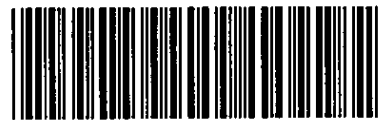


Development Hell Limited

Annual Report

Year ended 31 December 2006

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DEVELOPMENT HELL LIMITED

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DEVELOPMENT HELL LIMITED

Company Information

Directors	D Hepworth J W Perkins P Strong A Freeman
Secretary	D Joseph
Registered office	90-92 Pentonville Road London N1 9HS
Registered number	4333049
Auditors	RSM Robson Rhodes LLP Chartered Accountants Centre City Tower 7 Hill Street Birmingham B5 4UU

Report of the Directors

The directors present their report and the audited financial statements for the year ended 31 December 2006

Principal activities

The principal activity of the company is that of consumer magazine publishing

Business review and future developments

The directors are pleased with the performance of the business against a background of difficult consumer advertising market conditions throughout most of 2006. In addition, the acquisition of Mixmag in 2005 has proven a success, generating excellent returns and proving the business model for the company, that of acquiring value adding media properties which are highly regarded by their consumers and advertisers and publishing them passionately and efficiently.

Directors

The present directors of the company are set out on page 1. All of the directors served throughout the year.

Those directors serving at the end of the year had interests in the share capital of the company at 31 December 2006 as follows:

	Ordinary shares of 10p each		Preference shares of 10p each	
	31 December	1 January	31 December	1 January
	2006	2006	2006	2006
	£	£	£	£
D Hepworth	5,249	5,249	-	-
J W Perkins	5,170	5,170	-	-
P Strong	1,356	1,356	1,248	1,248
A Freeman	-	-	-	-

The directors had no other disclosable interests under the Companies Act 1985 in the debentures or preference shares of the company or of any other group company.

Report of the Directors

(Continued)

Statement of directors' responsibilities for the financial statements

The directors are responsible for preparing 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 these 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, 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 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.

Disclosure of information to auditors

At the date of making this report each of the company's directors, as set out on page 1, confirm the following:

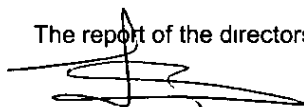
- so far as each director is aware, there is no relevant information needed by the company's auditors in connection with preparing their report of which the company's auditors are unaware, and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware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

Auditors

Stephenson Smart & Co resigned as auditors in the year and RSM Robson Rhodes LLP were appointed in their place. The auditors are willing to continue in office and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Approval

The report of the directors was approved by the Board on 20 March 2007 and signed on its behalf by



J W Perkins
Director

Independent Auditors' Report to the Shareholders of Development Hell Limited

We have audited the financial statements on pages 5 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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 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).

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

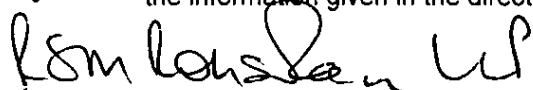
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company 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.



RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
Birmingham, England
20 March 2007

Profit and Loss Account

for the year ended 31 December 2006

	Note	2006 £	2005 £
Turnover – continuing operations	2	3,009,465	1,646,528
Cost of sales		(2,541,238)	(1,242,519)
		<hr/>	<hr/>
Gross profit		468,227	404,009
Distribution costs		(162,011)	-
Administrative expenses		(440,055)	(572,587)
		<hr/>	<hr/>
Operating loss	3	(133,839)	(168,578)
Interest receivable and similar income	4	4,078	5,236
Interest payable	5	(17,850)	-
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(147,611)	(163,342)
Tax on loss on ordinary activities	8	-	-
		<hr/>	<hr/>
Loss for the year		<u>(147,611)</u>	<u>(163,342)</u>

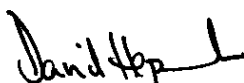
There were no recognised gains or losses for the year other than those included in the profit and loss account

Balance Sheet

at 31 December 2006

	Note	2006 £	Restated 2005 £
Fixed assets			
Intangible assets	9	1,274,378	1,351,603
Tangible assets	10	21,151	25,643
		<hr/>	<hr/>
		1,295,529	1,377,246
		<hr/>	<hr/>
Current assets			
Stock	11	16,075	-
Debtors	12	491,338	413,590
Cash at bank and in hand		340,438	163,719
		<hr/>	<hr/>
		847,851	577,309
Creditors Amounts falling due within one year	13	(824,170)	(487,734)
		<hr/>	<hr/>
Net current assets		23,681	89,575
		<hr/>	<hr/>
Total assets less current liabilities		1,319,210	1,466,821
		<hr/>	<hr/>
Creditors Amounts falling due after more than one year	14	(170,003)	(170,003)
		<hr/>	<hr/>
Net assets		1,149,207	1,296,818
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	15	3,322	3,322
Share premium account	16	2,628,658	2,628,658
Profit and loss account	16	(1,482,773)	(1,335,162)
		<hr/>	<hr/>
Shareholders' funds	17	1,149,207	1,296,818
		<hr/>	<hr/>

