

Readers' Union Limited  
Annual report  
for the year ended 31 December 2007

Registered number 843946

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# **Readers' Union Limited**

Annual report

for the year ended 31 December 2007

## **Contents**

Directors and advisors of the company	1
Directors' report for the year ended 31 December 2007	2
Independent auditors' report to the members of Readers' Union Limited	4
Profit and loss account for the year ended 31 December 2007	6
Balance sheet as at 31 December 2007	7
Notes to the financial statements for the year ended 31 December 2007	8

# **Readers' Union Limited**

## **Directors and advisors of the company**

### **Directors**

D Steward (resigned 18 January 2008)

R MacInnis

S Domville

R Nussbaum (appointed 21 January 2008)

### **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 2007**

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2007

### **Principal activities**

The principal activities of the company are the operation of book clubs and mail order businesses

### **Results and dividends**

The profit for the year after taxation amounted to £163,000 (2006 £827,000)

The profit this year was struck after the charging £154,000 for a management fee from F&W Publications Inc, the parent company, for the services of their personnel who have spent time directly on the business of Readers Union Limited. Of the amount noted above, £80,000 related to fees that covered activities for the 2006 and 2005 years

An ordinary dividend of £3,700,000 was paid in the year (2006 £nil). The directors do not recommend any further dividends. The retained loss for the year was £(3,537,000) (2006 £827,000 profit). Due to the straight-forward nature of the business, further analysis using Key Performance Indicators (KPIs) is not considered necessary.

### **Future developments**

The marketplace for book clubs is expected to remain very competitive in 2008. We will be concentrating on enhancing the profitability of the five core clubs, whilst creating other opportunities outside of the Book Club model and downsizing our cost base.

### **Principal risks and uncertainties**

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to the cost and to the number of new recruits to the book clubs each year together with their spending patterns.

### **Post balance sheet event**

Since the year end the company has reviewed its overheads in the light of the lower sales activity. As a consequence, twelve positions within the Operations area were made redundant, incurring a cost of approximately £91,000.

### **Directors**

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

### **Statement of directors' responsibilities in respect of the Annual Report and the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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,

## Readers' Union Limited

- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

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.

### Provision of information to auditors

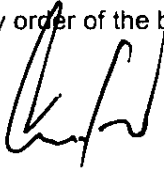
In the case of each of the persons who are directors at the time when the report is approved under section 234A, the following applies

- 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

### Auditors

The auditors, 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



J D Gaisford  
Company Secretary

16 June 2008

# **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 2007 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). 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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.

### **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.

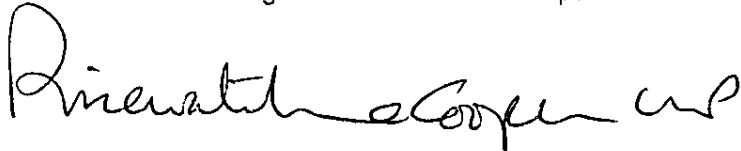
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

# Readers' Union Limited

## 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 2007 and of its profit and cash flows for the year 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



**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

Plymouth

2 July 2008

## Readers' Union Limited

### Profit and loss account for the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Turnover	2	11,105	12,589
Cost of sales		(8,472)	(8,969)
<b>Gross profit</b>		<b>2,633</b>	<b>3,620</b>
Distribution costs		(954)	(1,016)
Administrative expenses		(1,492)	(1,442)
<b>Operating profit</b>	3	<b>187</b>	<b>1,162</b>
Interest receivable and similar income		4	20
<b>Profit on ordinary activities before taxation</b>		<b>191</b>	<b>1,182</b>
Tax on profit on ordinary activities	6	(28)	(355)
<b>Profit for the year</b>	13	<b>163</b>	<b>827</b>

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 2007

	Note	2007 £'000	2006 £'000
<b>Fixed assets</b>			
Tangible assets	7	232	310
<b>Current assets</b>			
Stock	8	2,123	2,225
Debtors	9	8,794	8,108
Cash at bank and in hand		107	127
		11,024	10,460
<b>Creditors amounts falling due within one year</b>	10	(9,225)	(5,202)
<b>Net current assets</b>		1,799	5,258
<b>Total assets less current liabilities</b>		2,031	5,568
<b>Provisions for liabilities and charges</b>		-	-
<b>Net assets</b>		2,031	5,568
<b>Capital and reserves</b>			
Called up share capital	12	-	-
Profit and loss account	13	2,031	5,568
<b>Equity shareholders' funds</b>	14	2,031	5,568

The financial statements on pages 6 to 14 were approved by the board of directors on 16 June 2008 and were signed on its behalf by

  
S Domville  
Director

# Readers' Union Limited

## Notes to the financial statements for the year ended 31 December 2007

### 1 Accounting policies

The financial statements have been prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards

### Cash flow statement

The company 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

### 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 contributions 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)	2007 £'000	2006 £'000
Auditors' remuneration – audit services	16	15
Depreciation of owned tangible fixed assets	151	189
Loss/(profit) on foreign currency translation	1	(14)
Profit on ordinary activities before taxation is started after charging	2007 £'000	2006 £'000
Management fee (see below)	154	-

The management fee is a charge from F & W Publications Inc, the parent company, for the services of their personnel who have spent time directly on the business of Readers Union Limited. Of the amount noted above £80,000 related to fees that covered activities for the 2006 and 2005 years.

