approaches everything it does. The Company promotes an Ownership Mentality culture to achieve this. The Company seeks to be transparent in its activities to build strong relationships with its stakeholders and maintains a good reputation.

#### The need to act fairly between members of the Company

The Company's Code of Ethics and Conduct covers the principles and values that our shareholders expect to see. This covers the standards and conduct, the promotion of the Company values, and the need to ensure the Company meets its goals. The Company is a wholly owned subsidiary and any major business decisions are approved by the shareholders.

#### Environmental Reporting

To view the Company's environmental impact please refer to the Strategic Report of Hachette UK (Holdings) Limited, the immediate parent company, where the UK Group's environmental impact is reported in full.

Approved by the Board of Directors and signed on behalf of the Board.



P de Cacqueray  
Director

27th May 2022

## DIRECTORS' REPORT

The directors present their Annual Report and Financial Statements for the year ended 31st December 2021.

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report on pages 2 to 4. These matters relate to the principal activity, business review, and principal risks and uncertainties.

### Dividends

The Company paid dividends of £9,500,000 in the year ended 31st December 2021 (year ended 31st December 2020: £3,500,000). The directors recommend a final dividend of £3,750,000 to be paid in 2022.

### Directors

The names of the present directors of the Company are shown on page 1. Changes in directors during the year are shown below:

- F Bakhouché appointed as a Director on 15th June 2021
- A Nourry resigned as a Director on 29th March 2021

### Directors' Indemnity

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for directors and officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Company.

Appropriate directors' and officers' liability insurance cover is in place in respect of all of the Company's directors.

### Going Concern

The uncertainty as to the future impact on the Company of the current Covid-19 outbreak in particular has been considered as part of the Company's adoption of the going concern basis of preparation. With restrictions lifting in early 2022, there is less uncertainty as to the future impact of Covid-19 on the Company. During 2020, the Company experienced an increase in book sales due to stay at home restrictions. Sales decreased slightly in 2021 as restrictions started to ease, but revenue is still higher than before the pandemic and the decrease in revenue does not indicate a going concern issue. The Company continues to perform well in 2022. We continue to distribute books and to publish new titles, and have implemented cost saving measures across a number of areas to further mitigate any impact in 2022 and beyond.

We have performed a number of downside scenarios to consider the potential impact of Covid-19 on the Company's forecasts and we are satisfied that in each of these scenarios the Company will still be able to meet its obligations as they fall due and that the going concern basis of preparation therefore remains appropriate.

### Employment policies and employee engagement

Information that is relevant to this report in relation to employment policies and employee engagement can be found in the Directors' section 172 statement in the strategic report.

### Energy Reporting

In line with the Streamlined Energy and Carbon Reporting legislation, the Company's energy consumption and greenhouse gas emissions arising in the UK are included in the financial statements of Hachette UK (Holdings) Limited, the intermediary holding company for all UK subsidiaries.

### Statement as to Disclosure of Information to Auditor

The directors who held office at the date of approval of this report confirm that:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of this information.

Approved by the Board of directors and signed on behalf of the Board.



P de Cacqueray  
Director

27th May 2022

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, 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 financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 year. 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.



## INDEPENDENT AUDITOR'S REPORT

### To the members of The Orion Publishing Group Limited

#### Opinion

We have audited the financial statements of The Orion Publishing Group Limited (the 'company') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

#### Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

## INDEPENDENT AUDITOR'S REPORT (continued)

### Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation and anti-money laundering regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

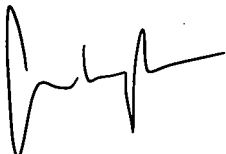
- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of audit report

This report is made solely to the company's members as a body 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 members 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 members as a body for our audit work, for this report, or for the opinions we have formed.



Claire Larquetoux  
(Senior Statutory Auditor)  
for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
30 Old Bailey  
London  
EC4M 7AU

