

Financial statements Readers' Union Limited

For the Year Ended 31 December 2009

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COMPANIES HOUSE

Company No. 0843946

Officers and professional advisers

Company registration number	0843946
Registered office	Brunel House Newton Abbot Devon TQ12 4PU
Directors	R MacInnis S Domville D Nussbaum J Ogle
Secretary	Foot Anstey Secretarial Limited
Bankers	Lloyds TSB Bank plc 41 Courtenay Street Newton Abbot Devon TQ12 2QW
Auditor	Grant Thornton UK LLP Chartered Accountants Statutory Auditor Grant Thornton House 11 - 13 Penhill Road Cardiff CF11 9UP

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 December 2009

Principal activities and business review

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 £579,000 (2008 £71,000) which arose after charging exceptional costs of £131,000 (2008 £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 book club ceased operations in June 2009 when the principal activity of the company became the operation of an on-line, direct to customer, retail outlet. The book club revenues and associated costs are reflected within the financial statements as discontinued activities.

2009 was forecast to be a start up year for the new website (which was launched February 2009) and thus, the directors consider that 2009 is 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 risk and uncertainties affecting the company relate to the change in business direction from the operation of book club to the development of an online, direct to customer outlet.

Directors

The directors who served the company during the year were as follows

R MacInnis
S Domville
D Nussbaum
J Ogle

Directors' responsibilities

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom 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.

Report of the directors

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,
- 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 the financial statements comply with the Companies Act 2006. 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.

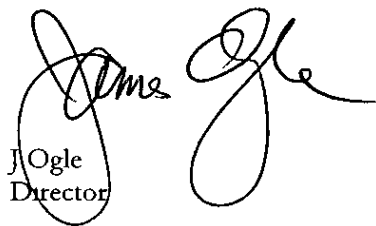
In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

Grant Thornton UK LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

BY ORDER OF THE BOARD


J Ogle
Director



Grant Thornton

Independent auditor's report to the members of Readers' Union Limited

We have audited the financial statements of Readers' Union Limited for the year ended 31 December 2009 which comprise the accounting policies, the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 auditor's 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 in the directors' report, 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 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 website at www.frc.org.uk/apb/scope/UKNP.

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 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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.

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

Grant Thornton UK LLP

James Morter
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants
Cardiff

13 October, 2010

Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

Turnover

The turnover shown in the profit and loss account represents amounts receivable for goods and services provided during the year, exclusive of Value Added Tax. Turnover is recognised when goods are dispatched

The book club ceased operations in June 2009 when the principal activity of the company became the operation of an on-line, direct to customer, retail outlet. The book club revenues and associated costs are reflected within the financial statements as discontinued activities

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Fixtures & fittings	-	3 to 5 years
Motor vehicles	-	3 to 5 years
Plant & Machinery	-	3 to 4 years

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Accounting policies

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Pension costs

The company operates a defined contribution pension scheme. Pension costs represent the amount of contributions payable in respect of the accounting period

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating result

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity

Profit and loss account

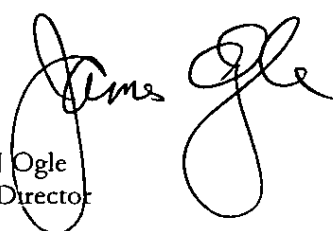
	Note	2009 £000	2008 £000
Turnover - continued	1	851	—
Turnover - discontinued	1	2,526	8,790
Cost of sales - continued		907	—
Cost of sales - discontinued		1,564	6,397
Gross profit		<u>906</u>	<u>2,393</u>
Other operating charges - continued	2	495	—
Other operating charges - discontinued	2	881	2,521
Operating loss	3	<u>(470)</u>	<u>(128)</u>
Attributable to			
Operating (loss) / profit before exceptional items		(339)	352
Exceptional items	2	<u>(131)</u>	<u>(480)</u>
		<u>(470)</u>	<u>(128)</u>
Interest receivable		1	16
Loss on ordinary activities before taxation		<u>(469)</u>	<u>(112)</u>
Tax on loss on ordinary activities	5	(110)	(41)
Loss for the financial year		<u><u>(579)</u></u>	<u><u>(71)</u></u>

The company has no recognised gains or losses other than the results for the year as set out above

Balance sheet

	Note	2009 £000	2008 £000
Fixed assets			
Tangible assets	6	<u>231</u>	<u>252</u>
Current assets			
Stocks	7	156	936
Debtors	8	8,638	8,992
Cash at bank		<u>365</u>	<u>312</u>
		9,159	10,240
Creditors: amounts falling due within one year	10	<u>7,928</u>	<u>8,439</u>
Net current assets		<u>1,231</u>	<u>1,801</u>
Total assets less current liabilities		<u>1,462</u>	<u>2,053</u>
Provisions for liabilities			
Other provisions	11	<u>81</u>	<u>93</u>
		<u>1,381</u>	<u>1,960</u>
Capital and reserves			
Share capital	13	—	—
Profit and loss account		<u>1,381</u>	<u>1,960</u>
Shareholders' funds	15	<u>1,381</u>	<u>1,960</u>

