

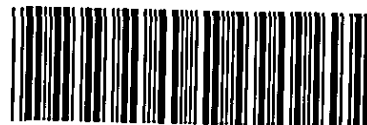
**Perseus Books Running Press
(UK) Limited**

Report and Financial Statements

Period Ended

30 June 2008

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BDO Stoy Hayward
Chartered Accountants

Perseus Books Running Press (UK) Limited

**Report and financial statements
for the period ended 30 June 2008**

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Directors

Kenneth Socha
David Steinberger
Christopher Davis(appointed 7 July 2008)

Secretary and registered office

David Steinberger, 55 Baker Street, London, W1U 7EU

Company number

03703347

Auditors

BDO Stoy Hayward LLP, 66 Broomfield Road, Chelmsford, Essex, CM1 1SW

Perseus Books Running Press (UK) Limited

Report of the directors for the period ended 30 June 2008

The directors present their report together with the audited financial statements for the period ended 30 June 2008.

Results

The profit and loss account is set out on page 5 and shows the profit for the period.

Principal activities

The company's principal activity is the marketing of books.

Directors

The directors of the company during the period were:

Kenneth Socha
John Schwieters (Resigned 7 July 2008)
David Steinberger

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Perseus Books Running Press (UK) Limited

Report of the directors for the period ended 30 June 2008 (continued)


Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

This directors' report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board


David Steinberger

Secretary

Date: 8 June 2009

Perseus Books Running Press (UK) Limited

Independent auditor's report

To the shareholders of Perseus Books Running Press (UK) Limited

We have audited the financial statements of Perseus Books Running Press (UK) Limited for the period ended 30 June 2008 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Perseus Books Running Press (UK) Limited

Independent auditor's report (*continued*)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2008 and of its profit for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements, concerning the company's ability to continue as a going concern.

The company is reliant on the continued support of its ultimate parent company for its future trading and ongoing financing. Whilst the directors of the company are confident that the ultimate parent company will be able to provide this support, and a letter confirming their intent to provide this has been received by the company, there is some uncertainty regarding the going concern position of the ultimate parent company.

These conditions, along with other matters disclosed in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.



BDO STOY HAYWARD LLP
Chartered Accountants
and Registered Auditors
Chelmsford

Date: 8 June 2009

Perseus Books Running Press (UK) Limited

Profit and loss account for the period ended 30 June 2008

	Note	18 months ended 30 June 2008 £	Year ended 31 December 2006 £
Turnover	2	1,296,000	882,000
Distribution costs		647,672	489,690
Administrative expenses		612,656	367,391
		<hr/>	<hr/>
Operating profit	3	35,672	24,919
Other interest receivable and similar income		2,822	424
		<hr/>	<hr/>
Profit on ordinary activities before taxation		38,494	25,343
Taxation on profit on ordinary activities	5	9,700	7,328
		<hr/>	<hr/>
Profit on ordinary activities after taxation		28,794	18,015
		<hr/>	<hr/>

All amounts relate to continuing activities.

All recognised gains and losses in the current period and prior year are included in the profit and loss account.

There are no movements in shareholders' funds in the current period or prior year apart from the profit for the period/year.

The notes on pages 7 to 12 form part of these financial statements.


Perseus Books Running Press (UK) Limited

Balance sheet at 30 June 2008

	Note	30 June 2008 £	30 June 2008 £	31 December 2006 £	31 December 2006 £
Fixed assets					
Tangible assets	6		2,906		4,651
Current assets					
Debtors - due within one year	7	72,923		38,623	
Debtors - due after more than one year	7	26,764		-	
Total debtors		99,687		38,623	
Cash at bank and in hand		21,066		44,916	
		120,753		83,539	
Creditors: amounts falling due within one year	8	58,496		51,821	
Net current assets			62,257		31,718
Total assets less current liabilities			65,163		36,369
Capital and reserves					
Called up share capital	9		2		2
Profit and loss account			65,161		36,367
Shareholders' funds			65,163		36,369

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the board of directors and authorised for issue on 8 June 2009


David Steinberger
Director

The notes on pages 7 to 12 form part of these financial statements.

Perseus Books Running Press (UK) Limited

Notes forming part of the financial statements for the period ended 30 June 2008

1 Accounting policies

The financial statements have been prepared under the historical cost convention.

The following principal accounting policies have been applied:

Going concern

These financial statements have been prepared assuming that the company will continue as a going concern, notwithstanding the fact that the company has net current liabilities (after taking account of the balance due from the parent company).

