

**Company Registration No. 1197840**

**IDG Communications Limited**

**Report and Financial Statements**

**30 September 2007**

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# **IDG Communications Limited**

## **Report and financial statements 2007**

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# **IDG Communications Limited**

## **Officers and professional advisers**

### **Directors**

K J Arnot  
P J McGovern (USA)  
E Bloom (USA)

### **Secretary**

C Norman

### **Registered office**

99 Grays Inn Road  
London  
WC1X 8TY

### **Bankers**

NatWest Bank Plc  
20 Dean Street  
London  
W1A 1SX

### **Solicitors**

Simmons & Simmons  
21 Wilson Street  
London  
EC2M 2TQ

### **Auditors**

Deloitte & Touche LLP  
Chartered Accountants  
London

# **IDG Communications Limited**

## **Directors' report**

The directors of IDG Communications Limited present their report for the year ended 30 September 2007 together with the audited financial statements of the company for the same period

### **Activities**

The principal activities of the company continue to be magazine and online publishing

### **Business Review and Future Developments**

The company made a profit before taxation of £227,081 for the year to 30 September 2007 (2006 loss – £522,896) which was in line with the budgets for the year

The Company undertakes comprehensive business planning to define long term strategic objectives and goals. Annual budgets and operational plans are prepared utilising financial and non-financial Key Performance Indicators ('KPI's'). Business performance, measured by KPI's which include monitoring of actual against budget and rolling forecasts, are reported to the parent Company on a monthly basis. The results for the year were in line with budget, and turnover has increased comparing to prior year by 17.8%. The Consumer side of the business remained static with the increase in turnover being generated by the Business to Business side of the business.

In the opinion of the directors the state of the company's affairs at the balance sheet date was satisfactory and they look forward to the future with confidence. The directors are confident that the company will show an improvement in earnings in the forthcoming year. The directors believe the acquisition made in 2006 from Fairfax EEC Limited and the continued development of new products will make a positive impact on the growth of the business.

### **Financial Risk Management Objectives and Policies**

The company's activities expose it to a number of financial risks including credit risk and liquidity risk.

#### *Credit risk*

The company's principal financial assets are bank balances and cash, trade and other receivables.

The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

A large proportion of the trade receivables (19%) is in respect of a receivable from the company's newsstand distributor Comag. Comag is owned by two major publishers (The National Magazine Company Ltd and Condé Nast Publications Ltd) and the company believes the credit risk is limited due to the financial stability of these entities. The remaining exposure is spread over a large number of counterparties and customers, and there is no significant concentration of risk.

# **IDG Communications Limited**

## **Directors' report (continued)**

### *Liquidity risk*

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company has entered into a long-term finance agreement with the parent company

### **Dividend**

The directors do not recommend the payment of a dividend (2006 – £nil)

### **Directors**

The directors who served throughout the year and subsequently are shown on page 1

The directors had no beneficial interests in the share capital of the company or any other UK group company during the year

### **Auditors**

Each of the persons who is a director at the date of approval of this report confirms that so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware and the director has taken all the steps that he/she ought to have as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors  
and signed on behalf of the Board



C Norman  
Secretary

12 February 2008

99 Grays Inn Road  
London  
WC1X 8TY

# **IDG Communications Limited**

## **Statement of directors' responsibilities**

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,
- state whether applicable UK Accounting Standards have been followed,
- 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 that 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.

## **Independent auditors' report to the members of IDG Communications Limited**

We have audited the financial statements of IDG Communications Limited for the year ended 30 September 2007 which comprise the profit and loss account, the balance sheet and the related notes 1 to 20. 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' 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 United Kingdom 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.

## **Independent auditors' report to the members of IDG Communications 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 company's affairs as at 30 September 2007 and of its profit 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



**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
London

*12 February* 2008



# IDG Communications Limited

## Profit and loss account Year ended 30 September 2007

	Notes	2007 £	2006 £
<b>Turnover</b>	1,2	8,465,135	7,182,597
Cost of sales		<u>(7,308,942)</u>	<u>(6,581,550)</u>
<b>Gross profit</b>		1,156,193	601,047
Distribution costs		(13,485)	(14,753)
Administrative expenses		<u>(2,218,024)</u>	<u>(2,435,395)</u>
Other operating income	5	<u>1,262,629</u>	<u>1,312,028</u>
<b>Operating profit/(loss)</b>		187,313	(537,073)
Interest receivable and similar income	6	<u>39,768</u>	<u>14,177</u>
<b>Profit/(loss) on ordinary activities before taxation</b>		227,081	(522,896)
Tax credit on loss on ordinary activities	7	<u>380,165</u>	<u>51,455</u>
<b>Profit/(loss) on ordinary activities after taxation and retained loss for the financial year</b>	16	<u><u>607,246</u></u>	<u><u>(471,441)</u></u>

All results relate to continuing activities

There were no recognised gains or losses for the current financial year and preceding financial year other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses is presented.

