

Readers' Union Limited
Annual report
for the year ended 31 December 2005

Registered number 843946



Readers' Union Limited

Annual report

for the year ended 31 December 2005

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Readers' Union Limited

Directors and advisors of the company

Directors

M Angelakis (resigned 13 September 2005)
M F Arnett (resigned 13 September 2005)
M Dominguez (resigned 13 September 2005)
S J Kent (resigned 13 September 2005)
D Steward (appointed 6 September 2005)
R MacInnis (appointed 6 September 2005)
R Marrero (appointed 6 September 2005, resigned 16 July 2006)
S Domville (appointed 16 July 2006)

Secretary

J D Gaisford

Registered office

Brunel House
Newton Abbot
Devon
TQ12 4PU

Registered auditors

PricewaterhouseCoopers LLP
Princess Court
23 Princess Street
Plymouth
PL1 2EX

Bankers

Lloyds TSB Bank plc
41 Courtenay Street
Newton Abbot
Devon
TQ12 2QW

Readers' Union Limited

Directors' report for the year ended 31 December 2005

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2005.

Principal activities and review of business

The principal activities of the company are the operation of book clubs and mail order businesses. The directors are pleased with the performance of the business.

Results and dividends

The profit for the year after taxation amounted to £997,000 (2004: £966,000). An ordinary dividend payment of £ NIL was paid in the year (2004: £650,000). The retained profit for the year was £997,000 (2004: £316,000).

Directors

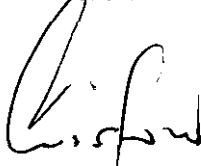
The directors who held office during the year are detailed on page 1.

None of the directors who held office at the end of the financial year holds any interest in the shares of the company. According to the register of directors' interests, no rights to subscribe for shares in or debentures of group companies were granted to any directors or their immediate family, or exercised by them, during the financial year. .

Auditors

The auditors, Deloitte & Touche LLP, resigned as auditors during the year and were replaced by PricewaterhouseCoopers LLP. PricewaterhouseCoopers LLP have indicated their willingness to continue in office, and a resolution concerning their reappointment be proposed at the forthcoming Annual General Meeting By order of the board

By order of the Board



J D Gaisford
Company Secretary

20 October 2006

Readers' Union Limited

Statement of directors' responsibilities

Company Law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for the year then ended. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 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.

In the case of each of the persons who are directors at the time when the report is approved under section 234A, the following applies:

a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Readers' Union Limited

Independent auditors' report to the members of Readers' Union Limited

We have audited the financial statements of Readers' Union Limited for the year ended 31 December 2005 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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.

Basis of audit opinion

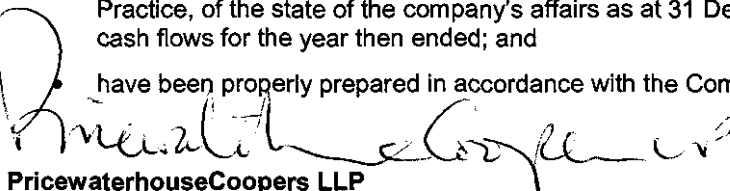
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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.

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 31 December 2005 and of its profit and cash flows for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Plymouth

30 October 2006

Readers' Union Limited

Profit and loss account for the year ended 31 December 2005

| | Note | 2005 £'000 | 2004 £'000 |
|--|------|---------------|---------------|
| Turnover | 2 | 13,989 | 13,154 |
| Cost of sales | | (9,870) | (9,185) |
| Gross profit | | 4,119 | 3,969 |
| Distribution costs | | (1,167) | (1,138) |
| Administrative expenses | | (1,629) | (1,463) |
| Operating profit | 3 | 1,323 | 1,368 |
| Interest receivable and similar income | | 8 | 13 |
| Interest payable and similar charges | 6 | - | (1) |
| Profit on ordinary activities before taxation | | 1,331 | 1,380 |
| Tax on profit on ordinary activities | 7 | (334) | (414) |
| Profit for the financial year | | 997 | 966 |
| Dividend paid | 8 | - | (650) |
| Retained profit for the year | 16 | 997 | 316 |

All of the above figures, including comparatives, relate to continuing activities.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year as stated above and their historical cost equivalents.

The company had no recognised gains and losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

Readers' Union Limited

Balance sheet as at 31 December 2005

| | Note | 2005 £'000 | 2004 £'000 |
|---|------|----------------|---------------|
| Fixed assets | | | |
| Tangible assets | 9 | 448 | 435 |
| Current assets | | | |
| Stock | 10 | 2,069 | 2,383 |
| Debtors | 11 | 7,671 | 6,785 |
| Cash at bank and in hand | | - | 82 |
| | | 9,740 | 9,250 |
| Creditors: amounts falling due within one year | 12 | (5,447) | (5,941) |
| Net current assets | | 4,293 | 3,309 |
| Total assets less current liabilities | | 4,741 | 3,744 |
| Provisions for liabilities and charges | 14 | - | - |
| Net assets | | 4,741 | 3,744 |
| Capital and reserves | | | |
| Called up share capital | 15 | - | - |
| Profit and loss account | 16 | 4,741 | 3,744 |
| Equity shareholders' funds | 17 | 4,741 | 3,744 |

The financial statements on pages 5 to 13 were approved by the board of directors on 20 October 2006 and were signed on its behalf by:


Director

Readers' Union Limited

Notes to the financial statements for the year ended 31 December 2005

1 Accounting policies

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold property, the accounting policies set out below and in accordance with applicable accounting standards. The adoption of FRS 25 and FRS 21 has not resulted in any changes in accounting policy or prior year adjustments to the financial statements.

