Origin Publishing Limited

Directors' report and financial statements

Registered number 03406699

Year ended 31 March 2011

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2011

Principal activities

The principal activity of the company continued to be that of publishing magazines

Results

The results of the business are shown in the profit and loss account on page 6 of these financial statements

Business review

The key performance indicators used to manage the business are turnover and profit

Turnover increased in the year by 4% mainly due to increased export newstrade sales but assisted by smaller increases in both advertising and subscription revenues

Cost of sales reduced by 1% largely due to a reduction in paper costs during the year

Administrative expenses increased by 1% as a result of normal inflationary effects

The company s holding company has during the year met, and is confidently forecasting to continue to meet, all its banking covenants The phasing of the senior debt repayment schedule reflects this

Principal risks and uncertainties

The key risks in the business are the economic climate credit risk and foreign currency exposure There has been a slight improvement in the general economic climate over the last twelve months and consumers do seem to be more willing to incur discretionary spending on specialist interest magazines particularly in the craft market There are still however considerable uncertainties regarding the future direction of the economy and the company will be taking a cautious approach to the future as a result The credit risk arises in respect of the advertising revenue invoiced to advertising clients The large number and diversity of the clients helps to spread the risk which is further minimised by careful and rigorous credit control and collection procedures The currency risk arises from the US$ liability to American subscribers to the company s magazines This risk is mitigated by a natural hedge against US$ cash balances

Environment

The company operates policies to minimise the impact on the environment including recycling wherever possible and reducing energy consumption Future initiatives are expected to improve these

Employees

The company has a variety of policies and practices to keep employees up to date on all matters relevant to them

Future outlook

The directors anticipate steady growth but no major changes to its business activities in the year ahead

Proposed dividend

The directors do not recommend the payment of a dividend *(2010 £Nil)*

Directors' report *(continued)*

Directors

The directors who held office during the year and up to the date of signing the financial statements were as follows

A Marshall
G Rose
K Langford
K Cox

Political and charitable contributions

The company made no political or charitable donations during the year *(2010 £Nil)*

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

Pursuant to Section 487 of the Companies Act 2006 the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

Graham Rose
Secretary

Tower House
Fairfax Street
Bristol
BS1 3BN

24 JUNE 2011

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 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 its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities

KPMG LLP

100 Temple Street
Bristol
BS1 6AG
United Kingdom

Independent auditor's report to the members of Origin Publishing Limited

We have audited the financial statements of Origin Publishing Limited for the year ended 31 March 2011 set out on pages 6 to 15 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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 auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

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 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 March 2011 and of its profit for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters 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

Independent auditor's report to the members of Origin Publishing limited *(continued)*

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

A. C. Antonius

AC Antonius (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
100 Temple Street
Bristol
BS1 6AG

28 June 2011

Profit and loss account

for the year ended 31 March 2011

	Note	2011 £	2010 £
Turnover	*1*	**11,410,740**	10 930 692
Cost of sales		**(6,596,819)**	(6 682 557)
Gross profit		**4,813,921**	4 248 135
Administrative expenses		**(3,766,662)**	(3 718 934)
Operating profit		**1,047,259**	529 201
Interest receivable and similar income	*5*	**575**	610
Interest payable and similar charges	*6*	**(128,864)**	(93 636)
Profit on ordinary activities before taxation	*2-4*	**918,970**	436 175
Tax on profit on ordinary activities	*7*	**(251,824)**	(111 468)
Profit for the financial year	*14*	**667,146**	324 707

All amounts relate to continuing operations

There were no gains or losses in either the current or preceding years other than those reflected in the profit and loss account Accordingly no separate statement of total recognised and losses has been presented

Balance sheet
at 31 March 2011

	Note	2011		2010	
		£	£	£	£
Intangible assets					
Goodwill	*8*		**144,109**		152,586
Current assets					
Stocks	*9*	**269,049**		276,437	
Debtors	*10*	**6,081,851**		5,391,513	
Cash at bank and in hand		**2,289,128**		1,134,220	
		8,640,028		6,802,170	
Creditors: amounts falling due within one year	*11*	**(2,891,495)**		(2,362,125)	
Net current assets			**5,748,533**		4,440,045
Total assets less current liabilities			**5,892,642**		4,592,631
Creditors: amounts falling due in more than one year	*12*		**(2,780,608)**		(2,147,743)
Net assets			**3,112,034**		2,444,888
Capital and reserves					
Called up share capital	*13*		**396,800**		396,800
Share premium account	*14*		**6,760**		6,760
Profit and loss account	*14*		**2,708,474**		2,041,328
Shareholder's funds	*15*		**3,112,034**		2,444,888