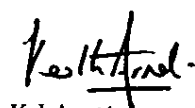
# IDG Communications Limited

## Balance sheet 30 September 2007

	Notes	2007 £	2006 £
<b>Fixed assets</b>			
Intangible assets	8	370,633	361,059
Tangible assets	9	89,382	156,839
		<u>460,015</u>	<u>517,898</u>
<b>Current assets</b>			
Debtors due within one year	10	2,409,235	2,534,638
Debtors due after one year	10	-	97,033
Cash at bank and in hand		275,179	362,387
		<u>2,684,414</u>	<u>2,994,058</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(2,486,529)</u>	<u>(2,611,302)</u>
<b>Net current assets</b>		<u>197,885</u>	<u>382,756</u>
<b>Total assets less current liabilities</b>		<u>657,900</u>	<u>900,654</u>
<b>Creditors: amounts falling due after more than one year</b>	12	(15,223,489)	(15,723,489)
<b>Provisions for liabilities</b>	13	350,000	-
<b>Net liabilities</b>		<u>(14,215,589)</u>	<u>(14,822,835)</u>
<b>Capital and reserves</b>			
Called up share capital	14	100	100
Profit and loss account		<u>(14,215,689)</u>	<u>(14,822,935)</u>
<b>Shareholders' deficit</b>	15	<u>(14,215,589)</u>	<u>(14,822,835)</u>

These financial statements were approved by the Board of Directors on 12 FEBRUARY 2008

Signed on behalf of the Board of Directors

  
K J Arnot  
Director

# **IDG Communications Limited**

## **Notes to the accounts**

**Year ended 30 September 2007**

### **1 Accounting policies**

#### **Basis of preparation**

The financial statements are prepared in accordance with applicable law and United Kingdom accounting standards, which have been applied consistently throughout the current and prior financial year. The particular accounting policies adopted are described below.

#### **Accounting convention**

The financial statements are prepared under the historical cost convention.

#### **Turnover**

Turnover is stated net of Value Added Tax and represents sales by the company to third parties and fellow group companies.

Newsstand revenues are made on a sale or return basis. Where there are outstanding returns at the year end a provision for future magazine returns is included.

Online revenue is recognised only when the relevant inventory has been delivered.

Revenue from conferences is recognised when the event takes place.

#### **Intangible fixed assets – goodwill**

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 10 years. Impairment testing is carried out on an annual basis such that the carrying value of goodwill does not exceed its implied fair market value. Any impairment losses are fully provided in the accounts.

#### **Intangible fixed assets – database**

The database acquired during the acquisition of Fairfax EEC Limited has been valued based on its estimated fair value. Since no readily ascertainable market value exists, fair value is estimated to be equivalent to the cost of developing an equivalent asset internally. The database is amortised on a straight line basis over its useful economic life, which is estimated to be five years. Provision is made for any impairment.

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost net of depreciation less provision for impairment.

Depreciation is provided over the estimated useful lives of the assets and is calculated as follows:

Computer equipment	33.3% on cost per annum
Motor vehicles	25% on cost per annum
Fixtures and fittings	15% on cost per annum

# IDG Communications Limited

## Notes to the accounts

Year ended 30 September 2007

### 1. Accounting policies (continued)

#### Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

#### Foreign exchange

Monetary assets and liabilities stated in foreign currencies are translated into sterling at the rates ruling at the year end. Exchange differences realised on trading transactions and on the translation of monetary assets and liabilities at year end are included in the profit and loss account.

#### Leases

Rentals under operating leases are charged to profit and loss in equal annual amounts over the lease term.

#### Pension costs

The company operates a defined contribution pension scheme for members of the group. Contributions are charged against the results of the year in which they become payable.

#### Cash flow statement

No cash flow statement is presented with these accounts as the directors have elected to adopt the exemption for subsidiaries allowed by the Financial Reporting Standard 1 (Revised).