Date: 22 June 2022

**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31st December 2021**

	Note	Year ended 31st December 2021	Year ended 31st December 2020
		£	£
<b>REVENUE</b>	<b>3</b>	<b>59,489,972</b>	<b>66,946,418</b>
Cost of sales		(29,882,735)	(31,519,559)
<b>GROSS PROFIT</b>		<b>29,607,237</b>	<b>35,426,859</b>
Distribution costs		(3,617,340)	(3,371,227)
Administrative expenses		(17,849,147)	(18,917,929)
<b>OPERATING PROFIT</b>	<b>6</b>	<b>8,140,750</b>	<b>13,137,703</b>
Income from investments in subsidiary undertakings		40,364	-
Investment impairment		(6,650,000)	-
<b>PROFIT BEFORE INTEREST AND TAXATION</b>		<b>1,531,114</b>	<b>13,137,703</b>
Finance costs	5	(136)	(1,792)
Finance income	5	187,167	262,000
<b>PROFIT BEFORE TAXATION</b>		<b>1,718,145</b>	<b>13,397,911</b>
Taxation	7	(1,940,863)	(2,931,128)
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<b>(222,718)</b>	<b>10,466,783</b>
Remeasurement gain/(loss) on defined benefit pension plan	14	4,876,000	(864,000)
Tax relating to remeasurement (loss)/gain on pension	7	(1,219,000)	164,160
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>3,434,282</b>	<b>9,766,943</b>

All results are from continuing activities.

The notes on pages 12 to 19 form an integral part of the financial statements.

**STATEMENT OF FINANCIAL POSITION**  
**31st December 2021**

	Note	As at 31st December 2021	As at 31st December 2020
		£	£
<b>NON-CURRENT ASSETS</b>			
Intangible assets	8	2,336,003	2,336,003
Property, Plant And Equipment	9	-	-
Investment in subsidiary undertakings	10	-	-
Trade and other receivables	12	8,000,000	14,000,000
Retirement benefit surplus	14	8,627,245	3,646,241
		<u>18,963,248</u>	<u>19,982,244</u>
<b>CURRENT ASSETS</b>			
Inventories	11	5,278,923	5,266,609
Trade and other receivables	12	29,666,335	28,995,101
Cash and cash equivalents		221,910	352,264
		<u>35,167,168</u>	<u>34,613,974</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	(28,969,245)	(24,968,709)
		<u>(28,969,245)</u>	<u>(24,968,709)</u>
<b>NET CURRENT ASSETS</b>		<u>6,197,923</u>	<u>9,645,265</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax	7	(2,034,663)	(435,283)
<b>NET ASSETS</b>		<u>23,126,508</u>	<u>29,192,226</u>
<b>CAPITAL AND RESERVES</b>			
Called up equity share capital	15	6,773,449	6,773,449
Share premium account		12,597,707	12,597,707
Retained earnings		3,755,352	9,821,070
<b>EQUITY SHAREHOLDER'S FUNDS</b>		<u>23,126,508</u>	<u>29,192,226</u>

The notes on pages 12 to 19 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 27th May 2022.

Signed on behalf of the Board of Directors.



P de Cacqueray  
Director

**STATEMENT OF CHANGES IN EQUITY**  
**31st December 2021**

	Share capital £	Share premium £	Retained earnings £	Total equity £
At 1st January 2020	6,773,449	12,597,707	3,554,127	22,925,283
Profit for the year	-	-	10,466,783	10,466,783
Other comprehensive loss	-	-	(699,840)	(699,840)
<b>Total comprehensive income</b>	-	-	<b>9,766,943</b>	<b>9,766,943</b>
Dividends paid	-	-	(3,500,000)	(3,500,000)
<b>At 31st December 2020</b>	<b>6,773,449</b>	<b>12,597,707</b>	<b>9,821,070</b>	<b>29,192,226</b>
Loss for the year	-	-	(222,718)	(222,718)
Other comprehensive income	-	-	3,657,000	3,657,000
<b>Total comprehensive income</b>	-	-	<b>3,434,282</b>	<b>3,434,282</b>
Dividends paid	-	-	(9,500,000)	(9,500,000)
<b>At 31st December 2021</b>	<b>6,773,449</b>	<b>12,597,707</b>	<b>3,755,352</b>	<b>23,126,508</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2021

## 1 CORPORATE INFORMATION

The Orion Publishing Group Limited is a Company incorporated in the United Kingdom. The registered address of the Company is given on page 1. The principal operations of the Company are included in the strategic report on page 2.

## 2 ACCOUNTING POLICIES

## 2.1 Basis of preparation

## Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") and in accordance with the applicable provisions of the Companies Act 2006. Except for certain disclosure exemptions detailed below, the recognition, measurement and disclosure requirements of the applicable law and United Kingdom Accounting Standards have been applied to these financial statements and, where necessary, amendments have been made in order to comply with the Companies Act 2006 and The Large and Medium-sized Companies and Groups Regulations 2008/410 ('Regulations').