# Readers' Union Limited

## 4 Directors' emoluments

The directors received no emoluments in the year from the company (2006 £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.

## 5 Employee information

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

By Activity	2007 Number	2006 Number
Administration	37	42
Distribution	25	28
Editorial and marketing	16	16
	78	86

	2007 £'000	2006 £'000
<b>Staff costs (for the above persons) included within operating profit</b>		
Wages and salaries	1,385	1,490
Social security costs	120	127
Other pension costs	50	47
	1,555	1,664

## 6 Taxation

	2007 £'000	2006 £'000
<b>Corporation tax</b>		
UK corporation tax on profit of the year	53	361
Adjustment in respect of previous years	-	(48)
Total current tax	53	313
<b>Deferred tax (see note 11)</b>		
Origination and reversal of timing differences	(25)	42
<b>Tax on profit on ordinary activities</b>	28	355

## Readers' Union Limited

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

	2007 £'000	2006 £'000
<b>Profit on ordinary activities before taxation</b>	<b>191</b>	<b>1,182</b>
Profit on ordinary activities multiplied by standard rate in the UK 30%	57	355
Effects of:		
Expenses not deductible for tax purposes	1	1
Accelerated capital allowances	17	5
Other timing differences	12	
Other	(34)	(48)
<b>Current tax charge for the year</b>	<b>53</b>	<b>313</b>

### (c) Factors that may affect future tax changes

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

## 7 Tangible fixed assets

	Fixtures and fittings and motor vehicles £'000	Computer Equipment £'000	Total £'000
<b>Cost</b>			
At 1 January 2007	761	640	1,401
Additions	9	64	73
Disposals	(152)	(111)	(263)
<b>At 31 December 2007</b>	<b>618</b>	<b>593</b>	<b>1,211</b>
<b>Accumulated depreciation</b>			
At 1 January 2007	595	496	1,091
Charge for the year	71	80	151
Disposals	(152)	(111)	(263)
<b>At 31 December 2007</b>	<b>514</b>	<b>465</b>	<b>979</b>
<b>Net book amount</b>			
<b>At 31 December 2007</b>	<b>104</b>	<b>128</b>	<b>232</b>
At 31 December 2006	166	144	310

# Readers' Union Limited

## 8 Stocks

	2007 £'000	2006 £'000
Finished goods	2,123	2,225

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

## 9 Debtors

Amounts falling due within one year	2007 £'000	2006 £'000
Trade debtors	1,538	1,671
Amounts owed by group undertakings	7,103	6,351
Deferred tax asset (note 11)	69	44
Other debtors	84	42
	8,794	8,108

## 10 Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Trade creditors	1,418	964
Payments received on account	44	45
Amounts owed to group undertakings	7,626	3,876
Corporation tax payable	13	181
Accruals and deferred income	91	100
Other taxation and social security	33	36
	9,225	5,202

# Readers' Union Limited

## 11 Deferred tax

Deferred taxation is provided in the financial statements as follows

	2007 £'000	2006 £'000
Accelerated capital allowances	36	27
Other timing differences	33	17
<b>Total deferred tax asset (note 9)</b>	<b>69</b>	<b>44</b>
At 1 January	44	86
Deferred tax charge in profit and loss account (note 6)	25	(42)
<b>At 31 December</b>	<b>69</b>	<b>44</b>

## 12 Called up share capital

	2007 £	2006 £
<b>Authorised</b>		
100 ordinary shares of £1 each	100	100
<b>Allotted, called up and fully paid</b>		
100 ordinary shares of £1 each	100	100

## 13 Reserves

	Profit and loss account £'000
At 1 January 2007	5,568
Profit for the financial year	163
Less dividend paid	(3,700)
<b>At 31 December 2007</b>	<b>2,031</b>

# Readers' Union Limited

## 14 Reconciliation of movements in shareholders' funds

	2007 £'000	2006 £'000
Profit for the financial year	163	827
Dividend paid	(3,700)	-
Retained (loss)/profit for the financial year	(3,537)	827
Opening shareholders' funds	5,568	4,741
Closing shareholders' funds	2,031	5,568

## 15 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

## 16 Ultimate parent company

F&W Publications Inc, a company incorporated in the USA, 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.

## 17 Post balance sheet events

Since the year end the company has reviewed its overheads in the light of the lower sales activity. As a consequence, twelve positions within the Operations area were made redundant, incurring a cost of approximately £91,000.