G E Fabbri Limited

Report and Financial Statements

31 December 2005

Registered No. 2226335

Directors
P L Edwards
E C P Glaze
G Lattanzi
A Gerli

Secretary
P A Costick

Auditors
Ernst & Young LLP
1 More London Place
London
SE1 2AF

Bankers
NatWest Bank PLC
34 Henrietta Street
London
WC2E 8NN

Solicitors
Penningtons
Bucklersbury House
83 Cannon Street
London
EC4N 8PE

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Elme House
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Directors' report

The directors present their report and group financial statements for the year ended 31 December 2005.

Results and dividends

The profit for the year, after taxation, amounted to £5,357,479 (2004 - loss of £1,096,163). The directors recommend the payment of a final ordinary dividend of £5,000,000 (2004 - £nil).

Principal activity and review of the business

The principal activity of the group and company is the research, production and sale of partwork magazines primarily in the United Kingdom. The company is continuing to expand into Europe in order to capture a wider market.

Directors and their interests

The directors who served during the year ended 31 December 2005 were as follows:

P L Edwards
E C P Glaze
A Gerli
G Lattanzi

None of the directors had any interests in the share capital of the company.

The interests of P L Edwards and E C P Glaze in G E Publishing Limited, as shareholders of the company, are disclosed in the financial statements of that company.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board

P Edwards
Director

28/9/2006

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group 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 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 group 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 group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of G E Fabbri Limited

We have audited the group and parent company financial statements (the "financial statements") of GE Fabbri Limited for the year ended 31 December 2005 which comprise the Group Profit and Loss Account, *the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, the* Group Statement of Cash Flows and the related notes 1 to 21. 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 auditors' 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 are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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).

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. The other information comprises only the Directors' Report. 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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.

Independent auditors' report

to the members of G E Fabbri Limited (continued)

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 group's and parent company's affairs as at 31 December 2005 and of the group's profit for the year then ended; and the financial statements have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

28 September 2006

Group profit and loss account

for the year ended 31 December 2005

	Notes	2005 £000	2004 £000
Turnover: group and share of joint venture's turnover	2	66,694	49,882
Less: share of joint venture's turnover		(75)	–
Group turnover		66,619	49,882
Cost of sales		(53,712)	(47,980)
Gross profit		12,907	1,902
Administrative expenses		(4,548)	(3,108)
Group operating profit/(loss)	3	8,359	(1,206)
Share of operating loss in joint venture		(609)	–
Total operating profit/(loss): group and share of joint venture		7,750	(1,206)
Group bank interest payable	6	(154)	(222)
Joint venture interest receivable		1	–
Profit/(loss) on ordinary activities before taxation		7,597	(1,428)
Tax on profit on ordinary activities*	7	(2,280)	336
Profit/(loss) on ordinary activities after taxation		5,317	(1,092)
Dividends received		58	–
Minority interests (equity)		(18)	(4)
Retained profit/(loss) for the group or its share of joint venture		5,357	(1,096)

* All tax relates to the group.

All activities are continuing.

Group statement of total recognised gains and losses

for the year ended 31 December 2005

	2005	*2004*
	£000	*£000*
Retained profit/(loss) for the year excluding share of loss of joint venture	5,966	(1,096)
Share of joint venture's loss for the year	(609)	–
Total retained profit/(loss) for the year attributable to members of the parent company	5,357	(1,096)
Exchange difference on retranslation of subsidiary undertaking	72	(68)
Total recognised gains/(losses) relating to the year	5,429	(1,164)

Group balance sheet

at 31 December 2005

	Notes	2005 £000	2004 £000
Fixed assets			
Intangible assets	8	76	152
Tangible assets	9	199	236
Investments	10	195	197
		470	585
Current assets			
Stocks	11	2,634	3,848
Debtors	12	16,319	14,929
Cash at bank and in hand		6,519	4,201
		25,472	22,978
Creditors: amounts falling due within one year	13	(16,087)	(19,758)
Net current assets		9,385	3,220
Total assets less current liabilities		9,855	3,805
Provision for joint venture deficit			
Share of gross assets	10	579	–
Share of gross liabilities	10	(1,188)	–
		(609)	–
Net assets		9,246	3,805
Capital and reserves			
Called up share capital	15,16	685	685
Capital reserve	16	113	113
Profit and loss account	16	8,486	3,057
Shareholders' funds:			
Equity		9,284	3,855
	16	9,284	3,855
Minority interests (equity)		(38)	(50)
Shareholders' funds		9,246	3,805