### 2. Turnover

	2007 £	2006 £
With third parties	8,462,391	7,008,118
Within the group	2,744	174,479
	<u>8,465,135</u>	<u>7,182,597</u>
<b>Geographical analysis of turnover by destination</b>		
United Kingdom	8,075,769	6,649,346
Other European countries	234,717	389,742
Rest of World	154,649	143,509
	<u>8,465,135</u>	<u>7,182,597</u>

The company operates only one class of business, magazine publishing.

# IDG Communications Limited

## Notes to the accounts

Year ended 30 September 2007

### 3. Information regarding directors and employees

The directors did not receive any remuneration for services to the company (2006 – £nil) One of the directors also serves as an employee of a fellow group company and receives remuneration from the parent company for services in that capacity

	2007 No	2006 No
<b>Average number of persons employed (including directors)</b>		
Production	37	33
Sales and distribution	36	24
Administration	16	15
	<u>89</u>	<u>72</u>
	£	£
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	3,970,449	3,158,912
Social security costs	450,411	358,855
Pension costs (note 17)	180,460	199,373
	<u>4,601,320</u>	<u>3,717,140</u>

### 4. Profit/(loss) on ordinary activities before taxation

	2007 £	2006 £
Profit / (loss) on ordinary activities before taxation is after charging/(crediting)		
Profit on disposal of fixed assets	(1,000)	(221)
Depreciation - owned assets	108,204	110,092
Amortisation charge	46,051	156,919
Auditors' remuneration - audit of the company's annual accounts	25,800	24,800
- other services	5,500	4,800
Rentals under operating leases		
Other operating leases	<u>159,851</u>	<u>213,133</u>

Other fees payable to the company's auditor during the year relate to the provision of taxation related services

# IDG Communications Limited

## Notes to the accounts Year ended 30 September 2007

### 5. Other operating income

Other operating income represents amounts received and receivable from the parent company in respect of group services paid for by the company

### 6. Interest receivable and similar income

	2007 £	2006 £
Interest receivable	39,768	14,177

### 7. Tax credit on profit / (loss) on ordinary activities

#### (i) Analysis of tax credit on ordinary activities

	2007 £	2006 £
UK Corporation Tax payable	(11,760)	-
Group tax relief receivable	41,925	51,455
Total current tax	30,165	51,455
Deferred tax		
Increase in estimate of recoverable deferred tax asset	350,000	-
Tax credit on profit / (loss) on ordinary activities	380,165	51,455

#### (ii) Factors affecting tax credit for the current year

	2007 £	2006 £
Profit/(loss) on ordinary activities before taxation	227,081	(522,896)
Tax (charge)/credit at 30%	(68,124)	156,869
Expenses not deductible for tax purposes	(32,639)	(59,568)
Movement in short term differences	(9,437)	(48,031)
Capital allowances in excess of depreciation	(2,962)	2,185
Utilisation of tax losses	101,382	-
Prior year group relief	41,925	-
Marginal relief	20	-
Total current tax credit	30,165	51,455

Details of the unprovided potential deferred tax asset are given in note 13

# IDG Communications Limited

## Notes to the accounts Year ended 30 September 2007

### 8. Intangible fixed assets

	Database £	Goodwill £	Total £
<b>Cost</b>			
At 1 October 2006	50,000	470,756	520,756
Additions	55,625	-	55,625
At 30 September 2007	105,625	470,756	576,381
<b>Amortisation</b>			
At 1 October 2006	2,778	156,919	159,697
Charge for the year	11,180	34,871	46,051
At 30 September 2007	13,958	191,790	205,748
<b>Net book value</b>			
At 30 September 2007	91,667	278,966	370,633
At 30 September 2006	47,222	313,837	361,059

### 9. Tangible fixed assets

	Computer equipment £	Motor vehicles £	Fixtures and fittings £	Total £
<b>Cost</b>				
At 1 October 2006	406,242	9,993	399,154	815,389
Additions	23,457	11,000	6,290	40,747
Disposals	-	(9,993)	-	(9,993)
At 30 September 2007	429,699	11,000	405,444	846,143
<b>Accumulated depreciation</b>				
At 1 October 2006	359,918	9,993	288,639	658,550
Charge for the year	37,876	1,833	68,495	108,204
Disposals	-	(9,993)	-	(9,993)
At 30 September 2007	397,794	1,833	357,134	756,761
<b>Net book value</b>				
At 30 September 2007	31,905	9,167	48,310	89,382
At 30 September 2006	46,324	-	110,515	156,839