The notes on pages 8 to 15 form part of these financial statements

These financial statements were approved by the board of directors on 24 JUNE 2011 and were signed on its behalf by

Kevin Cox
Chairman

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

Going concern

The company's funding is based on the secured financing for the group headed by OPL Holdings Limited ('the group') over which there are cross guarantees as described in note 11 This funding is in place subject to banking covenants The Directors have prepared cash flow forecasts and while the nature of the group's business means that there can be unpredictable variation in the timing of cash flows, taking account of reasonably possible changes in the group's performance the Directors have concluded that the group should be able to operate within the level of its current facilities

In preparing those forecasts, the Directors have taken into account various risks and uncertainties The principal areas of risk and uncertainty are the impact of the wider economic climate on the achievement of operating targets in particular projected revenue and gross margins In addition to these risks and uncertainties the group's performance is also impacted by financial risks, interest rate risk and credit risk The Board has a documented policy in relation to manage these risks

After making enquiries the directors have a reasonable expectation that the group and company have adequate resources to continue in operational existence for the foreseeable future Accordingly they continue to adopt the going concern basis in preparing the financial statements

Related party transactions

As the company is a wholly owned subsidiary of OPL Holdings Limited the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group (or investees of the group qualifying as related parties)

The consolidated financial statements of OPL Holdings Limited within which this company is included can be obtained from the address given in note 17

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Post-retirement benefits

The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

Stocks

Stocks are stated at the lower of cost and net realisable value In determining the cost of raw materials, consumables and goods purchased for resale the first in, first out method is used

Goodwill

Purchased goodwill represents the excess of the fair value of the purchased consideration, plus any related costs of acquisition, over the fair value attributable to the separate net assets acquired Goodwill is capitalised and amortised over its estimated useful life of 20 years

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date except as otherwise required by FRS19

Dividends on shares presented within shareholder's funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

Turnover

Turnover represents the amount derived from publication of magazines and other goods and services after deduction of trade discounts provision for returns and value added tax The circulation and advertising turnover relating to a magazine issue is recognised with effect from the date that the issue goes on sale Subscription income is accounted for on the same basis

2 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging	**2011**	2010
	£	£
Amortisation of goodwill	**8,477**	8 477
Auditors' remuneration audit of these financial statements	**14,000**	14 000
audit of financial statements of parent pursuant to legislation	**1,000**	1 000

3 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows

	2011	2010
	No.	No
Administration	**65**	61

The aggregate payroll costs of these persons were as follows

	2011	2010
	£	£
Wages and salaries	**1,697,955**	1 607 250
Social security costs	**171,163**	154 748
Other pension costs (note 16)	**38,665**	35 099
	1,907,783	1 797 097

Notes *(continued)*

4 Remuneration of directors

	2011 £	2010 £
Directors emoluments	221,600	221 600
Company contributions to money purchase pension schemes	9,880	9 880
	231,480	231 480

The emoluments of the highest paid director were £104 000 *(2010 £104,000)* and company pension contributions of £5 200 *(2010 £5,200)* were made to a money purchase scheme on his behalf

	Number of directors 2011	2010
Retirement benefits are accruing to the following number of directors under Money purchase schemes	2	2

5 Interest receivable and similar income

	2011 £	2010 £
Bank interest	575	610

6 Interest payable and similar charges

	2011 £	2010 £
On balances owed to related parties	128,864	93 636

7 Taxation

Analysis of tax charge in year

	2011 £	2010 £
UK corporation tax		
Current tax on income for the year	261,545	111 468
Adjustment in respect of prior years	(9,721)	-
Tax on profit on ordinary activities	251,824	111 468

Notes *(continued)*

7 Taxation *(continued)*

Factors affecting the tax charge for the current year

The current tax charge for the year is lower *(2010 lower)* than the standard rate of corporation tax in the UK of 28% *(2010 28%)* The differences are explained below

	2011	2010
	£	£
Current tax reconciliation		
Profit on ordinary activities before tax	**918,971**	436 175
Current tax at 28 % *(2010 28%)*	**257,312**	122 129
Effects of		
Marginal relief	-	(9 340)
Expenses not deductible for tax purposes	**2,481**	341
Short term timing differences	**1,752**	(1 662)
Adjustments in respect of prior periods	**(9,721)**	-
Total current tax charge (see above)	**251,824**	111 468

