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COMPANIES HOUSE

# Report & Financial Statements

For the year ended 31 December 2010

**Digital Spy Limited**

Registered Number: 4270534

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## **DIGITAL SPY LIMITED**

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**DIGITAL SPY LIMITED**  
**COMPANY INFORMATION**

1

**DIRECTORS**

J de Boisdeffre  
K Hand

**COMPANY SECRETARY**

A Humphries

**REGISTERED OFFICE**

64 North Row  
LONDON  
W1K 7LL

**REGISTERED NUMBER**

4270534 England

**AUDITORS**

Mazars LLP  
Tower Bridge House  
St Katharine's Way  
LONDON E1W 1DD

**DIRECTORS' REPORT**

Registered number 4270534

The Directors present their report and the audited financial statements for the year ended 31 December 2010

**REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

The principal activity of Digital Spy Limited is digital publishing

In 2010, Digital Spy Limited increased its revenues by 52% to £2,086k and delivered a profit after tax of £140k (for the period ended 31 December 2009, the Company reported a loss of £185k)

During the year, Digital Spy has pursued its expansion. It increased its average number of unique visitors by 32% year on year, from 5.7 million unique visitors in 2009 to 7.5 million unique visitors in 2010.

On 28 March 2011 Lagardere SCA, Digital Spy Limited's ultimate parent company, accepted a binding offer from the Hearst Corporation for the acquisition of its international magazine business, including the UK and hence Digital Spy Limited. The sale is subject to governmental approvals and anti-trust clearances and is expected to be concluded in 2011.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risk is that associated with fluctuations in the advertising market. We continue to make progress in growing our advertising revenue across different market sectors and in offering more bespoke branded advertising solutions as well as the more straightforward banner display advertising. We also continue to grow our number of business partnerships for non advertising revenues.

**DIRECTORS**

The directors of the Company who served during the period were as follows

Alan Jay (resigned on 7<sup>th</sup> March 2011)

Kevin Hand

Jean De Boisdeffre

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

We have each taken all the necessary steps to make us aware as directors, of any relevant audit information and to establish that the auditors are aware of that information. As far as the directors are aware, there is no relevant audit information of which the Company's auditors are not aware.

**DIRECTORS' REPORT (CONTINUED)**

**STATEMENT OF 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 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,
- 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 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.

By order of the Board, 18<sup>th</sup> April 2011



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A. Humphries  
Company secretary

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF DIGITAL SPY LIMITED**

We have audited the financial statements of Digital Spy Limited for the year ended 31 December 2010 which comprise 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).

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 (APB's) Ethical Standards for Auditors. This report, including our opinion, has been prepared for and only for the company's member 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 member those matters we are required to state to it 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 member for our audit work, for this report, or for the opinions we have formed.

**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 web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

**OPINION ON THE 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 2010 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.

**OPINION ON THE OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

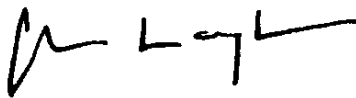
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF DIGITAL SPY LIMITED  
(CONTINUED)**

**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



Claire Larquetoux (Senior statutory auditor)

For and on behalf of Mazars LLP, Chartered Accountants and Statutory Auditor

Tower Bridge House,  
St Katharine's Way,  
London E1W 1DD

Date 18/4/11

**PROFIT AND LOSS ACCOUNT****For the year ended 31 December 2010**

	Notes	31 December 2010 £	31 December 2009 £
TURNOVER	2	2,085,747	1,365,157
Cost of sales		(443,527)	(354,641)
GROSS PROFIT		1,642,220	1,010,516
Other operating expenses		(1,445,100)	(1,261,290)
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	197,120	(250,774)
Tax (expense) / credit on ordinary activity	6	(56,913)	66,267
PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	12	140,207	(184,507)

All profits and losses arise solely from continuing operations in the current and preceding period. All recognised gains and losses are included in the profit and loss account and as such, no separate statement of recognised gains and losses has been presented.