The financial statements were approved by the Board on 20 March 2007 and signed on its behalf by



David Hepworth
Director

Notes to the Financial Statements

31 December 2006

1 ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention in accordance with the applicable UK accounting standards

Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

Comparative figures

Financial Reporting Standard (FRS) 25 Financial Instruments Disclosure and presentation requires a company to classify its shares as either financial liabilities or equity instruments. As a result the company's preference share capital has been reclassified as a financial liability, and included in the balance sheet as "Creditors - Amounts falling due after more than one year". Consistent with the classification of preference shares as a financial liability, the dividend paid in respect of preference shares is now included as finance cost in the profit and loss account and not as dividends paid. The impact of this reclassification is that net assets and shareholders' funds have reduced by £170,003 (2005: £170,003)

Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts

Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life up to a maximum of 20 years

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

Office equipment, computer equipment	20% pa
Furniture, fixtures and fittings	15% pa

Foreign currency translations

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. All differences are taken to profit and loss account

Pensions

The company operates a defined contribution scheme. The assets of the Scheme are invested and managed independently of the finances of the company. The pension cost charge represents contributions payable in the year

Stocks

Stock is valued at the lower of cost and estimated net realisable value. Cost is determined on a weighted average basis

Notes to the Financial Statements

31 December 2006

2 TURNOVER

In the year to 31 December 2006, 12% (2005 8%) of the company's turnover was to markets outside the United Kingdom

3 OPERATING LOSS

Operating loss is arrived at after charging

	2006 £	2005 £
Depreciation of tangible assets	11,927	6,117
Fees payable to the company's auditors for the audit of the financial statements	10,000	8,950
	<u>21,927</u>	<u>15,067</u>

4. INTEREST RECEIVABLE

	2006 £	2005 £
Bank interest	4,078	5,169
Other interest	-	67
	<u>4,078</u>	<u>5,236</u>

5 INTEREST PAYABLE

	2006 £	2005 £
Preference share dividend	17,850	-
	<u>17,850</u>	<u>-</u>

6 EMPLOYEES

Average monthly number of employees, including executive directors

	2006 No	2005 No
Editorial	12	4
Advertising	2	2
Corporate	5	4
	<u>19</u>	<u>10</u>

Staff costs, including directors

	2006 £	2005 £
Wages and salaries	574,027	353,356
Social security costs	58,390	31,255
Pension costs	580	-
	<u>632,997</u>	<u>384,611</u>

Notes to the Financial Statements

31 December 2006

7 DIRECTORS' EMOLUMENTS

Remuneration of the company's directors

	2006 £	2005 £
Emoluments	69,500	76,056
Contributions to money purchase pension schemes	-	-
	<hr/>	<hr/>
	69,500	76,056
	<hr/>	<hr/>

In 2006 there were no directors accruing benefits under defined contribution money purchase schemes (2005 nil)

8. TAXATION

On the basis of these financial statements no provision has been made for corporation tax

Taxation charge for the year

The taxation charge for the year is analysed below

	2006 £	2005 £
Current taxation		
United Kingdom Corporation tax	-	-
Adjustments in respect of prior years	-	-
	<hr/>	<hr/>
Current taxation	-	-
Deferred taxation		
Net origination (reversal) of timing differences	-	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	-	-
	<hr/>	<hr/>

Notes to the Financial Statements

31 December 2006

8 TAXATION (continued)

Current tax reconciliation

The current tax charge is lower than the standard rate of corporation tax in the UK. A reconciliation is shown below

	2006 £
Profit on ordinary activities before taxation	(147,611)
	<hr/>
Theoretical tax at UK corporation tax rate 30% (2001 30%)	(44,283)
Effects of	
- other short term timing differences	1,199
- creation of tax losses	34,079
- expenditure that is not tax deductible	7,496
- decelerated/(accelerated) capital allowances	1,509
	<hr/>
Actual current taxation charge	-
	<hr/>