There is no deferred tax asset or liability in either year

Factors affecting the future tax rate

On 23 March 2011 the Chancellor announced the reduction in the main rate of UK corporation tax to 26% with effect from 1 April 2011 This change became substantively enacted on 29 March 2011 and therefore the effect of the rate reduction creates a reduction in the tax charge which has been included in the figures above

The Chancellor also proposed changes to further reduce the main rate of corporation tax by 1% per annum to 23% by 2014, but these changes have not been substantively enacted and therefore are not included in the figures above

8 Intangible assets

	Goodwill
	£
Cost	
At beginning and end of year	169,540
Amortisation	
At beginning of the year	16 954
Charged in the year	8 477
At end of year	25 431
Net book value	
At 31 March 2011	**144,109**
At 31 March 2010	152 586

Notes *(continued)*

9 Stocks

	2011	2010
	£	£
Raw materials and consumables	**86,970**	50 726
Editorial stock	**182,079**	225 711
	269,049	276 437

10 Debtors

	2011	2010
	£	£
Trade debtors	**1,044,904**	987 062
Amounts owed by parent undertakings	**4,744,480**	4 234 810
Prepayments and accrued income	**292,467**	169,641
	6,081,851	5 391 513

All debts are due within one year

All amounts owed by group undertakings are payable on demand and bear no interest

Notes *(continued)*

11 Creditors: amounts falling due within one year

	2011	2010
	£	£
Trade creditors	**2,091,826**	1 835 671
Corporation tax	**233,379**	51 225
Other taxation and social security	**51,270**	45 899
Accruals and deferred income	**515,020**	429 330
	2,891,495	2 362 125

The company s bankers HSBC holds a first fixed charge over book and other debts, chattels goodwill and uncalled capital, both present and future and a first floating charge over all assets

12 Creditors: amounts falling due in more than one year

	2011	2010
	£	£
Other creditors	**2,780,608**	2 147 743

Analysis of debt

Debt can be analysed as falling due	2011	2010
	£	£
In the second year	**2,780,608**	2 147 473

Other creditors relates to a facility fee agreement which is due to BBC Magazines Limited, which accrues each year and is not payable before April 2012

13 Called up share capital

	2011	2010
	£	£
Allotted, called up and fully paid		
396 800 ordinary shares of £1 each	**396,800**	396,800

Notes *(continued)*

14 Share premium account and profit and loss reserves

	Share premium account £	Profit and loss account £
At beginning of year	6 760	2 041 328
Profit for the year	-	667 146
At end of year	**6,760**	**2,708,474**

15 Reconciliation of movement in shareholder's funds

	2011 £	2010 £
Opening shareholder s funds	**2,444,888**	2 120 181
Profit for the financial year	**667,146**	324 707
Closing shareholder's funds	**3,112,034**	2 444 888

16 Pension scheme

The company operates a defined contribution pension scheme The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £38 665 *(2010 £35,099)*

Contributions amounting to £6,259 *(2010 £Nil)* were payable to the scheme and are included in creditors

The company had no outstanding or prepaid contributions at the end of either year

17 Ultimate parent company and parent undertaking of larger group of which the company is a member

On 3 May 2006 the entire share capital of the company was acquired by OPL Holdings Limited which is the company s immediate parent OPL Holdings Limited is incorporated in the United Kingdom The smallest and largest group in which the results of the company are consolidated is that headed by OPL Holdings Limited

The consolidated financial statements are available to the public and may be obtained by writing to Origin Publishing Limited 9th Floor, Tower House Fairfax Street Bristol BS1 3BN

18 Contingent liabilities

The company has guaranteed all overdrafts loans or money due to HSBC under any other facility of its parent the amount outstanding at the year end was £1 332,145 *(2010 £1 970,842)*

Notes *(continued)*

19 Related party disclosures

During the year the following transactions took place with related parties which are controlled by BBC Worldwide Limited BBC Worldwide Limited is one of the shareholders of the company's parent OPL Holdings Limited

- Management services provided to Bristol Magazines Limited amounted to £244 086 *(2010 £242,924)* during the year and a balance of £158 051 *(2010 £132,790)* is included within trade debtors at the year end
- Back office services provided by Magazine Services Limited amounted to £1 169 140 *(2010 £1,209 745)* during the year and a balance of £375 035 *(2010 £230,792)* is included within trade creditors at the year end
- Facilities provided by BBC Magazines Limited amounted to £420,000 *(2010 £420,000)* during the year and a balance of £2 780,608 *(2010 £2,147,743)* is included in creditors due in more than one year at the year end