

Registered number: 03971244

# **VARICK AND SPRING (UK) LIMITED**

## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2011**

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**VARICK AND SPRING (UK) LIMITED**

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**COMPANY INFORMATION**

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<b>DIRECTORS</b>	J Pisanis P Corrado
<b>COMPANY SECRETARY</b>	J B Pisanis
<b>COMPANY NUMBER</b>	03971244
<b>REGISTERED OFFICE</b>	77 Oxford Street London W1D 2ES
<b>AUDITORS</b>	Reeves & Co LLP Chartered Accountants and Statutory Auditors Third Floor 24 Chiswell Street London EC1Y 4YX

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**VARICK AND SPRING (UK) LIMITED**

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## **VARICK AND SPRING (UK) LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011**

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The directors present their report and the financial statements for the year ended 31 December 2011

#### **PRINCIPAL ACTIVITIES**

Until 12 March 2009, the Company's principal activity was the development and provision of performance based marketing services to the Internet

On 12 March 2009, Vertro Inc, our parent company, entered into an Asset Purchase Agreement with Adknowledge Inc and certain of its subsidiaries pursuant to which certain assets relating to the MIVA Media division were sold to Adknowledge. This included certain assets relating to Varick and Spring (UK) Limited. Following the sale, the directors took the decision to cease trading. As the directors intend to liquidate the company they have not prepared the financial statements on a going concern basis. The effect of this is explained in note 1 within these financial statements.

#### **BUSINESS REVIEW**

The profit and loss account is set out on page 6 and shows turnover for the year of £nil (2010 £79k) and a profit for the year of £0.05m (2010 £3m).

#### **RESULTS**

The profit for the year, after taxation, amounted to £48,949 (2010 - £3,054,000)

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

Varick and Spring has no loan facilities and held a positive cash position of £0.3m (2010 £0.1m) at the year end.

Following the sale of certain assets on 12 March 2009, the directors took the decision to cease trading. The principal risk faced by the company from this date is the realisation of its assets at their full potential.

#### **FINANCIAL INSTRUMENTS**

The Company's financial instruments comprise some cash.

It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken.

The company does not believe they will be exposed to any significant risks due to the nature of the financial instruments in the operation.

#### **AUDITORS**

The auditors, Reeves & Co LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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## **VARICK AND SPRING (UK) LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011**

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#### **DIRECTORS**

The directors who served during the year were

J Pissaris  
P Corrado

None of the directors who served during the period had any interest in the ordinary share capital of the company

P Corrado is also a director of the ultimate parent company, Vertro Inc and his interest in the share capital of that company is shown in its financial statements. J Pissaris has an interest in the share capital of the ultimate parent company as shown in its financial statements and public filings. No other director had any interest in the share capital of any subsidiary company of the ultimate parent company.

#### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting 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.

#### **PROVISION OF INFORMATION TO AUDITORS**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

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**VARICK AND SPRING (UK) LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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This report was approved by the board on 11 OCTOBER 2012 and signed on its behalf



**J Pissaris**  
Director

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## **VARICK AND SPRING (UK) LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VARICK AND SPRING (UK) LIMITED**

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We have audited the financial statements of Varick and Spring (UK) Limited for the year ended 31 December 2011, set out on pages 6 to 13. 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 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**

As explained more fully in the Directors' responsibilities statement, 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 and express an opinion on 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 Ethical Standards for Auditors.

#### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **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 2011 and of its profit 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.

#### **STATEMENT OF GOING CONCERN**

As disclosed in Note 1.1, the Directors do not consider the company to be a going concern for a period of at least 12 months from the date of approval of the financial statements. On this basis the financial statements have been prepared on a 'break up' basis.

#### **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.

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VARICK AND SPRING (UK) LIMITED

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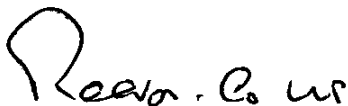
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VARICK AND SPRING (UK)  
LIMITED

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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