Cash flow statement

The group is exempt from the requirement to prepare a cash flow statement under FRS 1 (Revised) as it is a wholly owned subsidiary and its cash flows are included within the consolidated cash flow statement of the parent company, F&W (UK) Limited.

Financial Instruments

The company is a wholly owned subsidiary of F&W (UK) Limited and is included within the consolidated Group accounts which are publicly available. The company has therefore not disclosed any information under FRS 25 "Financial Instruments: Disclosure and Presentation".

Fixed assets and depreciation

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of fixed assets, on a straight-line basis over the useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

| | |
|-----------------------|----------------|
| Fixtures and fittings | - 3 to 5 years |
| Computer equipment | - 3 to 4 years |

The carrying values of fixed assets are reviewed for impairment on the period if events or changes in circumstances indicate the carrying value may not be recoverable.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the balance sheet date. All gains or losses on translation are included in the profit and loss account.

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value after making due allowance for any obsolete and slow moving items. Cost represents all costs incurred in bringing stocks to their present state and location, including an appropriate proportion of overheads.

Deferred taxation

In accordance with FRS 19, deferred taxation is provided in full on timing differences which represent an asset or liability at the balance sheet date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising on unremitted earnings of subsidiaries, associates and joint ventures where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Readers' Union Limited

Pension costs

Contributions are made to the defined contribution group personal pension plan at rates between 3% and 20 % of annual salary depending upon the employee's length of service. The contribution payable are charged to the profit and loss account during the year in which they are incurred.

Leases

Assets obtained under leasing agreements and hire purchase contracts which transfer to the company substantially all the benefits and risks of ownership of an asset ("finance leases") are treated as if the asset had been purchased outright. Assets held under such agreements are included in fixed assets and the capital element of commitments is shown as obligations under finance leases. Payments under such agreements are treated as consisting of capital and interest elements. The interest element is charged to the profit and loss account over the primary lease period in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

All other leases are treated as operating leases, the costs of which are charged on a straight line basis over the lease term.

2 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company exclusive of VAT and trade discounts.

The directors consider that there is only one class of business and one geographical segment and hence segmental information by class is not provided.

3 Operating profit

| Operating profit is stated after charging/(crediting): | 2005 £'000 | 2004 £'000 |
|--|---------------|---------------|
| Auditors' remuneration – audit services | 22 | 14 |
| Operating lease rentals – plant and machinery | - | 22 |
| Loss/(profit) on disposal of fixed assets | 18 | (46) |
| Depreciation of owned tangible fixed assets | 182 | 152 |
| Depreciation of assets held under finance leases | 7 | 12 |
| Loss/(profit) on foreign currency translation | 34 | (54) |

4 Directors' emoluments

The directors received no emoluments in the year from the company (2004: £nil).

The directors of the company are also directors of the immediate parent company and the fellow subsidiaries. In the current year the remuneration of these directors is borne by the ultimate parent company, being F&W Publications Inc. It is not practicable to allocate total remuneration between services to this company and other group companies.

Readers' Union Limited

5 Employee information

The average weekly number of persons (including executive directors) employed by the company during the year was:

| By Activity | 2005 Number | 2004 Number |
|-------------------------|----------------|----------------|
| Administration | 42 | 36 |
| Distribution | 28 | 28 |
| Editorial and marketing | 17 | 17 |
| | 87 | 81 |

| | 2005 £'000 | 2004 £'000 |
|---|---------------|---------------|
| Staff costs (for the above persons) included within operating profit | | |
| Wages and salaries | 1,550 | 1,501 |
| Social security costs | 138 | 135 |
| Other pension costs | 50 | 49 |
| Redundancy costs | 69 | |
| | 1,807 | 1,685 |

6 Interest payable and similar charges

| | 2005 £'000 | 2004 £'000 |
|-----------------|---------------|---------------|
| Finance charges | - | 1 |

7 Taxation

| | 2005 £'000 | 2004 £'000 |
|--|---------------|---------------|
| Corporation tax: | | |
| UK corporation tax on profit of the year | 378 | 405 |
| Adjustment in respect of previous years | 2 | - |
| Total current tax | 380 | 405 |
| Deferred tax (see note 14): | | |
| Origination and reversal of timing differences | (46) | 9 |
| Tax on profit on ordinary activities | 334 | 414 |

The tax assessed for the year is lower than the standard rate of corporation tax in the UK: (30%).
The differences are explained below:

Readers' Union Limited

| | 2005 £'000 | 2004 £'000 |
|---|---------------|---------------|
| Profit on ordinary activities before taxation | 1,331 | 1,380 |
| Profit on ordinary activities multiplied by standard rate in the UK 30% | 399 | 414 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 6 | 6 |
| Accelerated capital allowances | 43 | (5) |
| Other timing differences | 2 | (3) |
| Other | (70) | (7) |
| Current tax charge for the year | 380 | 405 |

(c) Factors that may affect future tax changes

The directors consider that there are no factors which may materially affect future tax changes.