Approved by the Board on
and signed on its behalf by

P Edwards
Director

28/9/2006

Company balance sheet

at 31 December 2005

	Notes	2005 £000	2004 £000
Fixed assets			
Tangible assets	9	199	236
Investments	10	308	321
		507	557
Current assets			
Stocks	11	1,783	3,132
Debtors	12	14,702	15,185
Cash at bank and in hand		6,180	3,881
		22,665	22,198
Creditors: amounts falling due within one year	13	(14,102)	(18,471)
Net current assets		8,563	3,727
Total assets less current liabilities		9,070	4,284
Capital and reserves			
Called up share capital	16	685	685
Profit and loss account	16	8,385	3,599
Shareholders' funds			
Equity		9,070	4,284
Shareholders' funds	16	9,070	4,284

Approved by the Board on
and signed on its behalf by

28/9/2006

P Edwards
Director

Group statement of cash flows

for the year ended 31 December 2005

	Notes	2005 £000	2004 £000
Net cash inflow/(outflow) from operating activities	18 (a)	5,430	(558)
Returns on investments and servicing of finance			
Interest paid		(209)	(278)
Interest received		56	56
		(153)	(222)
Taxation			
Taxation received/(paid)		(1,712)	(1,428)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(35)	(192)
Receipts from sale of tangible fixed assets		-	4
Net increase in investments		-	(2)
		(35)	(190)
Equity dividends received/(paid)		58	(1,000)
Financing			
Net increase/(decrease) in short term borrowings		(1,270)	2,444
Increase/(decrease) in cash in the year		2,318	(954)

Reconciliation of net cash flow to movement in net funds

	Notes	2005 £000	2004 £000
Increase/(decrease) in cash in the year		2,318	(954)
Cash (inflow)/outflow from (increase)/decrease in debt		1,270	(2,444)
Change in net debt arising from cash flows	18(b)	3,588	(3,398)
Movement in the year		3,588	(3,398)
Net funds at beginning of the year	18(b)	1,757	5,155
Net funds at end of the year	18(b)	5,345	1,757

Notes to the financial statements

at 31 December 2005

1. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The group financial statements incorporate the results of G E Fabbri Limited and all its subsidiary undertakings as at 31 December 2005.

Turnover

Turnover represents sales to external customers at invoiced amounts, less value added tax and royalty income, accounted for on an accruals basis.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets over their expected useful lives. It is calculated at the following rates:

Fixtures and fittings	-	25% straight line
Office equipment	-	25% straight line
Motor vehicles	-	25% straight line

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

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first-in, first-out basis. Net realisable value is based on estimated selling price less additional costs of disposal.

Work in progress represents recoverable editorial and production costs on future partwork issues.

Foreign currency

Transactions denominated in foreign currencies are recorded in sterling at exchange rates set at the start of the year. Any exchange gain or loss is calculated at the year end and is taken to the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

The profit and loss accounts and assets and liabilities of foreign subsidiary undertakings are translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange differences which arise from translation of opening net investment in foreign subsidiary undertakings are taken to reserves.

Notes to the financial statements

at 31 December 2005

1. Accounting policies (continued)

Investments

Investments in subsidiary undertakings are stated at cost. The carrying values of investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be receivable.

Deferred taxation

Deferred taxation 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 with the following exceptions:

- provision is made for deferred tax that would arise on remittance of the retained earnings of associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- 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 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

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

2. Turnover

Turnover and profit before taxation is wholly attributable to the group's principal activity, the research, production and sale of partwork magazines primarily in the UK. An analysis of turnover by geographical market is given below:

	2005	*2004*
	£000	*£000*
United Kingdom	31,460	25,307
Other Europe	16,349	18,118
Australia	5,051	4,269
Other	13,834	2,188
	66,694	49,882

Notes to the financial statements

at 31 December 2005

3. Operating profit

This is stated after charging/(crediting):

		2005	2004
		£000	*£000*
Depreciation - owned assets		81	48
Auditors' remuneration	- audit services UK	53	79
	- audit services overseas	28	20
Exchange differences		(305)	(219)

4. Directors' emoluments

The directors received no emoluments during the year (2004 - £nil).