James O'Brien FCA (Senior statutory auditor)  
for and on behalf of

**Reeves & Co LLP**

Chartered Accountants and Statutory Auditors

Third Floor

24 Chiswell Street

London

EC1Y 4YX

Date 26 October 2012



**VARICK AND SPRING (UK) LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011 £	2010 £
<b>Turnover</b>	1,2	-	79,047
Cost of sales		<u>140,567</u>	<u>182,645</u>
<b>Gross profit</b>		<b>140,567</b>	261,692
Administrative expenses		<u>(115,759)</u>	<u>(295,709)</u>
<b>Operating profit/(loss)</b>	3	<b>24,808</b>	(34,017)
<b>Exceptional items</b>			
Other exceptional items	7	<u>(300,813)</u>	<u>3,549,084</u>
<b>(Loss)/profit on ordinary activities before interest</b>		<b>(276,005)</b>	3,515,067
Interest receivable and similar income		-	17
Interest payable and similar charges	6	<u>324,954</u>	<u>(461,084)</u>
<b>Profit on ordinary activities before taxation</b>		<b>48,949</b>	3,054,000
Tax on profit on ordinary activities	8	<u>-</u>	<u>-</u>
<b>Profit for the financial year</b>	13	<u><b>48,949</b></u>	<u><b>3,054,000</b></u>

All amounts relate to discontinued activities

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and loss account

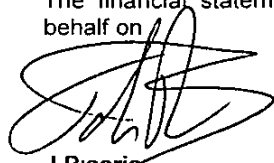
The notes on pages 8 to 13 form part of these financial statements

**VARICK AND SPRING (UK) LIMITED**  
**REGISTERED NUMBER 03971244**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2011**

	Note	£	2011 £	£	2010 £
<b>Current assets</b>					
Debtors	10	307		161,706	
Cash at bank		302,195		137,420	
		<u>302,502</u>		<u>299,126</u>	
<b>Creditors</b> amounts falling due within one year	11	(9,774,449)		(9,820,022)	
<b>Net current liabilities</b>			(9,471,947)		(9,520,896)
<b>Net liabilities</b>			<u>(9,471,947)</u>		<u>(9,520,896)</u>
<b>Capital and reserves</b>					
Called up share capital	12		2		2
Capital redemption reserve	13		19,530,729		19,530,729
Profit and loss account	13		<u>(29,002,678)</u>		<u>(29,051,627)</u>
<b>Shareholders' deficit</b>	14		<u>(9,471,947)</u>		<u>(9,520,896)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 11 OCTOBER 2012



**J Parris**  
Director

The notes on pages 8 to 13 form part of these financial statements

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## **VARICK AND SPRING (UK) LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011**

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#### **1. ACCOUNTING POLICIES**

##### **1.1 Basis of preparation of financial statements**

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

##### **1.2 Going concern**

As required by FRS 18 21 and as permitted by the Companies Act 2006, the directors have prepared the financial statements on the basis that the company is no longer a going concern. Following the sale of certain trade and assets on 12 March 2009, the directors took the decision to cease trading. As a result the directors believe that the going concern basis is no longer appropriate. There is no material effect of adopting this approach.

##### **1.3 Turnover**

Turnover represents the write back of deferred revenue and accruals for discounts that was not paid to advertisers.

##### **1.4 Investments**

Investments in subsidiaries are stated at cost. The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable.

##### **1.5 Deferred taxation**

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as 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 assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are discounted.

##### **1.6 Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

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**VARICK AND SPRING (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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**2. TURNOVER**

The company has not generated any turnover during the year. Turnover in the prior year was attributable to the write back of deferred revenue and accruals for discounts not paid to advertisers.

A geographical analysis of turnover is as follows

	2011 £	2010 £
United Kingdom	-	49,002
Europe	-	30,045
	<u>-</u>	<u>79,047</u>

**3. OPERATING PROFIT/(LOSS)**

During the year, no director received any emoluments (2010 - £NIL)

**4. AUDITORS' REMUNERATION**

	2011 £	2010 £
Fees payable to the company's auditor for the audit of the company's annual accounts	<u>5,000</u>	<u>16,000</u>

Audit fees of £14,221 was paid to the previous auditors in the year

**5. STAFF COSTS**

Staff costs were as follows

	2011 £	2010 £
Social security costs	<u>-</u>	<u>2,725</u>

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

	2011 No.	2010 No.
Administrative	<u>0</u>	<u>2</u>

**VARICK AND SPRING (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**6. INTEREST PAYABLE**

	2011 £	2010 £
Foreign exchange (gain)/loss	<u>(324,954)</u>	<u>461,084</u>

**7. EXCEPTIONAL ITEMS**

	2011 £	2010 £
Impairment of loans no longer recoverable	300,813	-
Impairment of investments in subsidiary undertakings	-	2,698,073
Release of inter-company creditors no longer due	-	(399,178)
Reversal of provisions against inter-company loans	-	(5,847,979)
	<u>300,813</u>	<u>(3,549,084)</u>