**BALANCE SHEET as at 31 December 2010**

	Notes	31 December 2010 £	31 December 2009 £
<b>FIXED ASSETS</b>			
Tangible fixed assets	7	81,093	74,065
		<u>81,093</u>	<u>74,065</u>
<b>CURRENT ASSETS</b>			
Debtors amounts falling due within one year	8	398,053	296,215
Cash at bank and in hand		198,289	86,503
		<u>596,342</u>	<u>382,718</u>
<b>CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	10	(529,725)	(449,280)
		<u>66,617</u>	<u>(66,562)</u>
<b>NET CURRENT ASSETS / (LIABILITIES)</b>		<u>147,710</u>	<u>7,503</u>
<b>TOTAL NET ASSETS</b>		<u>147,710</u>	<u>7,503</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	-	-
Profit and loss account	12	147,710	7,503
		<u>147,710</u>	<u>7,503</u>
<b>TOTAL SHAREHOLDER'S FUNDS</b>	13	<u>147,710</u>	<u>7,503</u>

Approved by the Board on 18<sup>th</sup> April 2011 and signed on its behalf by

  
K. Hand  
Director

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

## 1. ACCOUNTING POLICIES

## (a) Accounting convention

The financial statements are prepared under the historical cost convention in accordance with applicable United Kingdom accounting standards and on a going concern basis

## (b) Turnover

Turnover represents the invoiced value of goods sold and services supplied stated net of value added tax

Digital advertising revenue is recognised during the month in which the advertising campaign runs on the website

## (c) Exemptions applied

As the Company is wholly owned by Lagardère S C A which publishes consolidated financial statements in which it is included, it is not required to prepare a cash flow statement or to disclose details of transactions with entities that are 100% owned by the group

## (d) Foreign currencies

Transactions denominated in foreign currencies are recorded in sterling at the exchange rate as at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the year end 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 reported in the profit and loss account

## (e) Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost Depreciation is provided to write off the cost less estimated residual value of all fixed assets on a straight line basis over their expected useful lives

Plant and equipment	- from 10% to 33% per annum
Fixtures and fittings	- from 7.5% to 20% per annum

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2010 (continued)**

**1. ACCOUNTING POLICIES (continued)**

**(f) Taxation**

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date

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 that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exception

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 a non-discounted 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

**(g) Pension costs**

The Company operates a defined contribution pension scheme. Contributions payable to the scheme are charged to the profit and loss account in the period to which they relate

**2. TURNOVER**

All of the Company's turnover and operating profits are derived from the principal activity of digital publishing, wholly undertaken in the United Kingdom

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2010 (continued)**

**3. PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION**

	31 December 2010	31 December 2009
	£	£
Profit / (loss) on ordinary activities before taxation is stated after charging		
Staff costs (note 4)	904,280	773,591
Depreciation of owned tangible assets (note 7)	39,946	36,934
Auditors' remuneration – audit fees	14,000	12,195
	<u>904,280</u>	<u>773,591</u>

**4. EMPLOYEE INFORMATION**

	31 December 2010	31 December 2009
	£	£
Wages and salaries	809,249	691,154
Social security costs	88,247	75,528
Other pension costs	6,784	6,909
	<u>904,280</u>	<u>773,591</u>

The average number of permanent persons employed by the Company during the period was

	No.	No.
Editorial	19	21
Advertising	5	6
Developers	2	2
Marketing	1	1
Management	2	1
	<u>29</u>	<u>31</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2010 (continued)**

**5. DIRECTORS' REMUNERATION**

	<b>31 December 2010</b>	<b>31 December 2009</b>
	<b>£</b>	<b>£</b>
Emoluments	-	12,088
Contributions to money purchase pension schemes	-	-
	<u>          </u>	<u>          </u>
Total emoluments	<u>          </u>	<u>12,088</u>

During the period, no director accrued benefits under money purchase pension schemes, and no director received emoluments from the company in the year

**6. TAXATION**

	<b>31 December 2010</b>	<b>31 December 2009</b>
	<b>£</b>	<b>£</b>
<b>(a) Total tax charge</b>		
Current tax		
UK corporation tax on profits / (losses) for the period	63,448	(74,117)
Adjustments in respect of previous periods	-	-
	<u>          </u>	<u>          </u>
<b>Sub-total</b>	<b>63,448</b>	<b>(74,117)</b>
Deferred tax		
Origination and reversal of timing differences	(6,535)	7,850
	<u>          </u>	<u>          </u>
<b>Total deferred tax</b>	<b>(6,535)</b>	<b>7,850</b>
	<u>          </u>	<u>          </u>
<b>Tax charge /(credit) on profit / (losses) on ordinary activities</b>	<b>56,913</b>	<b>(66,267)</b>
	<u>          </u>	<u>          </u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2010 (continued)**