5. Staff costs

	2005	2004
	£000	*£000*
Wages and salaries	399	376
Social security costs	42	29
Other pension costs	14	13
	455	418

Staff costs incurred by G E Publishing Limited are recharged to the company (see note 20).

The monthly average number of employees, excluding directors, during the year was as follows:

	2005	2004
	No.	*No.*
Production	1	1
Sales	1	1
Administration	5	5
	7	7

6. Interest

	2005	2004
	£000	*£000*
Interest received	55	56
Interest paid	(209)	(278)
Net interest received/(paid)	(154)	(222)

Notes to the financial statements

at 31 December 2005

7. Tax on profit on ordinary activities

(a) Analysis of tax charge in the year

	2005	*2004*
	£000	*£000*
Current tax:		
UK corporation tax on profits of the year	2,828	(250)
Overseas tax relieved	(116)	–
Overseas tax suffered	116	–
Adjustment in respect of previous years	2	5
Total current tax (note 7(b))	2,830	(245)
Deferred tax:		
Current year deferred tax	(550)	(91)
Total deferred tax (note 14)	(550)	(91)
Tax on profit on ordinary activities	2,280	(336)

(b) Factors affecting tax charge for the year

	£000	*£000*
Profit/(loss) on ordinary activities before tax	7,597	(1,428)
Profit on ordinary activities multiplied by standard rate of UK corporation tax of 30% (2004 - 30%)	2,280	(428)
Effects of:		
Expenses not deductible for tax purposes	29	7
Capital allowances in the year in excess of depreciation	4	(10)
Net increase in general provisions	263	87
Write off of Polish investment	104	–
Other timing differences	183	–
Adjustments in respect of previous years	2	5
Other	(35)	95
Current tax charge for the year	2,830	(245)

Notes to the financial statements

at 31 December 2005

8. Intangible fixed assets

Group

	Goodwill
	£000
Cost:	
At 1 January 2005	228
Additions	–
At 31 December 2005	228
Amortisation:	
At 1 January 2005	76
Provided during the year	76
At 31 December 2005	152
Net book value:	
At 31 December 2005	76
At 1 January 2005	152

Goodwill is being written off in equal annual instalments over its estimated economic life of three years.

9. Tangible fixed assets

Group

	Fixtures and fittings	*Office equipment*	*Motor vehicles*	*Total*
	£000	*£000*	*£000*	*£000*
Cost:				
At 31 December 2004	11	421	26	458
Additions	10	25	–	35
Disposals	–	–	–	–
At 31 December 2005	21	446	26	493
Depreciation:				
At 31 December 2004	10	212	–	222
Provided during the year	2	64	6	72
Disposals	–	–	–	–
At 31 December 2005	12	276	6	294
Net book value:				
At 31 December 2005	9	170	20	199
At 31 December 2004	1	209	26	236

Notes to the financial statements

at 31 December 2005

9. Tangible fixed assets (continued)

Company

	Fixtures and fittings £000	*Office equipment £000*	*Motor vehicles £000*	*Total £000*
Cost:				
At 31 December 2004	11	421	26	458
Additions	10	25	–	35
Disposals	–	–	–	–
At 31 December 2005	21	446	26	493
Depreciation:				
At 31 December 2004	10	212	–	222
Provided during the year	2	64	6	72
Disposals	–	–	–	–
At 31 December 2005	12	276	6	294
Net book value:				
At 31 December 2005	9	170	20	199
At 31 December 2004	1	209	26	236

10. Investments

Group

	Trade investments £000
Cost:	
At 1 January 2005	197
Exchange adjustment	(2)
At 31 December 2005	195
Provision:	
At 1 January 2004	–
Provided during the year	–
At 31 December 2005	–
Net book value:	
At 31 December 2005	195
At 31 December 2004	197

All investments are unlisted.