## Disclosure exemptions applied

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS101 paragraph 8:

- a) The requirement of IFRS 7 'Financial Instruments: Disclosures' relating to the disclosure of financial instruments and the nature and extent of risks arising from such instruments;
- b) The requirement of IFRS 13 'Fair Value Measurement' paragraphs 91 to 99 relating to the fair value measurement disclosures of financial assets and financial liabilities that are measured at fair value, such as the available for sale investments and derivative financial instruments;
- c) The applicable requirements of IAS 36 'Impairment of Assets' relating to the disclosures of estimates used to measure recoverable amounts;
- d) The applicable requirements of IAS 1 'Presentation of Financial Statements' relating to the disclosure of comparative information in respect of the number of shares outstanding at the beginning and end of the year (IAS 1.79(a)(iv)), the reconciliation of the carrying amount of property, plant and equipment (IAS 16.73 (e)) and the reconciliation of the carrying amount of intangible assets (IAS 18 (118)(e));
- e) The requirement of IAS 1 'Presentation of Financial Statements' paragraphs 134 to 136 relating to disclosure of capital management policies and objectives;
- f) The requirements of IAS 7 'Statement of Cash Flows' and IAS 1 'Presentation of Financial Statements' paragraph 10(d), 111 relating to the presentation of a Cash Flow Statement;
- g) The requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31 relating to the disclosure of standards, amendments and interpretations in issue but not yet effective; and
- h) The requirement of IAS 24 'Related Party Disclosures' paragraph 17 relating to the disclosure of key management personnel compensation and relating to the disclosure of related party transactions entered into between the Company and other wholly-owned subsidiaries of the group.

For the disclosure exemptions listed in points a) and c), the equivalent disclosures are included in the consolidated financial statements of the group, Lagadere SCA which the Company is consolidated into.

## Basis of measurement

The financial statements have been prepared on the historical cost basis.

## Consolidated financial statements

The Company is exempt from the requirement to prepare consolidated financial statements under Section 400 of the Companies Act 2006. Consolidated financial statements are prepared by Lagadere SCA, the ultimate parent undertaking, incorporated in France and are available from the address set out in Note 17. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

## Going concern

The uncertainty as to the future impact on the Company of the current Covid-19 outbreak in particular has been considered as part of the Company's adoption of the going concern basis of preparation. With restrictions lifting in early 2022, there is less uncertainty as to the future impact of Covid-19 on the Company. During 2020, the Company experienced an increase in book sales due to stay at home restrictions. Sales decreased slightly in 2021 as restrictions started to ease, but revenue is still higher than before the pandemic and the decrease in revenue does not indicate a going concern issue. The Company continues to perform well in 2022. We continue to distribute books and to publish new titles, and have implemented cost saving measures across a number of areas to further mitigate any impact in 2022 and beyond.

We have performed a number of downside scenarios to consider the potential impact of Covid-19 on the Company's forecasts and we are satisfied that in each of these scenarios the Company will still be able to meet its obligations as they fall due and that the going concern basis of preparation therefore remains appropriate.

## Functional and presentational currency

The Company's functional currency is GBP Sterling, as this is the currency of the primary economic environment of that in which the Company operates. The financial statements are presented in GBP Sterling.

## Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, as per accounting policy 2.15. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

## 2.2 Foreign currency

Transactions denominated in foreign currencies are recorded at the spot exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at each reporting date are translated into the functional currency at the spot exchange rates at that date. Foreign currency translation differences arising on translation are recognised in the income statement.

## 2.3 Revenue

Revenue includes sales of products and services resulting from contracts with customers and is recognised whenever control of the promised goods or services is transferred to the customer at an amount that reflects the consideration that the entity expects to be entitled to for those goods or services.

Revenue corresponds mainly to sales of goods and is recognised at the point of sale to the customer. Revenue from sub-rights is recognised at the date of the invoice or the date of receipt of cash from the customer. Revenue is shown net of rebates, distribution commissions and the right of return, where applicable.

When a right of return is granted to distributors for unsold items, estimates of the amount of returns are recognised as a refund liability within other current liabilities for the portion relating to the decrease in revenue, and as a refund asset within inventories and other current assets, respectively for the portions relating to inventories and advances paid to authors. The refund liability recognised as a deduction from revenue is estimated using the actual sales during the year and historical data regarding returns, adjusted for changes in the operating environment during the current year.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2021

## 2 ACCOUNTING POLICIES (continued)

## 2.4 Investment in subsidiary undertakings

At initial recognition investments in subsidiary undertakings are measured as a financial asset at fair value. Transaction costs of financial assets carried at fair value through profit and loss are expensed in the profit or loss. The Company subsequently measures all equity investments at cost, with this being the best estimate of fair value unless a better estimate of fair value becomes available. Any changes in fair value are provided for as an impairment through profit or loss.

## 2.5 Financial instruments

## Financial assets carried at amortised cost

Financial assets are recognised on the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Financial assets are initially recognised at fair value plus directly attributable transaction costs.

