

Readers' Union Limited  
Annual report  
for the year ended 31 December 2008

Registered number 843946

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# **Readers' Union Limited**

## **Annual report for the year ended 31 December 2008**

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# **Readers' Union Limited**

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

### **Directors**

R MacInnis

S Domville

D Nussbaum

J Ogle (appointed 15 December 2008)

### **Secretary**

J D Gaisford (resigned 31 December 2008)

Foot Anstey Secretarial Limited (appointed 13 December 2008)

### **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 2008**

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2008.

### **Principal activities**

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

### **Results and dividends**

The loss for the year after taxation amounted to £(71,000) (2007: £163,000 profit) and arose after charging exceptional costs of £480,000 in respect of a major reorganisation and restructuring plan implemented in late 2008 following the decision to close the book clubs to new members from October 2008. The Operating trading profit for the year is £352,000, which the directors consider a reasonable result given the £2,315,000 reduction in turnover since 2007. An ordinary dividend of £nil was paid in the year (2007: £3,700,000). The directors do not recommend any further dividends.

Due to the straight-forward nature of the business, further analysis using Key Performance Indicators is not considered necessary.

### **Future developments**

All book clubs will cease operations in June 2009 when the principal activity of the company will become the operation of an on-line, direct to customer, retail outlet. 2009 is expected to be a start up year for the new website (which was launched in February 2009) and thus, the directors consider that 2009 will be a transition year for revenues and profits.

### **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 relate to the change in business direction from the operation of book clubs to the development of an online, direct to customer outlet.

### **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;
- 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.

## Readers' Union Limited

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**

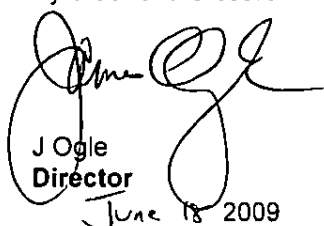
In the case of each of the persons who are directors at the time when the report is approved under section 234ZA, the following applies:

- 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**

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the forthcoming Annual General Meeting.

By order of the board



J Ogle  
Director  
June 18 2009

# **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 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 Annual Report and 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 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Directors and advisors of the company. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **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.

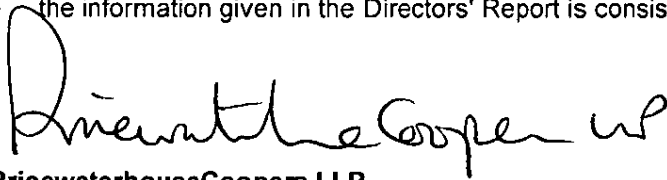
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 2008 and of its loss for the year then ended;
- 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

24 June 2009

## Readers' Union Limited

### Profit and loss account for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Turnover	2	8,790	11,105
Cost of sales		(6,397)	(8,472)
<b>Gross profit</b>		<b>2,393</b>	<b>2,633</b>
Distribution costs		(715)	(954)
Administrative expenses		(1,326)	(1,492)
<b>Operating profit</b>	3	<b>352</b>	<b>187</b>
Exceptional item – restructuring costs	5	(480)	-
<b>(Loss)/profit on ordinary activities before interest</b>		<b>(128)</b>	<b>187</b>
Interest receivable and similar income		16	4
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(112)</b>	<b>191</b>
Tax on (loss)/profit on ordinary activities	7	41	(28)
<b>(Loss)/profit for the year</b>	15	<b>(71)</b>	<b>163</b>

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

There is no difference between the (loss)/profit on ordinary activities before taxation and the retained (loss)/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 losses above, and therefore no separate statement of total recognised gains and losses has been presented.



# Readers' Union Limited

## Balance sheet as at 31 December 2008

	Note	2008 £'000	2007 £'000
<b>Fixed assets</b>			
Tangible assets	8	252	232
<b>Current assets</b>			
Stock	9	936	2,123
Debtors	10	8,992	8,794
Cash at bank and in hand		312	107
		10,240	11,024
<b>Creditors: amounts falling due within one year</b>	11	(8,439)	(9,225)
<b>Net current assets</b>		1,801	1,799
<b>Total assets less current liabilities</b>		2,053	2,031
<b>Provisions for liabilities</b>	13	(93)	-
<b>Net assets</b>		1,960	2,031
<b>Capital and reserves</b>			
Called up share capital	14	-	-
Profit and loss account	15	1,960	2,031
<b>Equity shareholders' funds</b>	16	1,960	2,031

The financial statements on pages 6 to 15 were approved by the board of directors on 18 June 2009 and were signed on its behalf by:



S Domville  
Director

# Readers' Union Limited

## Notes to the financial statements for the year ended 31 December 2008

### 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
Motor vehicles	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.

#### 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.

# Readers' Union Limited

## 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:	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration – audit services	<b>13</b>	<b>16</b>
Depreciation of owned tangible fixed assets	<b>152</b>	<b>151</b>
Loss on foreign currency translation	<b>27</b>	<b>1</b>

Profit on ordinary activities before taxation is started after charging:	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Management fee (see below)	<b>79</b>	<b>154</b>

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 in 2007, £80,000 related to fees that covered activities for the 2006 and 2005 financial years.