**6. TAXATION (continued)**

	31 December 2010 £	31 December 2009 £
<b>(b) Tax reconciliation</b>		
<b>Profit / (loss) on ordinary activities before tax</b>	<b>197,120</b>	<b>(250,774)</b>
	_____	_____
Profit / (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	55,194	(70,217)
<i>Effects of</i>		
Expenses not deductible for tax purposes	1,466	3,950
Accelerated depreciation / (capital allowances)	3,968	3,176
Other timing differences	2,820	(11,026)
	_____	_____
<b>Current tax charge / (credit) for the period</b>	<b>63,448</b>	<b>(74,117)</b>
	=====	=====

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2010 (continued)**

**7. TANGIBLE FIXED ASSETS**

	<b>Fixtures and fittings £</b>	<b>Plant and equipment £</b>	<b>Total £</b>
<b>COST</b>			
At 1 January 2010	28,169	149,340	177,509
Additions	1,948	45,026	46,974
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2010	30,117	194,366	224,483
	<u>          </u>	<u>          </u>	<u>          </u>
<b>DEPRECIATION</b>			
At 1 January 2010	11,243	92,201	103,444
Charge for the period	8,535	31,411	39,946
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2010	19,778	123,612	143,390
	<u>          </u>	<u>          </u>	<u>          </u>
<b>NET BOOK AMOUNT</b>			
At 31 December 2010	10,339	70,754	81,093
	<u>          </u>	<u>          </u>	<u>          </u>
At 1 January 2010	16,926	57,139	74,065
	<u>          </u>	<u>          </u>	<u>          </u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2010 (continued)**

**8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>31 December 2010</b>	<b>31 December 2009</b>
	<b>£</b>	<b>£</b>
Trade debtors	372,563	201,937
Prepayments and accrued income	8,012	7,750
Deferred tax	6,808	273
UK corporation tax receivable	10,670	83,601
Social security and other taxes	-	2,654
	<u>398,053</u>	<u>296,215</u>

**9. DEFERRED TAX RECOGNISED**

	<b>31 December 2010</b>	<b>31 December 2009</b>
	<b>£</b>	<b>£</b>
Included in debtors	6,808	273
<b>Total recognised deferred tax asset</b>	<u>6,808</u>	<u>273</u>
Accelerated depreciation over capital allowances	4,089	273
Other timing differences	2,719	-
<b>Total recognised deferred tax asset</b>	<u>6,808</u>	<u>273</u>
Deferred tax asset at the start of the year	273	8,123
Deferred tax credit / (charge) in profit and loss account	6,535	(7,850)
<b>Deferred tax asset at the end of the year</b>	<u>6,808</u>	<u>273</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2010 (continued)**

**10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>31 December 2010 £</b>	<b>31 December 2009 £</b>
Trade creditors	54,781	2,365
Amounts owed to group undertakings	136,523	298,601
Accruals and deferred income	321,896	148,314
Social security and other taxes	16,525	-
	<u>529,725</u>	<u>449,280</u>

**11. CALLED UP SHARE CAPITAL**

	<b>31 December 2010 £</b>	<b>31 December 2009 £</b>
Authorised 10,000 ordinary shares of 1p each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid 6 ordinary shares of 1p each	<u>-</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2010 (continued)**

**12. SHAREHOLDER'S FUNDS**

	Share capital	Profit and loss account	Total
	£	£	£
At 1 January 2010	-	7,503	7,503
Retained profit for the period	-	140,207	140,207
	<u>-</u>	<u>140,207</u>	<u>140,207</u>
At 31 December 2010	<u>-</u>	<u>147,710</u>	<u>147,710</u>

**13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS**

	31 December 2010	31 December 2009
	£	£
Profit / (loss) for the financial year	140,207	(184,507)
	<u>140,207</u>	<u>(184,507)</u>
Opening shareholder's funds	7,503	192,010
	<u>7,503</u>	<u>192,010</u>
Closing shareholder's funds	<u>147,710</u>	<u>7,503</u>

**14. PARENT UNDERTAKINGS AND ULTIMATE CONTROLLING PARTY**

The immediate parent company is Hachette Filipacchi (UK) Limited, a company incorporated in the United Kingdom. The ultimate parent company is Lagardère S C A, a company incorporated in France.

The only group in which the results of the Company are consolidated is that headed by Lagardère S C A, whose principal place of business is at 4 Rue de Presbourg, 75008 Paris, France, where consolidated accounts are available to the public.

**15. POST BALANCE SHEET EVENTS**

On 28 March 2011 Lagardère S C A, Digital Spy Limited's ultimate parent company, accepted a binding offer from the Hearst Corporation for the acquisition of its international magazine business, including the UK and hence Digital Spy Limited. The sale is subject to governmental approvals and anti-trust clearances and is expected to be concluded in 2011.