# IDG Communications Limited

## Notes to the accounts Year ended 30 September 2007

### 10. Debtors

	2007 £	2006 £
<i>Debtors due within one year</i>		
Trade debtors	1,394,195	1,319,321
Amounts owed by group undertakings	601,913	528,158
Group tax relief receivable	38,926	529,193
Other debtors	111,053	18,293
Prepayments and accrued income	263,148	139,673
	<u>2,409,235</u>	<u>2,534,638</u>
<i>Debtors due after one year</i>		
Other debtors	-	97,033
	<u>2,409,235</u>	<u>2,631,671</u>

The debtor due after one year is a rent deposit

### 11. Creditors' amounts falling due within one year

	2007 £	2006 £
Trade creditors	859,405	666,270
Corporation tax	11,760	-
Other taxation and social security	132,130	161,551
Accruals and deferred income	1,483,234	1,783,481
	<u>2,486,529</u>	<u>2,611,302</u>

### 12. Creditors' amounts falling due after more than one year

	2007 £	2006 £
Amounts owed to group undertakings	<u>15,223,489</u>	<u>15,723,489</u>

Amounts owed to group undertakings represent a loan from the parent company. The loan is interest free and no date has been set for its repayment, except that it is more than twelve months from the date of the approval of the financial statements.



# IDG Communications Limited

## Notes to the accounts

Year ended 30 September 2007

### 13. Deferred taxation

The company has historically been loss making and has therefore not previously recognised deferred tax assets

However, the company is profit making in the current year and based upon future business plans expects to remain profitable going forward. Deferred tax in respect of accelerated capital allowances, short term timing differences and trading losses has therefore been recognised in the current year at 28%

Deferred tax is provided as follows

	2007 £	2006 £
Capital allowances in excess of depreciation	68,760	-
Other timing differences	94,424	-
Unrelieved trading losses	186,816	-
	<u>350,000</u>	<u>-</u>
Provision for deferred tax		

The deferred tax asset relating to capital losses has not been recognised because in the opinion of the directors there will be no suitable taxable gains available in the foreseeable future

Deferred tax asset not recognised in the financial statements is as follows

	2007 £	2006 £
Capital allowances in excess of depreciation	-	70,409
Unrelieved trading losses	2,156,483	2,888,326
	<u>2,156,483</u>	<u>2,958,735</u>

### 14. Called up share capital

	2007 £	2006 £
Authorised, allotted and fully paid: 100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

### 15. Reconciliation of movement in shareholders' deficit

	2007 £	2006 £
Opening shareholders' deficit	(14,822,835)	(14,351,394)
Profit/(loss) for the financial year	607,246	(471,441)
	<u>607,246</u>	<u>(471,441)</u>
Closing shareholders' deficit	<u>(14,215,589)</u>	<u>(14,822,835)</u>

# IDG Communications Limited

## Notes to the accounts Year ended 30 September 2007

### 16. Profit and loss account

	Profit and loss account £
At 1 October 2006	(14,822,935)
Retained profit for the year	607,246
	<hr/>
At 30 September 2007	(14,215,689)
	<hr/>

### 17. Pension schemes

The company operates defined contribution pension schemes for all qualifying employees. Pension costs represent contributions payable by the company to these funds. Contributions amounting to £180,460 (2006 - £199,373) were charged to the profit and loss account during the year.

### 18. Operating lease commitments

At 30 September 2007 the company was committed to making the following payments during the next year in respect of operating leases:

	2007 Land and buildings £	2006 Land and buildings £
Leases which expire		
Within one year	159,851	-
Within two to five years	-	213,133
After five years	-	-
	<hr/>	<hr/>
	159,851	213,133
	<hr/>	<hr/>

### 19. Related party transactions

The company has not disclosed details of transactions with other IDG group companies as allowed by the exemption in paragraph 3(c) of Financial Reporting Standard 8.

### 20. Parent company and ultimate controlling party

The immediate and ultimate parent company and controlling party is International Data Group, Inc., a company incorporated in the USA, the accounts of which are publicly available from the Secretary, 5 Speen Street, Framingham, Massachusetts 01701 9192, USA. This is the parent undertaking of the smallest and largest groups which include the company and for which group accounts are prepared.