Financial assets carried at amortised cost are classified as loans and receivables and comprise trade and other receivables and cash and cash equivalents. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Non-current loans and receivables are measured at amortised cost, calculated using the effective interest method. Upon initial recognition, impairment is systematically recognised to the extent of any credit losses expected to result from events that could occur in the next 12 months. If there has been a significant deterioration in the counterparty's credit quality, the initial impairment loss is increased to cover the full amount of expected losses over the remaining term of the receivable.

Trade receivables and operating receivables are carried at amortised cost and are impaired based on the IFRS 9 simplified model. Impairment amounts are determined differently for each business:

- Individual impairment assessed on a case-by-case basis taking into account (i) the counterparty's risk profile; (ii) historical probabilities of default; (iii) probabilities of default supplied by rating agencies; (iv) any credit insurance; and (v) estimated losses for receivables in respect of which a credit event has been identified.
- Collective impairment assessed on a statistical basis using an impairment matrix based on an aged receivables analysis and expected losses.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

## Financial liabilities carried at amortised cost

These financial liabilities include trade and other payables and interest bearing loans and borrowings.

Financial liabilities are initially recognised at fair value adjusted for any directly attributable transaction costs.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

## 2.6 Property, plant and equipment

Property, plant and equipment is recognised as an asset only if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost. Cost of an item of property, plant and equipment comprises the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and an initial estimate of the cost of dismantling and removing the asset and restoring the site on which it is located.

After recognition, all property, plant and equipment are carried at costs less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided at rates calculated to write down the costs of assets, less estimated residual value, over their expected useful lives on the following basis:

Motor vehicles	25%
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The residual value and the useful life of an asset is reviewed at least at each financial year-end and if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying value of the asset and are recognised in the profit or loss.

## 2.7 Goodwill

Goodwill represents the future economic benefits arising from other assets acquired that are not individually identifiable and separately recognised. Goodwill is initially measured at cost, being the excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less accumulated impairment losses.

## 2.8 Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are recognised at cost less any accumulated amortisation and any accumulated impairment losses, which are charged to administrative expenses.

The depreciable amount of an intangible asset with a finite useful life is allocated on a systematic basis over its useful life. Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The amortisation period and the amortisation method for intangible assets with a finite useful life is reviewed at least each financial year-end. If the expected useful life of the asset is different from previous estimates, the amortisation period is changed accordingly.

Amortisation is provided at rates calculated to write down the costs of assets, less estimated residual value, over their expected useful lives on the following basis:

Licences	Length of the licence
Software	25%

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2021

## 2 ACCOUNTING POLICIES (continued)

## 2.9 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

## 2.10 Income tax

Current income tax assets and/or liabilities comprise obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid/due at the reporting date. Current tax is payable on taxable profits, which may differ from profit or loss in the financial statements. Calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted at the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). However, for deductible temporary differences associated with investments in subsidiaries a deferred tax asset is recognised when the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

## 2.11 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventories comprises all costs incurred in bringing each product to its present location and condition, as follows:

Goods for resale	- purchase cost
Work in progress and finished goods	- cost of direct materials

Cost is determined on a first-in, first-out ("FIFO") basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## 2.12 Pension costs

The Company participates in a defined contribution pension scheme where pension contributions are charged against profits in the accounting period in which they arise.

The Company also operates a defined benefit pension plan, which requires contributions to be made to a trustee administered independent fund.

The cost of providing benefits under the defined benefit plan is determined using the projected unit method.

Remeasurements of the net defined benefit asset or obligation comprise: actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit asset or obligation) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit asset).

Remeasurements are recognised immediately in the statement of financial position with a corresponding debit or credit entry to retained earnings through other comprehensive income in the period in which they occur. Remeasurements of the net defined benefit asset or obligation recognised in other comprehensive income are not reclassified to the statement of comprehensive income in subsequent periods.

Net interest on the net defined benefit asset or obligation is determined by multiplying the net defined benefit asset or obligation by an appropriate discount rate determined by reference to market yields at the end of the reporting period on high quality corporate bonds. Net interest on the net defined benefit asset or obligation and service costs are recognised in the statement of comprehensive income.

## 2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

## 2.14 Leased assets

As permitted by IFRS 16 the contractual rents corresponding to low unit value assets or to a short-term lease (less than 12 months) are recognised directly in expenses.

## 2.15 Significant management judgments in applying accounting policies and estimation uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

## Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on the recognition of assets, liabilities, income and expenses is provided below.