9 INTANGIBLE ASSETS

	Goodwill £
Cost	
At 1 January 2006	1,351,603
Fair value adjustment	3,849
	<hr/>
At 31 December 2006	1,355,452
	<hr/>
Amortisation	
At 1 January 2006	-
Charged in year	81,074
	<hr/>
At 31 December 2006	81,074
	<hr/>
Net book value	
At 31 December 2006	1,274,378
	<hr/>
At 31 December 2005	1,351,603
	<hr/>

The fair value adjustment in the year relates to additional fees, relating to the acquisition, incurred in the year

Notes to the Financial Statements

31 December 2006

10. TANGIBLE ASSETS

	Office equipment etc £
Cost or valuation	
At 1 January 2006	41,131
Additions	7,435
	<hr/>
At 31 December 2006	48,566
	<hr/>
Depreciation	
At 1 January 2006	15,488
Charge for year	11,927
	<hr/>
At 31 December 2006	27,415
	<hr/>
Net book value	
At 31 December 2006	21,151
	<hr/>
At 31 December 2005	25,643
	<hr/>

11. STOCKS

	2006 £	2005 £
Raw materials	16,075	-
	<hr/>	<hr/>

12. DEBTORS

	2006 £	2005 £
Trade debtors	170,283	203,762
Other debtors and prepayments	280,811	203,626
Other taxation and social security	40,244	6,202
	<hr/>	<hr/>
	491,338	413,590
	<hr/>	<hr/>

Notes to the Financial Statements

31 December 2006

13 CREDITORS' AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Bank overdraft	8,592	-
Trade creditors	292,778	201,080
Other taxation and social security	19,297	18,428
Other creditors and accruals	485,653	268,226
Preference share dividend	17,850	-
	<u>824,170</u>	<u>487,734</u>

Barclays Bank PLC hold a debenture dated 6 December 2005 over the company in respect of all monies due or to become due from the company to the bank

14 CREDITORS' AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2006 £	Restated 2005 £
Preference share capital	170,003	170,003
	<u>170,003</u>	<u>170,003</u>

Preference Shareholders' rights

Preference shareholders are entitled to a dividend paid half yearly at 9% per annum based upon par value and any premium paid on them. The shares are redeemable at the company's discretion unless the company is unable to pay the dividend on six consecutive occasions. The holder then has the right to convert the preference shares into ordinary shares.

	2006 £	2005 £
Authorised, allotted and fully paid		
1,248 preference shares of 10p each	125	125
Share premium on issue of preference shares	169,878	169,878
	<u>170,003</u>	<u>170,003</u>

Notes to the Financial Statements

31 December 2006

15 SHARE CAPITAL

	2006 £	Restated 2005 £
Authorised		
34,723 ordinary shares of 10p	3,472	3,472
Allotted, called up and fully paid		
33,223 ordinary shares of 10p	3,322	3,322

The restatement of the prior year relates to an FRS 25 adjustment as set out in note 1

On 30 January 2003 the company issued 3 EMI share option agreements for 1,200 10 pence ordinary shares which can be exercised upon the earliest of the following events at 10 pence per share

- (i) Death in Service,
- (ii) Cessation of employment through injury or disability, retirement, transfer or sale of the undertaking or at the directors' discretion,
- (iii) Tenth anniversary of the agreement

16 RESERVES

	Share premium account £	Profit and loss account £
At 1 January 2006 – as previously stated	2,798,536	(1,335,162)
Premium on preference shares	(169,878)	-
	<hr/>	<hr/>
Loss for the year	2,628,658	(1,335,162)
	-	(147,611)
	<hr/>	<hr/>
At 31 December 2006	2,628,658	(1,482,773)
	<hr/>	<hr/>

Notes to the Financial Statements

31 December 2006

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £	2005 £
Loss for the financial year	(147,611)	(163,342)
New share issue	-	1,399,933
Adjustment re FRS 25 (note 1)	-	(170,003)
	<hr/> (147,611)	<hr/> 1,066,588
Opening shareholders' funds as previously stated	1,296,818	230,230
	<hr/>	<hr/>
Closing shareholders' funds	<u>1,149,207</u>	<u>1,296,818</u>

18. TRANSACTIONS WITH DIRECTORS

During the year £24,990 (2005 £24,966) was paid to Mrs A Hepworth, the wife of D Hepworth, as a marketing consultant. This amount was invoiced by Mrs Hepworth under normal commercial terms.

19 CONTROLLING PARTY

No one individual has overall control of the company based on their shareholding as shown in the Directors' Report.