These financial statements were approved by the directors and authorised for issue on 13/10/10, and are signed on their behalf by


J Ogle
Director

Company Registration Number 0843946

Notes to the financial statements

1 Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax

The book club ceased operations in June 2009 when the principal activity of the company became the operation of an on-line, direct to customer, retail outlet. The book club turnover is within the financial statements as discontinued activities

2 Other operating charges

	2009 £000	2008 £000
Distribution costs	250	715
Administrative expenses	995	1,326
Exceptional administrative expenses	131	480
	<u>1,376</u>	<u>2,521</u>

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

3 Operating loss

Operating loss is stated after charging

	2009 £000	2008 £000
Depreciation of owned fixed assets	117	152
Auditor's remuneration		
Audit fees	5	13
Net loss on foreign currency translation	-	27
	<u></u>	<u></u>

4 Particulars of employees

The average number of staff employed by the company during the financial year amounted to

	2009 No	2008 No
Number of distribution staff	9	18
Number of administrative staff	9	29
Number of editorial and marketing staff	5	11
	<u>23</u>	<u>58</u>

The aggregate payroll costs of the above were

	2009 £000	2008 £000
Wages and salaries	498	1,122
Social security costs	44	100
Other pension costs	18	45
Redundancy costs	131	282
	<u>691</u>	<u>1,549</u>

5 Taxation on ordinary activities

Analysis of charge in the year

	2009 £000	2008 £000
Deferred tax		
Origination and reversal of timing differences	<u>110</u>	<u>(41)</u>

Factors affecting current tax charge

	2009 £000	2008 £000
Loss on ordinary activities before taxation	<u>(469)</u>	<u>(112)</u>
Loss on ordinary activities by rate of tax at 28%	(131)	(32)
Expenses not deductible for tax purposes	5	3
Capital allowances for period in excess of depreciation	(17)	42
Group relief	101	-
Other	<u>42</u>	<u>(13)</u>
Total current tax	<u>-</u>	<u>-</u>

6 Tangible fixed assets

	Fixtures & Fittings £'000	Motor Vehicles £000	Plant & Machinery £000	Total £000
Cost				
At 1 January 2009	618	21	745	1,384
Additions	-	-	100	100
Disposals	(8)	(16)	-	(24)
At 31 December 2009	<u>610</u>	<u>5</u>	<u>845</u>	<u>1,460</u>
Depreciation				
At 1 January 2009	600	17	515	1,132
Charge for the year	15	3	99	117
Disposal	(5)	(15)	-	(20)
At 31 December 2008	<u>610</u>	<u>5</u>	<u>614</u>	<u>1,229</u>
Net book value				
At 31 December 2009	<u>-</u>	<u>-</u>	<u>231</u>	<u>231</u>
At 31 December 2008	<u>18</u>	<u>4</u>	<u>230</u>	<u>252</u>

7 Stocks

	2009 £000	2008 £000
Finished goods	<u>156</u>	<u>936</u>

8 Debtors

	2009 £000	2008 £000
Trade debtors	107	962
Amounts owed by group undertakings	8,522	7,847
Other debtors	9	24
Prepayments and accrued income	-	49
Deferred taxation (note 9)	-	110
	<u>8,638</u>	<u>8,992</u>

9 Deferred taxation

The deferred tax included in the Balance sheet is as follows

	2009 £000	2008 £000
Included in debtors (note 8)	-	110

The movement in the deferred taxation account during the year was

	2009 £000	2008 £000
Balance brought forward	110	69
Profit and loss account movement arising during the year	(110)	41
Balance carried forward	-	110

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of

	2009 £000	2008 £000
Excess of depreciation over taxation allowances	-	79
Other timing differences	-	31
	-	110

10 Creditors: amounts falling due within one year

	2009 £000	2008 £000
Payments received on account	4	35
Trade creditors	218	562
Amounts owed to group undertakings	7,678	7,659
Other taxation	24	39
Accruals and deferred income	4	144
	7,928	8,439

11 Other provisions

	2009 £000
Other provisions - Onerous leases	
At 1 January 2009	93
Movement in the year	(12)
At 31 December 2009	<u>81</u>

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

12 Related party transactions

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

13 Share capital

Authorised share capital

	2009 £	2008 £
Ordinary shares of £1 each	<u>100</u>	<u>100</u>

Allotted, called up and fully paid

	2009 No	£	2008 No	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

14 Profit and loss account

	2009 £000	2008 £000
Balance brought forward	1,960	2,031
Loss for the financial year	(579)	(71)
Balance carried forward	<u>1,381</u>	<u>1,960</u>

15 Reconciliation of movements in shareholders' funds

	2009	2008
	£000	£000
Loss for the financial year	(579)	(71)
Opening shareholders' funds	<u>1,960</u>	<u>2,031</u>
Closing shareholders' funds	<u>1,381</u>	<u>1,960</u>

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 F&W (UK) 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 F&W Publications Inc is considered to be the ultimate parent undertaking