## Impairment of goodwill and other non-financial assets

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and where applicable, using an interest rate to discount them. Estimation uncertainty relates to the assumptions about future operating results and the determination of a suitable discount rate. Management undertakes an annual test for impairment of indefinite life assets and, for finite life assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

## Returns provision

The company sells books on a sale or return basis. Other creditors includes an estimate for returns expected to be received after the year end. The timing of returns of unsold books is uncertain. A provision is made against sales for the expected future returns of books that have not occurred by the end of an accounting period.

## Royalty advances provision

Unearned royalty advances are written down to the extent that they are not expected to be covered by estimated future earnings. The Directors review all royalty advances for indications that a provision may be required and additionally at the end of each financial year a review is carried out on advances for all published titles.

## Stock provision

Old and obsolete stock is written down to the extent that it is not expected to be sold, in line with group policy. Stock levels are compared to sales of the last year and a provision is created when stock is considered slow moving by the management.



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2021

## 2 ACCOUNTING POLICIES (continued)

## 2.16 Standards, amendments and interpretations adopted in the current financial year ended 31st December 2021

The adoption of the following mentioned standards, amendments and interpretations in the current year have not had a material impact on the Company's financial statements.

	EU effective date Periods beginning on or after
Annual Improvements to IFRSs (2017 - 2019)	1st January 2021
IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 4 Insurance Contracts (Amendment): Extension of the Temporary Exemption from Applying IFRS 9	1st January 2021

The adoption of the following mentioned standards in future years are not expected to have a material impact on the Company's financial statements:

IAS 16 Property, Plant and Equipment (Amendment): Proceeds before Intended Use	1st January 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets: (Amendment): Onerous Contracts – Cost of Fulfilling a Contract	1st January 2022
IFRS 3 Business Combinations (Amendment): Reference to the Conceptual Framework	1st January 2022
Annual Improvements to IFRSs (2019 – 2021 cycle)	1st January 2022
IAS 1 Presentation of Financial Statements (Amendment): Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current – Deferral of Effective Date	1st January 2023
IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements (Amendment): Disclosure of accounting policies	1st January 2023
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment): Definition of accounting estimates	1st January 2023
IFRS 17 Insurance Contracts and Amendments to IFRS 17	1st January 2023

## 3 REVENUE

Analysis by geographical area:

	Year ended 31st December 2021 £	Year ended 31st December 2020 £
United Kingdom	34,920,805	48,025,327
Australia and New Zealand	6,041,559	5,038,989
Continental Europe	10,542,204	9,124,021
North America	5,394,610	2,918,720
Asia	1,099,685	607,370
Rest of World	1,491,109	1,231,991
Total revenue from sale of goods	<u>59,489,972</u>	<u>66,946,418</u>

The Directors consider the Company to have one class of business, book publishing, and thus no analysis of revenue by class of business is provided.

## 4 INFORMATION REGARDING EMPLOYEES AND DIRECTORS

The average monthly number of persons (including Directors) employed by the Company during the year was:

	Year ended 31st December 2021 Number	Year ended 31st December 2020 Number
	<u>99</u>	<u>97</u>
Staff costs (for the above persons)	£	£
Wages and salaries	5,478,284	5,517,559
Social security costs	635,070	652,806
Other pension costs	374,007	391,679
	<u>6,487,361</u>	<u>6,562,044</u>

The directors are also directors of either Hachette UK Limited or Hachette UK (Holdings) Limited. Their emoluments cannot be allocated between the companies and have therefore been disclosed in the financial statements of Hachette UK Limited or Hachette UK (Holdings) Limited as appropriate.

## 5 FINANCE COSTS AND INCOME

	Year ended 31st December 2021 £	Year ended 31st December 2020 £
Finance costs:		
Bank loans and overdrafts	<u>136</u>	<u>1,792</u>
Finance income:		
Group interest receivable	187,167	170,000
Interest income on the defined benefit pension scheme	<u>46,000</u>	<u>92,000</u>
	<u>233,167</u>	<u>262,000</u>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2021

## 6 OPERATING PROFIT

	Year ended 31st December 2021 £	Year ended 31st December 2020 £
Operating profit is stated after charging / (crediting):		
Operating leases - low value	8,922	13,341
Foreign exchange gain	(118,736)	(81,633)

The audit fee of £62,562 (2020: £60,489) was borne by the Company's sister company, Hachette UK Limited, and has been incorporated into group recharges.

Fees for other non-audit services of £6,209 (2020: £6,152) were also borne by Hachette UK Limited.