Notes to the financial statements

at 31 December 2005

10. Investments (continued)

Additional disclosures are given in respect of GE Eaglemoss Limited, which exceeds certain thresholds under FRS 9 'Associates and Joint Ventures', as follows:

	2005	2004
	£000	*£000*
Fixed assets	–	–
Current assets	579	–
Share of gross assets	579	–
Liabilities due within one year	1,188	–
Liabilities due after more than one year	–	–
Share of gross liabilities	1,188	–
Share of net liabilities	609	–

	£000	*£000*
Turnover	75	–
Loss before tax	(609)	–
Taxation	–	–
Loss after tax	(609)	–

The joint venture was formed on 29 March 2005 and its year-end is 30 June. Management accounts for the period 29 March to 31 December 2005 which are unaudited have been used for the purposes of these financial statements. Audited information for this period is not available at the date of signing these accounts and the directors' believe that the management accounts are materially correct and appropriate for inclusion within the Group financial statements.

Notes to the financial statements

at 31 December 2005

10. Investments (continued)

Investments

Company	*Subsidiary undertakings £000*	*Joint ventures and associates £000*	*Other investments £000*	*Total £000*
Cost:				
At 1 January 2005	125	–	196	321
Exchange adjustment	–	–	(1)	(1)
Additions	–	1	–	1
At 31 December 2005	125	1	195	321
Amounts provided:				
At 1 January 2005	–	–	–	–
Provided during the year	(13)	–	–	(13)
At 31 December 2005	(13)	–	–	(13)
Net book value:				
At 31 December 2005	112	1	195	308
At 31 December 2004	85	–	196	321

Details of the investments in which the group and the company hold 20% or more of the nominal value of any class of share capital are as follows:

Subsidiary undertakings	*Proportion of nominal value and class of shares held*	*Nature of business*	*Country of incorporation*
Fabbri Publishing Limited	100% ordinary shares of £1 each	Publisher of partworks and magazines	Great Britain
G E Fabbri Phoenix Sp.z.o.o	67% 100 Zloty shares	Publisher of partworks	Poland
GE Fabbri Editions	100%	Publisher of partworks	Ukraine
GE Fabbri Editions	100%	Publisher of partworks	Russia
Joint Venture			
GE Eaglemoss Limited	50% ordinary shares of £1 each	Publisher of partworks	Great Britain

Notes to the financial statements

at 31 December 2005

11. Stocks

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Work in progress	536	2,477	536	2,477
Finished goods	2,098	1,371	1,247	655
	2,634	3,848	1,783	3,132

In the opinion of the directors, there is no material difference between the replacement cost of stock and its book value.

12. Debtors: amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Trade debtors	9,198	7,205	7,241	6,786
Amounts owed by parent undertaking	100	442	100	442
Amounts owed by subsidiary undertakings	–	–	1,224	1,346
Amounts owed by joint venture	1,284	–	1,284	–
Other debtors	1,920	4,221	1,537	4,036
Corporation tax recoverable	288	265	247	243
Deferred tax asset (note 14)	736	186	687	186
Prepayments and accrued income	2,793	2,610	2,382	2,146
	16,319	14,929	14,702	15,185

13. Creditors: amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Trade creditors	7,121	7,432	6,757	7,093
Amounts due to parent undertaking	417	2,733	417	2,733
Amounts due to subsidiary undertaking	–	–	64	1,035
Other creditors	3,564	5,574	3,145	5,249
Bank loan	1,174	2,444	–	1,000
Taxation and social security	60	20	60	20
Proposed dividend	–	–	–	–
Corporation tax	1,141	–	1,076	–
Accruals and deferred income	2,610	1,555	2,583	1,341
	16,087	19,758	14,102	18,471

Notes to the financial statements

at 31 December 2005

14. Deferred taxation

	£000
At 1 January 2005	(186)
Provided during the year (note 7(a))	(550)
At 31 December 2005	(736)

This asset is not disclosed separately on the balance sheet. It appears in "debtors", see note 12.

Group	*2005 Provided in the accounts £000*	*2004 Provided in the accounts £000*
Accelerated capital allowances	(4)	–
Losses	(182)	–
Provisions	(550)	(186)
	(736)	(186)

Company	*£000*	*£000*
Accelerated capital allowances	(4)	–
Provisions	(550)	(186)
	(554)	(186)

There are no unprovided deferred tax balances.

