

THE LEISURE CIRCLE LIMITED

ANNUAL REPORT & FINANCIAL STATEMENTS

For the year ended 31 December 2006

Reg. No. 1295669

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THE LEISURE CIRCLE LIMITED

Directors' Report for the year ended 31 December 2006

The Directors present their annual report and financial statements on the affairs of the Company for the year ended 31 December 2006

Principal activities and business review

The company did not trade during the year and is not expected to trade during the next year. Other operating income arose from the company's 1% share in The Leisure Circle Partnership profits.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors and directors' interests

The Directors who served during the period to date were -

		Appointed	Resigned
M Wilhelm	(German)	-	-
G Saul	(British)	-	-
P Schick	(German)	-	-

None of the directors who held office at the end of the financial period had any disclosable interest in the shares of the company.

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD



Priska Schick
Director

Registered office
Hargreaves Road
Groundwell Industrial Estate
SWINDON
SN25 5BG

25 October 2007

THE LEISURE CIRCLE LIMITED

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 the law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards

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 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, 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 its financial statements comply with the Companies Act 1985 They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law

Independent auditors' report to the members of The Leisure Circle Limited

We have audited the financial statements of The Leisure Circle Limited for the year ended 31 December 2006 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.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

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 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss 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.

KPMG LLP 
Chartered Accountants
Registered Auditor
8 Salisbury Square
London
EC4Y 8BB
United Kingdom

31 October 2007

THE LEISURE CIRCLE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006	2005
		£	£
Other operating income	2	371	523
Interest receivable and similar income	2	-	100
Other operating costs	2	(5,729)	-
		<hr/>	<hr/>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(5,358)	623
Tax charge on (loss)/profit on ordinary activities	3	(131)	(187)
		<hr/>	<hr/>
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR		(5,489)	436
ACCUMULATED PROFIT, brought forward		497,690	497,254
		<hr/>	<hr/>
ACCUMULATED PROFIT, carried forward		492,201	497,690
		<hr/>	<hr/>

All activities are continuing

The company has no recognised gains and losses other than the profits and losses above and therefore no separate statement of total recognised gains and losses has been presented

The notes on pages 6 to 8 form part of the financial statements

THE LEISURE CIRCLE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2006

	Notes	2006 £	2005 £
FIXED ASSETS			
Investments	4	<u>22,027</u>	<u>27,056</u>
CURRENT ASSETS			
Debtors	5	1,470,361	1,470,634
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	6	<u>(187)</u>	<u>-</u>
Net Current Assets		<u>1,470,174</u>	<u>1,470,634</u>
Net Assets		<u>1,492,201</u>	<u>1,497,690</u>
CAPITAL AND RESERVES			
Called-Up Share Capital	7	1,000,000	1,000,000
Profit and Loss Account		<u>492,201</u>	<u>497,690</u>
Shareholder's Equity	8	<u>1,492,201</u>	<u>1,497,690</u>

The notes on pages 6 to 8 form part of the financial statements

These financial statements were approved by the board of directors on 25 October 2007 and were signed on its behalf by



Priska Schick
Director

THE LEISURE CIRCLE LIMITED

NOTES TO ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2006

1) ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements except as noted below

a) Basis of accounting

The financial statements have been prepared in accordance with applicable UK Accounting Standards and are prepared under the historical cost convention

Under Financial Reporting Standard Number 1 (revised 1996), the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As the company is a wholly owned subsidiary of BGJ Enterprises, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Bertelsmann AG, within which this company is included, can be obtained from the address given in note 10 on page 8

b) Investments

Investments are stated at cost less provision and comprise the Company's contribution to the capital of the Leisure Circle Partnership, a partnership formed in the United Kingdom and carried on with another subsidiary of Bertelsmann A G. The Company's share of the Partnership profits and losses is included in other operating income

c) Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

2) LOSS/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2006 £	2005 £
Loss/profit on ordinary activities before taxation includes		
Income		
Company's 1% share in The Leisure Circle Partnership	371	523
Interest receivable from HM Revenue & Customs	-	100
Costs		
Administration costs	700	-
Impairment on investment	5029	-
Directors' emoluments	-	-

The audit fee is borne by a third party with which there is a service agreement and is not recharged to the company

THE LEISURE CIRCLE LIMITED

NOTES TO ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)

3) TAX ON LOSS/PROFIT ON ORDINARY ACTIVITIES

Analysis of charge/(credit) in the year

	2006 £	2005 £
UK corporation tax		
Current tax charge on profit for the year	(98)	187
Adjustments in respect of prior periods	229	-
Tax charge/(credit) on profit/(loss) on ordinary activities	131	187

United Kingdom corporation tax at 30% (2005 30%) is charged on the company's share of The Leisure Circle Partnership profit/(loss) and other operating income/(expenses)

Current tax reconciliation

	2006 £	2005 £
Profit/(loss) on ordinary activities before tax	(5,358)	623
Current tax at 30% (2005 30%)	(1,607)	187
Effects of		
Costs not deductible for tax purposes	1,509	
Adjustments to tax charge in respect of previous periods	229	-
Tax on profit on ordinary activities	131	187

The future utilisation of the loss made in the previous periods is uncertain and no deferred tax asset has been provided

4) INVESTMENTS

	2006 £	2005 £
Investment in The Leisure Circle Partnership		
At cost	27,056	27,056
Provision	(5,029)	-
	22,027	27,056

5) DEBTORS

	2006 £	2005 £
Amounts falling due within one year		
Amounts owed by The Leisure Circle Partnership	1,470,263	1,470,592
Corporation tax repayable	98	42
	1,470,361	1,470,634

THE LEISURE CIRCLE LIMITED

NOTES TO ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)

6) CREDITORS AMOUNTS FALLING DUE
WITHIN ONE YEAR

	2006 £	2005 £
Corporation Tax payable	<u>187</u>	<u>-</u>

7) CALLED-UP SHARE CAPITAL

	2006 £	2005 £
Authorised, allotted, called up and fully paid 1,000,000 shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

8) RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £	2005 £
Opening shareholders' funds	1,497,690	1,497,254
(Loss)/profit for the financial year	(5,489)	436
Closing shareholders' funds	<u>1,492,201</u>	<u>1,497,690</u>

9) GUARANTEES AND OTHER FINANCIAL COMMITMENTS

a) Capital Commitments

There were no capital commitments at the end of the year (2005 Nil)

b) Other Commitments

The ultimate holding company has undertaken to discharge any outstanding obligations or liabilities arising out of the business previously carried on by the company

10) PARENT AND ULTIMATE HOLDING COMPANY

The Company is a wholly-owned subsidiary of, and is controlled by, BGJ Enterprises, Inc incorporated in the U S A The Company's ultimate holding company, and ultimate controlling party, is Bertelsmann A G incorporated in Germany

The largest group in which the results of the Company are consolidated is that headed by Bertelsmann A G

The consolidated financial statements of Bertelsmann AG are available on request from The Public Relations Department, Carl Bertelsmann Strasse 270, 33311, Gutersloh, Germany