## 7 INCOME TAX

	Year ended 31st December 2021 £	Year ended 31st December 2020 £
<b>Current income tax:</b>		
Tax for the year	1,564,242	2,552,494
Prior year adjustment	(3,759)	(26,008)
	<u>1,560,483</u>	<u>2,526,486</u>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	199,437	342,427
Utilising Tax losses b/fwd	<u>180,943</u>	<u>62,215</u>
<b>Total tax expense</b>	<u>1,940,863</u>	<u>2,931,128</u>
Deferred tax for the current year to the statement of changes in equity	<u>1,219,000</u>	<u>(164,160)</u>
<b>Reconciliation of tax charge:</b>		
Tax on profit at UK standard rate of corporation tax - 19% (2020: 19%)	326,448	2,545,603
Non-qualifying depreciation and amortisation	-	760
Non-qualifying investment impairment	1,255,831	-
Disallowable expenditure	8,919	9,783
Non-taxable income	(3,278)	(1,330)
Prior year adjustment	(3,759)	(26,008)
Retirement benefit scheme	(19,950)	-
Share scheme	(3,728)	(2,322)
Origination and reversal of temporary differences	199,437	342,427
Utilising Tax losses b/fwd	<u>180,943</u>	<u>62,215</u>
<b>Total tax charge:</b>	<u>1,940,863</u>	<u>2,931,128</u>
	<u>31st December 2021 £</u>	<u>31st December 2020 £</u>
The deferred tax liability included in the statement of financial position is as follows	<u>(2,034,663)</u>	<u>(435,283)</u>
Accelerated capital allowances	51,874	46,310
Retirement benefit scheme	(2,156,812)	(692,786)
Tax losses	<u>70,275</u>	<u>211,193</u>
	<u>(2,034,663)</u>	<u>(435,283)</u>
Deferred tax liability at the start of the year	(435,283)	(194,801)
Deferred tax charge in the income statement for the year	(380,380)	(404,642)
Deferred tax charge in the statement of comprehensive income for the year	<u>(1,219,000)</u>	<u>164,160</u>
Deferred tax liability at the end of the year	<u>(2,034,663)</u>	<u>(435,283)</u>
Tax losses carried forward	<u>121,003</u>	<u>1,111,544</u>

Deferred tax has been provided at 25% (2020: 19%) which is the rate enacted to apply from 1 April 2023.

## 8 INTANGIBLE ASSETS

	Software £	Licenses £	Goodwill £	Total £
<b>Cost:</b>				
At 1st January 2021 and 31st December 2021	<u>202,022</u>	<u>474,955</u>	<u>5,186,000</u>	<u>5,862,977</u>
<b>Accumulated amortisation:</b>				
At 1st January 2021 and 31st December 2021	<u>202,022</u>	<u>474,955</u>	<u>2,849,997</u>	<u>3,526,974</u>
<b>Net book value:</b>				
At 31st December 2020 and 31st December 2021	<u>-</u>	<u>-</u>	<u>2,336,003</u>	<u>2,336,003</u>

## 9 PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles £
<b>Cost:</b>	
At 1st January 2021 and 31st December 2021	<u>20,203</u>
<b>Accumulated depreciation:</b>	
At 1st January 2021 and 31st December 2021	<u>20,203</u>
<b>Net book value:</b>	
At 31st December 2020 and 31st December 2021	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2021

## 10 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Shares in subsidiary undertakings £
Cost:	
At 1st January 2021	24,973,000
Additions	6,650,000
At 31st December 2021	<u>31,623,000</u>
Provision for diminution in value:	
At 1st January 2021	24,973,000
Impairment	6,650,000
At 31st December 2021	<u>31,623,000</u>
Net book value:	
At 31st December 2020 and 31st December 2021	<u>-</u>

On 9th December 2021, the Company made a capital contribution to a subsidiary, Littlehampton Book Services Limited. Littlehampton Book Services Limited is no longer trading and so this investment was subsequently fully impaired.