15. Share capital

		Authorised		*Allotted, called up and fully paid*
	2005	*2004*	*2005*	*2004*
	£000	*£000*	*£000*	*£000*
100 'A' preference shares of £1 each	–	–	–	–
1 'B' preference share of £1	–	–	–	–
684,932 ordinary shares of £1 each	685	685	685	685
	685	685	685	685

The holders of the 'A' and 'B' preference shares have no voting rights.

On a winding-up of the company, the priority of payments of capital is firstly to pay the 'B' preference shareholder and secondly to pay the 'A' preference shareholder. This includes the subscription price per share together with any arrears of dividends. The balance of capital is payable to the ordinary shareholders.

Notes to the financial statements

at 31 December 2005

16. Reconciliation of movement in shareholders' funds (before minority interest)

Group

	Share capital £000	*Capital reserve £000*	*Profit and loss account £000*	*Total share-holders' funds £000*
At 31 December 2003	685	113	4,222	5,020
Profit for the year	–	–	(1,096)	(1,096)
Exchange difference	–	–	(69)	(69)
At 31 December 2004	685	113	3,057	3,855
Profit for the year	–	–	5,357	5,357
Exchange difference	–	–	72	72
At 31 December 2005	685	113	8,486	9,284

Company

	Share capital £000	*Profit and loss account £000*	*Total share-holders' funds £000*
At 31 December 2003	685	4,713	5,398
Loss for the year	–	(1,094)	(1,094)
Exchange difference	–	(20)	(20)
At 31 December 2004	685	3,599	4,284
Profit for the year	–	4,765	4,765
Exchange difference	–	21	21
At 31 December 2005	685	8,385	9,070

The company has taken advantage of the exemption conferred by section 230(3) of the Companies Act 1985 not to present its own profit and loss account. The amount of company profit dealt with in the financial statements of the parent undertaking is a profit of £4,764,597 (2004 - loss of £1,094,359).

17. Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge of £13,955 (2004 - £13,377) represents contributions payable by the company to the fund.

Notes to the financial statements

at 31 December 2005

18. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities:

	2005	*2004*
	£000	*£000*
Operating profit/(loss)	7,750	(1,206)
Depreciation of tangible fixed assets	72	48
Amortisation of intangible fixed assets	76	76
(Increase)/decrease in stocks	1,214	(1,836)
(Increase)/decrease in debtors	(817)	(7,507)
Increase/(decrease) in creditors	(3,542)	9,962
Share of losses of joint venture	609	–
Exchange movements	68	(95)
Net cash inflow/(outflow) from operating activities	5,430	(558)

(b) Analysis of changes in net funds:

	Opening balance	*Cash flow*	*Closing balance*
	£000	*£000*	*£000*
Cash at bank and in hand	4,201	2,318	6,519
Debt due within one year	(2,444)	1,270	(1,174)
	1,757	3,588	5,345

19. Commitments

The company has forward currency contracts outstanding at the year end to the extent of £364,010 (2004 - £1,251,651).

20. Related party transactions

(a) During the year, the company undertook the following transactions with its parent undertaking:

- trade purchases of £851,003 (2004 - £448,958)
- trade sales of £136,050 (2004 - £183,417)

At the year end, a net amount of £83,472 (2004 - £2,156,669) was owed by the company to the parent company.

(b) G E Publishing Limited, a company incorporated in England, owns 48.9% of the company.

During the year, the company undertook the following transactions with G E Publishing Limited:

- management charge of £350,000 (2004 - £154,143)
- rental charge of £1,363,200 (2004 - £1,464,000)
- staff recharges of £1,025,575 (2004 - £741,496)
- trade purchases of £142,591 (2004 - £172,586)

There was a management charge accrual at year end of £670,372 (2004 - £nil).

The company also made sales to G E Publishing Limited of £72,788 (2004 - £22,096).

Notes to the financial statements

at 31 December 2005

At the year end, a net amount of £233,129 (2004 - £134,384) was owed by the company to G E Publishing Limited.

21. Ultimate parent undertaking

The immediate parent undertaking is RCS International Books B.V., a company incorporated in Holland. It has included the company in its group financial statements, copies of which are available from its registered office at Koningslaan 34, Amsterdam, Holland.

In the opinion of the directors, the company's ultimate parent undertaking is RCS Mediagroup S.p.A., a company incorporated in Italy. It has included the company in its group financial statements, copies of which are available from its registered office: Via Rizzoli 2, Milan, Italy.