The company is dependent on the support of its ultimate parent company for its future trading and ongoing financing, and the ultimate parent company has demonstrated its intent to provide this support by the issuance of a support letter to the company. However, there is some uncertainty as to whether the ultimate parent company will be able to provide this support, with the following paragraph being included in the audit report of the Perseus Books, L.L.C's financial statements for the year ended 30 June 2008:

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in the summary of business and significant accounting policies in the paragraph organization and operations, the Company has experienced recurring net losses and negative cash flows from operations and is examining various options to refinance its debt that raise substantial doubt about its ability to continue as a going concern.

However, subsequent to the year end, the ultimate parent company refinanced its debt, with additional funding being secured. After taking this point, together with other relevant factors into consideration, the directors of the company are confident that the ultimate parent company will be able to provide the required support, and therefore believe that it is appropriate that these financial statements are prepared on a going concern basis.

As a result of the circumstances described above, there exists a material uncertainty related to events or conditions that may cast doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Turnover

Turnover represents management charges receivable from the parent company at invoiced amounts.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Fixtures and fittings	- 25% reducing balance
Office equipment	- 25% reducing balance

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

Perseus Books Running Press (UK) Limited

Notes forming part of the financial statements
for the period ended 30 June 2008 (*continued*)

1 Accounting policies (*continued*)

Deferred taxation (continued)

- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are discounted.

Leased assets

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

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the period in which they become payable.

Perseus Books Running Press (UK) Limited

Notes forming part of the financial statements
for the period ended 30 June 2008 (continued)

2 Turnover

Turnover arises solely within the United Kingdom.

Turnover represents amounts charged to the ultimate parent company, which is resident in the United States of America.

3 Operating profit

	18 months ended 30 June 2008 £	Year ended 31 December 2006 £
This is arrived at after charging:		
Depreciation of tangible fixed assets	1,745	1,550
Hire of other assets - operating leases	16,560	16,560
Auditors' remuneration:		
- fees payable to the company's auditor for the audit of the company's annual accounts	8,000	8,600
	<u> </u>	<u> </u>

4 Directors' remuneration

No director received any emoluments during the current period (2006 - £Nil).

5 Taxation on profit on ordinary activities

	18 months ended 30 June 2008 £	Year ended 31 December 2006 £
<i>UK Corporation tax</i>		
Current tax on profits of the period/year	9,200	7,500
Adjustment in respect of previous periods	500	(172)
	<u> </u>	<u> </u>
Total current tax	9,700	7,328
	<u> </u>	<u> </u>

Perseus Books Running Press (UK) Limited

Notes forming part of the financial statements
for the period ended 30 June 2008 (*continued*)

6 Tangible fixed assets

	Fixtures and fittings £	Office equipment £	Total £
<i>Cost or valuation</i>			
At 1 January 2007 and 30 June 2008	3,071	5,564	8,635
<i>Depreciation</i>			
At 1 January 2007	1,280	2,704	3,984
Provided for the period	671	1,074	1,745
At 30 June 2008	1,951	3,778	5,729
<i>Net book value</i>			
At 30 June 2008	1,120	1,786	2,906
At 31 December 2006	1,791	2,860	4,651

7 Debtors

	30 June 2008 £	31 December 2006 £
Amounts receivable within one year		
Amounts owed by group undertakings	47,437	26,813
Other debtors	25,486	11,810
	72,923	38,623
Amounts receivable after more than one year		
Other debtors	26,764	-
Total debtors	99,687	38,623

Perseus Books Running Press (UK) Limited

Notes forming part of the financial statements
for the period ended 30 June 2008 (*continued*)

8 Creditors: amounts falling due within one year

	30 June 2008 £	31 December 2006 £
Trade creditors	-	4,423
Taxation and social security	9,200	7,500
Other creditors	8,117	72
Accruals and deferred income	41,179	39,826
	<u>58,496</u>	<u>51,821</u>

9 Share capital

	30 June 2008 £	31 December 2006 £
<i>Authorised</i>		
Ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

	30 June 2008 £	31 December 2006 £
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>

10 Pensions

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 pension charge amounted to £33,202 (2006 - £8,250). There were no outstanding or prepaid contributions at either the beginning or end of the financial period.

Perseus Books Running Press (UK) Limited

Notes forming part of the financial statements
for the period ended 30 June 2008 (*continued*)

11 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 30 June 2008 £	Land and buildings 31 December 2006 £
Operating leases which expire:		
In two to five years	16,560	16,560

The above amount relates to rent only. Under the terms of the lease, service charges are also payable. However, the service charges will vary year on year as they are calculated by reference to a number of different factors.

12 Related party disclosures

Related party transactions and balances

During the year, the company made a management charge to Perseus Running Press L.L.C, their immediate parent company, of £1,296,000 (2006 - £882,000).

At the balance sheet date, the company was owed £47,437 (2006 - £26,813) by Perseus Running Press L.L.C.

13 Ultimate parent company

At 30 June 2008 the company's ultimate parent company was Perseus Books LLC, a company incorporated in the United States of America.