Name of company	Class of shares held	Percentage of issued shares held	Country of registration and operation	Activity
Littlehampton Book Services Limited	Ordinary	100%	England and Wales	Non-trading
13114 Publishers Limited	Ordinary	100%	England and Wales	Dormant
Blandford Publishing Limited	Ordinary	100%	England and Wales	Dormant
Cassell Limited	Ordinary	100%	England and Wales	Dormant
George Weidenfeld Holdings Ltd	Ordinary	100%	England and Wales	Dormant
J.M. Dent & Sons Limited	Ordinary	100%	England and Wales	Dormant
Orion Books Limited	Ordinary	100%	England and Wales	Dormant
Victor Gollancz Limited	Ordinary	100%	England and Wales	Dormant
Ward Lock Limited	Ordinary	100%	England and Wales	Dormant
Weidenfeld Limited	Ordinary	100%	England and Wales	Dormant
Mrs Beeton Industries Limited	Ordinary	100%	England and Wales	Dormant
Ward Lock Publishing Limited	Ordinary	100%	England and Wales	Dormant
George Weidenfeld & Nicolson Ltd	Ordinary	100%	England and Wales	Dormant
Phoenix House (Publishers) Limited	Ordinary	100%	England and Wales	Dormant
Arthur Baker Limited	Ordinary	100%	Scotland	Dormant
Contact Publications Limited	Ordinary	100%	England and Wales	Dormant
Weidenfeld (Publishers) Limited	Ordinary	100%	England and Wales	Dormant
Cassell Educational Limited	Ordinary	100%	England and Wales	Dormant
Cassell Publishers Limited	Ordinary	100%	England and Wales	Dormant
New Orchard Editions Limited	Ordinary	100%	England and Wales	Dormant
Rigel Publications Limited	Ordinary	100%	England and Wales	Dormant
Arms & Armour Press Limited	Ordinary	100%	England and Wales	Dormant
Blandford Press Limited	Ordinary	100%	England and Wales	Dormant
Brewers Publishing Company Ltd	Ordinary	100%	England and Wales	Dormant
Orion Publishing Limited	Ordinary	100%	England and Wales	Dormant
Weidenfeld & Nicolson (World University Library) Limited	Ordinary	100%	England and Wales	Dormant

The registered office for all subsidiaries based in England and Wales is Carmelite House, 50 Victoria Embankment, London, EC4Y 0DZ.

The registered office for all subsidiaries based in Scotland is 211 St. Vincent Street, Glasgow, Scotland, G2 5QY.

## 11 INVENTORIES

	Year ended 31st December 2021 £	Year ended 31st December 2020 £
Work in progress	292,781	459,024
Finished goods and goods for sale	<u>4,986,142</u>	<u>4,807,585</u>
	<u>5,278,923</u>	<u>5,266,609</u>

There is no material difference between the carrying value of inventories and replacement costs.

## 12 TRADE AND OTHER RECEIVABLES

	Year ended 31st December 2021 £	Year ended 31st December 2020 £
Current:		
Trade debtors	18,755,958	20,153,780
Amounts owed by group undertakings	1,553,488	1,842,738
Other debtors	7,965,745	5,439,638
Prepayments and accrued income	<u>1,391,144</u>	<u>1,558,945</u>
	<u>29,666,335</u>	<u>28,995,101</u>
Non-current:		
Amounts owed by group undertakings	<u>8,000,000</u>	<u>14,000,000</u>

Intercompany loans are repayable on demand. Any trading balances are repaid within 12 months and do not incur an interest charge. Any balances exceeding 12 months are classed as non-current. Interest is chargeable on these non-current loans at LIBOR plus 0.2 percentage points.

## 13 TRADE AND OTHER PAYABLES

	Year ended 31st December 2021 £	Year ended 31st December 2020 £
Trade creditors	8,276,871	6,843,483
Amounts owed to group undertakings	3,044,440	1,364,697
Other creditors	12,498,020	11,418,859
Accruals and deferred income	<u>5,149,914</u>	<u>5,341,670</u>
	<u>28,969,245</u>	<u>24,968,709</u>

Intercompany loans are repayable on demand. Any trading balances are repaid within 12 months and do not incur an interest charge. Any balances exceeding 12 months are classed as non-current.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2021

## 14 RETIREMENT BENEFIT SURPLUS

## a) Net defined benefit asset

The Company participates in the Orion Publishing Group Staff Retirement Benefits Plan providing benefits based on final pensionable earnings for UK employees who are members. The Scheme is fully accounted for under IAS 19 in the Group financial statements of Lagardere SCA.

The Company's pension fund is a defined benefit scheme and is funded by payments to a trustee administered independent fund. Professionally qualified actuaries carried out a valuation of the fund as at 31st December 2021 using the projected unit method. The main assumptions used were RPI of 3.50% per annum, CPI of 2.7% per annum and deferred pension increases of 2.7% (RPI up to 3.5% per annum).

The pension scheme exposes the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

**Investment risk:** The present value of the defined benefit plan asset is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the plan liabilities, the trustees of the pension fund consider it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.

**Interest risk -** A decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the return on the plan's debt investments.

**Longevity risk -** The present value of the defined benefit liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

**Salary risk -** The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Contributions made in 2021 were £62,000 by the group and £nil by scheme members.