8 Dividends

| | 2005 £'000 | 2004 £'000 |
|--|---------------|---------------|
| Dividends paid on equity shares of £nil (2004: £6,500) per share | - | 650 |

9 Tangible fixed assets

| | Fixtures and fittings £'000 | Computer Equipment £'000 | Total £'000 |
|---------------------------------|-----------------------------------|--------------------------------|----------------|
| Cost | | | |
| At 1 January 2005 | 679 | 565 | 1,244 |
| Additions | 142 | 123 | 265 |
| Disposals | (78) | (66) | (144) |
| At 31 December 2005 | 743 | 622 | 1,365 |
| Accumulated depreciation | | | |
| At 1 January 2005 | 506 | 303 | 809 |
| Charge for the year | 84 | 105 | 189 |
| Disposals | (78) | (3) | (81) |
| At 31 December 2005 | 512 | 405 | 917 |
| Net book amount | | | |
| At 31 December 2005 | 231 | 217 | 448 |
| At 31 December 2004 | 173 | 262 | 435 |

Readers' Union Limited

10 Stocks

| | 2005 | 2004 |
|----------------|-------|-------|
| | £'000 | £'000 |
| Finished goods | 2,069 | 2,383 |

The directors do not consider that the replacement cost of stocks materially exceeds the balance sheet value.

11 Debtors

| | | |
|--------------------------------------|-------|-------|
| Amounts falling due within one year: | 2005 | 2004 |
| | £'000 | £'000 |
| Trade debtors | 1,846 | 1,872 |
| Amounts owed by group undertakings | 5,708 | 4,720 |
| Deferred tax asset | 86 | 40 |
| Other debtors | 31 | 153 |
| | 7,671 | 6,785 |

12 Creditors: amounts falling due within one year

| | 2005 | 2004 |
|--|-------|-------|
| | £'000 | £'000 |
| Obligations under hire purchase leases | - | 5 |
| Bank overdraft | 31 | - |
| Trade creditors | 1,233 | 1,724 |
| Payments received on account | 58 | 51 |
| Amounts owed to group undertakings | 3,831 | 3,787 |
| Corporation tax payable | 153 | 195 |
| Accruals and deferred income | 104 | 137 |
| Other taxation and social security | 37 | 42 |
| | 5,447 | 5,941 |

Readers' Union Limited

13 Maturity profile

The maturity profile of the obligations under hire purchase leases is as follows:

| | 2005 | 2004 |
|-----------------------------------|-------|-------|
| | £'000 | £'000 |
| Amounts payable – within one year | - | 5 |

The finance leases and hire purchase liabilities are secured via a charge over the assets to which they relate.

14 Deferred tax

Deferred taxation provided in the financial statements as follows:

| | 2005 | 2004 |
|---|-----------|-----------|
| | £'000 | £'000 |
| Accelerated capital allowances | 8 | 4 |
| Other timing differences | 78 | 36 |
| Total deferred tax asset | 86 | 40 |
| At 1 January | 40 | 49 |
| Deferred tax charge in profit and loss account (note 7) | 46 | (9) |
| At 31 December | 86 | 40 |

15 Called up share capital

| | 2005 | 2004 |
|---|-------|-------|
| | £'000 | £'000 |
| Authorised | | |
| 100 ordinary shares of £1 each | 100 | 100 |
| Allotted, called up and fully paid | | |
| 100 ordinary shares of £1 each | 100 | 100 |

16 Reserves

| | Profit and loss account £'000 |
|--|----------------------------------|
| At 1 January 2005 | 3,744 |
| Retained profit for the financial year | 997 |
| At 31 December 2005 | 4,741 |

Readers' Union Limited

17 Reconciliation of movements in shareholders' funds

| | 2005 £'000 | 2004 £'000 |
|--|---------------|---------------|
| Profit for the financial year | 997 | 966 |
| Dividends | - | (650) |
| Retained profit for the financial year | 997 | 316 |
| Opening shareholders' funds | 3,744 | 3,428 |
| Closing shareholders' funds | 4,741 | 3,744 |

18 Related party transactions

The company is exempt from the requirement of FRS 8 "Related Party Disclosures" to disclose related party transactions with group companies on the grounds that it is a wholly-owned subsidiary undertaking.

19 Ultimate parent company

F&W Publications Inc is the parent company of the largest group of which the company is a member and for which group financial statements are drawn up. Copies of the financial statements are available from 4700 E Galbraith Road, Cincinnati, Ohio 45236, USA. D&C Group Limited is the parent company of the smallest group of which the company is a member and for which group financial statements are drawn up. Copies of the financial statements are available from Brunel House, Newton Abbot, Devon TQ12 4PU.