**8. TAXATION**

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2010 - lower than) the standard rate of corporation tax in the UK of 26% (2010 - 28%). The differences are explained below

	2011 £	2010 £
Profit on ordinary activities before tax	<u>48,949</u>	<u>3,054,000</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2010 - 28%)	12,727	855,120
<b>Effects of</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	-	86,802
Impairments of investments in subsidiaries	-	755,460
Write down of loans to subsidiaries	-	(1,749,204)
Tax losses carried forward to future periods	-	129,099
Utilisation of tax losses	(12,727)	(77,277)
<b>Current tax charge for the year (see note above)</b>	<u>-</u>	<u>-</u>

**Factors that may affect future tax charges**

The company has not recognised deferred tax assets of £Nil (2010 - £Nil) in respect of trading losses as there is insufficient evidence of suitable future taxable profits against which the reversal of the underlying timing differences can be offset

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**VARICK AND SPRING (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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**9 FIXED ASSET INVESTMENTS**

	Investments in subsidiary companies £
<b>Cost</b>	
At 1 January 2011	-
Additions	1
Amounts written off	(1)
	<hr/>
At 31 December 2011	-
	<hr/>
<b>Net book value</b>	
At 31 December 2011	-
	<hr/> <hr/>
<i>At 31 December 2010</i>	-
	<hr/> <hr/>

**Subsidiary undertakings**

The following were subsidiary undertakings of the company

<b>Name</b>	<b>Country of incorporation</b>	<b>Holding</b>
Varick and Spring (Deutschland) GmbH *	Germany	100 %
Varick and Spring Scandinavia AB *	Sweden	100 %

\* These companies have ceased trading Germany and Sweden will be liquidated in 2012

**10. DEBTORS**

	2011 £	2010 £
Other debtors	307	161,706
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**VARICK AND SPRING (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**11 CREDITORS.**

Amounts falling due within one year

	2011 £	2010 £
Trade creditors	186,668	229,622
Amounts owed to group undertakings	9,052,932	8,977,463
Corporation tax	93,440	93,440
Social security and other taxes	860	7,081
Other creditors	1,194	-
Accruals and deferred income	439,355	512,416
	<u>9,774,449</u>	<u>9,820,022</u>

**12. SHARE CAPITAL**

	2011 £	2010 £
<b>Allotted, called up and fully paid</b>		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

**13. RESERVES**

	Capital redemption reserve £	Profit and loss account £
At 1 January 2011	19,530,729	(29,051,627)
Profit for the year		48,949
At 31 December 2011	<u>19,530,729</u>	<u>(29,002,678)</u>

The capital contribution reserve was created in 2004 on the waiving of the loans of £14,647,385 owing to Varick and Spring II Inc and £4,883,344 owing to Vertro Inc

**14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT**

	2011 £	2010 £
Opening shareholders' deficit	(9,520,896)	(12,574,896)
Profit for the year	48,949	3,054,000
Closing shareholders' deficit	<u>(9,471,947)</u>	<u>(9,520,896)</u>

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**VARICK AND SPRING (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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**15 RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related Party disclosures" not to include transactions with members of the group headed by Vertro Inc on the grounds that 100% of the voting rights in the company are controlled within that group and that company is included in the consolidated financial statements

**16. CASHFLOW STATEMENT**

The Company has used the exemption under Financial Reporting Standard 1 'Cash Flow Statements', not to prepare a cashflow statement as it is consolidated in the financial statements of its ultimate parent company

**17 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The company is a 100% subsidiary of Varick and Spring II Inc, a privately owned company incorporated in the United States of America. Varick and Spring II Inc is a 100% subsidiary of Vertro Inc, a publicly traded company listed on the NASDAQ in the United States of America. The directors consider this to be the ultimate parent company. Copies of the Vertro Inc financial statements can be obtained from the Company Secretary, 5220 Summerlin Commons Blvd, Fort Myers, Florida, 33907, United States of America

**18. GROUP FINANCIAL STATEMENTS**

Group financial statements are not presented because the company has taken advantage of the exemption under section 400 of the Companies Act 2006. Thus, the results in these financial statements reflect information about the company as an individual undertaking and not about its group