The actuarial position of the pension fund as required by IAS 19 was calculated by qualified independent actuaries based on the most recent full actuarial valuation dated 31st December 2020. The major assumptions used in this actuarial valuation were:

	31st December 2021	31st December 2020
Discount rate	1.80%	1.25%
Inflation assumptions:		
- CPI	2.70%	2.25%
- RPI	3.50%	3.05%
Average longevity at retirement age for current pensioners		
- Male	22.0	22.0
- Female	24.7	25.2
Average longevity at retirement age for current employees		
- Male	23.4	23.4
- Female	26.2	26.6
Rate of increase of pension in payment	3.35%	2.95%
Rate of increase of deferred pensioners	2.70%	2.25%

Only the guaranteed pension increases have been valued following the Company's decision not to pay discretionary pension increases. The rate shown reflects the assumption for increases of RPI up to a maximum of 5%. Different assumptions apply for other pension increase types.

Amounts recognised in the statement of comprehensive income of the group in respect of the defined benefit scheme are as follows:

	31st December 2021	31st December 2020
	£	£
Service cost:		
Current service cost	3,000	12,000
Net interest income	(46,000)	(92,000)
	<u>(43,000)</u>	<u>(80,000)</u>

Further to this, the following has been recognised in other comprehensive income:

	31st December 2021	31st December 2020
	£	£
Remeasurement gain/(loss) on defined pension plan	4,876,000	(864,000)
Tax relating to remeasurement (gain)/loss on pension	<u>(1,219,000)</u>	<u>164,160</u>
	<u>3,657,000</u>	<u>(699,840)</u>

The amount included in the statement of financial position arising from the company's obligation in respect of its defined benefit retirement scheme is as follows:

	31st December 2021	31st December 2020
	£	£
Present value of defined benefit obligation	(61,167,000)	(65,511,000)
Fair value of plan assets	<u>69,794,000</u>	<u>69,157,000</u>
Closing retirement benefit asset	<u>8,627,000</u>	<u>3,646,000</u>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2021

## 14 RETIREMENT BENEFIT SURPLUS (continued)

Movement in the present value of the defined benefit obligation in the year was as follows:

	31st December 2021	31st December 2020
	£	£
Opening present value of defined benefit obligation	65,511,000	58,656,000
Current service cost	3,000	12,000
Interest cost	807,000	1,215,000
Remeasurement (gains) / losses:		
- Actuarial gains and losses arising from experience adjustments	(944,000)	107,000
- Actuarial gains and losses arising from changes in demographic assumptions	(199,000)	-
- Actuarial (gains) and losses arising from changes in financial assumptions	(2,053,000)	7,166,000
Benefits paid	(1,958,000)	(1,645,000)
Closing present value of defined benefit obligation	<u>61,167,000</u>	<u>65,511,000</u>

Movement in the fair value of plan assets in the year were as follows:

	31st December 2021	31st December 2020
	£	£
Opening fair value of plan assets	69,157,000	63,024,000
Interest income	853,000	1,307,000
Remeasurement:		
- Return on plan assets (excluding amounts included in net interest expense)	1,680,000	6,409,000
Contributions from the employer	62,000	62,000
Benefits paid	(1,958,000)	(1,645,000)
Closing fair value of plan assets	<u>69,794,000</u>	<u>69,157,000</u>

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities	
		Increase 0.5%	Decrease 0.5%
Discount rate	Increase / decrease by 0.5%	(311,000)	(36,000)
Inflation rate	Increase / decrease by 0.5%	3,979,000	(4,058,000)

## b) Other schemes

The pension contributions payable by the Company in respect of defined contribution schemes and personal pension schemes amounted to £417,007 (2020: £379,679).

## 15 CALLED UP SHARE CAPITAL

	31st December 2021	31st December 2020
	Number	£
Allotted, called up and fully paid		
1p deferred shares	672,652,571	6,726,526
1p ordinary shares	<u>4,692,303</u>	<u>46,923</u>
	<u>677,344,874</u>	<u>6,773,449</u>

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 held.

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

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.

## 16 RELATED PARTIES

The Company has taken advantage of the exemption offered by FRS 101 from the requirements of paragraph 17 of IAS 24 'Related Party Disclosures' not to disclose key management personnel compensation and from the requirements in IAS 24 'Related Party Disclosures' not to disclose related party transactions entered into between two or more members of a group.

## 17 ULTIMATE AND IMMEDIATE PARENT COMPANIES

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

The ultimate parent company is Lagardere SCA, a company incorporated in France. This is also both the largest and smallest group which includes the company and for which consolidated accounts are prepared. Copies of the group accounts of Lagardere SCA are available from 4 Rue de Presbourg, 75116, Paris 16, France.