## 4 Directors' emoluments

The directors received no emoluments in the year from the company (2007: £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 Exceptional item – restructuring costs

	2008 £'000	2007 £'000
Redundancies (see note 6)	282	-
Onerous lease charge (see note 13)	93	-
Fixed asset write off (see note 8)	56	-
Accelerated depreciation	49	-
	480	-

Exceptional costs relate to the restructuring of the business undertaken in 2008, following the decision to close the book clubs to new members from October 2008 and to cease book club operations from June 2009.

## 6 Employee information

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

By activity	2008 Number	2007 Number
Administration	29	37
Distribution	18	25
Editorial and marketing	11	16
	58	78

The aggregate payroll costs of these persons were as follows:	2008 £'000	2007 £'000
Wages and salaries	1,122	1,385
Social security costs	100	120
Other pension costs	45	50
Redundancy costs	282	-
	1,549	1,555

# Readers' Union Limited

## 7 Taxation

	2008 £'000	2007 £'000
<b>Corporation tax:</b>		
UK corporation tax on profit of the year	-	53
Adjustment in respect of previous years	-	-
<b>Total current tax</b>	<b>-</b>	<b>53</b>
<b>Deferred tax (see note 12):</b>		
Origination and reversal of timing differences	(41)	(25)
<b>Tax on (loss)/profit on ordinary activities</b>	<b>(41)</b>	<b>28</b>

The tax assessed for the year is higher (2007: lower) than the standard rate of corporation tax in the UK of 28.5% (2007: 30%). The differences are explained below:

	2008 £'000	2007 £'000
<b>(Loss)/profit on ordinary activities before taxation</b>	<b>(112)</b>	<b>191</b>
(Loss)/profit on ordinary activities multiplied by standard rate in the UK	(32)	57
Effects of:		
Expenses not deductible for tax purposes	3	1
Accelerated capital allowances	42	17
Other timing differences	-	12
Other	(13)	(34)
<b>Current tax (credit)/charge for the year</b>	<b>-</b>	<b>53</b>

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

# Readers' Union Limited

## 8 Tangible fixed assets

	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
<b>Cost</b>				
At 1 January 2008	618	21	572	1,211
Additions	-	-	229	229
Disposals	-	-	(56)	(56)
<b>At 31 December 2008</b>	<b>618</b>	<b>21</b>	<b>745</b>	<b>1,384</b>
<b>Accumulated depreciation</b>				
At 1 January 2008	531	14	435	980
Charge for the year	69	3	80	152
<b>At 31 December 2008</b>	<b>600</b>	<b>17</b>	<b>515</b>	<b>1,132</b>
<b>Net book amount</b>				
<b>At 31 December 2008</b>	<b>18</b>	<b>4</b>	<b>230</b>	<b>252</b>
At 31 December 2007	87	7	137	232

## 9 Stock

	2008 £'000	2007 £'000
Finished goods	936	2,123

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

## 10 Debtors

	2008 £'000	2007 £'000
Trade debtors	962	1,538
Amounts owed by group undertakings	7,847	7,103
Deferred tax asset (note 12)	110	69
Prepayments	49	45
Corporation tax recoverable	24	-
Other tax	-	38
	<b>8,992</b>	<b>8,794</b>

# Readers' Union Limited

## 11 Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Trade creditors	562	1,418
Payments received on account	35	44
Amounts owed to group undertakings	7,659	7,626
Corporation tax payable	-	13
Accruals and deferred income	144	91
Other taxation and social security	39	33
	<b>8,439</b>	<b>9,225</b>

## 12 Deferred tax

Deferred tax is provided in the financial statements as follows:	2008 £'000	2007 £'000
Accelerated capital allowances	79	36
Other timing differences	31	33
<b>Total deferred tax asset (note 10)</b>	<b>110</b>	<b>69</b>
At 1 January	69	44
Deferred tax credit in profit and loss account (note 7)	41	25
<b>At 31 December</b>	<b>110</b>	<b>69</b>

## 13 Provisions for liabilities

	Onerous lease £'000
At 1 January 2008	-
Charged to the profit and loss account	93
<b>At 31 December 2008</b>	<b>93</b>

The lease on Brunel House (main trading premises) has been sub-let to an unrelated third party in 2008 at a rental lower than that which Readers' Union Limited are contractually required to pay the landlords. As a result, an onerous lease provision of £93,000 has been provided for in these financial statements and will be utilised across the term of the lease until 31 December 2015.

# Readers' Union Limited

## 14 Called up share capital

	2008 £	2007 £
<b>Authorised</b>		
Ordinary shares of £1 each	100	100
<b>Allotted, called up and fully paid</b>		
Ordinary shares of £1 each	100	100

## 15 Reserves

	Profit and loss account £'000
At 1 January 2008	2,031
Loss for the year	(71)
Less dividend paid	-
<b>At 31 December 2008</b>	<b>1,960</b>

## 16 Reconciliation of movements in shareholders' funds

	2008 £'000	2007 £'000
(Loss)/profit for the year	(71)	163
Dividend paid	-	(3,700)
Retained loss for the year	(71)	(3,537)
Opening shareholders' funds	2,031	5,568
<b>Closing shareholders' funds</b>	<b>1,960</b>	<b>2,031</b>

## 17 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.



# **Readers' Union Limited**

## **18 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.