

Company Registration No. 03819979

Handbag.com Limited

Report and Financial Statements

31 December 2010

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Handbag.com Limited

Report and financial statements 2010

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Handbag.com Limited

Report and financial statements 2010

Officers and professional advisers

Directors

S Horne
J D Edwards (President & CEO of Hearst Magazines International)
A de Puyfontaine (appointed 13 April 2010)

Secretary

A Nisbet

Registered Office

National Magazine House
72 Broadwick Street
London
W1F 9EP

Bankers

The Royal Bank of Scotland plc

Solicitors

Clifford Chance LLP

Auditor

Deloitte LLP
Chartered Accountants
London

Handbag.com Limited

Directors' report

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

The directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption

Principal activities and review of the business

The principal activity of the company is the operation of a number of women's interest websites

The company operates online and its performance is measured by website data including page impressions. Average page impressions have decreased by 24% from 2009 to 2010. A page impression is the action of a user downloading a particular web page. Average unique visitors to the site decreased by 17% from 2009 to 2010. A unique visitor implies one person viewing a series of pages that are separately identifiable.

Revenues for the year totalled £1,971,000 (2009 £2,006,000). Substantially, all of the revenue earned during the period came from advertising and sponsorship. The net loss for the year amounted to £1,063,000 (2009 £1,346,000 loss). As in 2009, market conditions during 2010 proved very challenging for advertising revenues. Advertising revenues were at a similar level year on year and are expected to rise during 2011.

The retained loss for the year is shown in the profit and loss account on page 5.

No dividends were proposed during the financial year (2009 £nil).

The directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business.

Directors and their interests

The directors who served during the year are listed on page 1.

Neither of the directors has any interests in the shares of the company or any other group company.

Auditors


Each of the persons who is a director at the date of approval of this report confirms that

- so far 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 ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This information is given and should be interpreted in accordance with s418 of the Companies Act 2006.

Deloitte 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 and signed
on its behalf by


Simon Horne
Director

12 April 2011
72 Broadwick Street
London
W1F 9EP

Handbag.com Limited

Directors' responsibilities statement

The directors are responsible for preparing the annual 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 judgements and 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 with reasonable accuracy at any time the financial position of the company and to 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Handbag.com Limited

We have audited the financial statements of Handbag.com Limited for the year ended 31 December 2010 which comprise the profit and loss account, the balance sheet and the related notes 1 to 11. 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 auditor

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 (APB'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 annual 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 2010 and of its loss 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 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.

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
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report.

M. R. Lee-Amies

Mark Lee-Amies (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
13 April 2011

Handbag.com Limited

Profit and loss account Year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Turnover		1,971	2,006
Cost of sales		(1,947)	(2,173)
Gross profit/(loss)		<u>24</u>	<u>(167)</u>
Administrative expenses		(1,498)	(1,700)
Operating loss	3	<u>(1,474)</u>	<u>(1,867)</u>
Loss on ordinary activities before taxation		(1,474)	(1,867)
Tax credit on loss on ordinary activities	4	411	521
Loss for the financial period	9	<u>(1,063)</u>	<u>(1,346)</u>

The company has no recognised gains or losses other than those included in the profit and loss accounts above and therefore, no separate statement of total recognised gains and losses has been presented

All results in the financial year relate to continuing operations

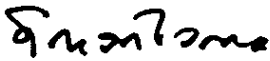
Handbag.com Limited

Balance sheet At 31 December 2010

	Notes	2010 £'000	2009 £'000
Current assets			
Debtors due within one year	6	224	225
Current liabilities		224	225
Creditors due within one year	7	(5,334)	(4,272)
Net current liabilities		(5,110)	(4,047)
Total assets less current liabilities		(5,110)	(4,047)
Net liabilities		(5,110)	(4,047)
Capital and reserves			
Called up share capital	9	1,200	1,200
Profit and loss account	9	(6,310)	(5,247)
Shareholders' deficit		(5,110)	(4,047)

The financial statements of Handbag.com Limited (Company Registration No 03819979) were approved by the board of directors and authorised for issue on 12 April 2011

Signed on behalf of the Board of Directors


Simon Horne
Director

12 April 2011

Handbag.com Limited

Notes to the accounts Year ended 31 December 2010

1. Going concern basis

The company's business activities, together with the factors likely to affect its future development, principal risks and uncertainties, performance and position are set out under the director's report

The company meets its day to day working capital requirements through an intercompany loan from the parent company

The current economic conditions create uncertainty particularly over the level of demand for the company's products. The company's forecasts and projections are more positive and see an improvement in advertising revenues and show that the company should be able to operate within the level of its current facilities. Further assurance has been given by the parent company that it will continue to support the operations going forward by way of intercompany funding

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements

2. Accounting policies

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention. The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The accounting policies have been adopted and applied throughout the year and the preceding year

Turnover

Turnover represents the total invoice value, excluding value added tax, of goods and services supplied during the year

All turnover of the company originates in the United Kingdom. The geographical area of destination of all turnover is United Kingdom

Initial set up and build costs are recognised on day one of the advertising campaign. Advertising revenue is recognised pro rata over the term of the advertising campaign

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 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 tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in the tax assessments in periods different from those in which they are recognised in the financial statements

Development costs

Development costs are written off to the profit and loss account as incurred

Handbag.com Limited

Notes to the accounts Year ended 31 December 2010

2. Accounting Policies (continued)

Cash flow

In accordance with the provisions of Financial Reporting Standard 1 (revised), a cash flow statement has not been prepared as the company is a wholly owned subsidiary of The National Magazine Company Limited, which prepares consolidated accounts that include a consolidated cash flow statement

Pension costs

Pension contributions (which are made to a defined contribution scheme) are charged in the profit and loss account as incurred. These contributions are invested separately from the company's assets

Foreign exchange

Transactions denominated in foreign currencies are translated into the functional currency of the company which is sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account

3. Operating loss

The analysis of auditor's remuneration is as follows

	2010 £'000	2009 £'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	<u>10</u>	<u>10</u>

Handbag.com Limited

Notes to the accounts Year ended 31 December 2010

4. Tax

	2010 £'000	2009 £'000
The tax credit on the loss for the year consists of		
Current taxation – group relief receivable	411	522
Prior period adjustment	-	(1)
Total current tax	411	521
Tax credit on loss on ordinary activities	411	521

Reconciliation of current tax charge

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 28% (2009 28%)
A reconciliation of the charge is set out below

	2010 £'000	2009 £'000
Loss on ordinary activities before tax	(1,474)	(1,867)
UK standard rate of corporation tax at 28% (2009 28%)	(413)	(523)
Factors affecting credit for the year		
Disallowable expenses	2	1
Prior period adjustments	-	1
Total current tax credit for the year	(411)	(521)

Handbag.com Limited

Notes to the accounts Year ended 31 December 2010

5. Employee information

	2010 No.	2009 No
The average number of employees during the year was as follows		
Editorial	13	15
Advertising	5	4
	<u>18</u>	<u>19</u>
	£'000	£'000
The aggregate payroll cost was as follows		
Wages and salaries	760	824
Social security costs	82	87
Other pension costs	40	44
	<u>882</u>	<u>955</u>

Directors' emoluments in the current and preceding year are paid through The National Magazine Company Limited

6 Debtors: amounts falling due within one year

	2010 £'000	2009 £'000
Group relief receivable from immediate parent	224	148
Group relief receivable from related party	-	77
	<u>224</u>	<u>225</u>

7 Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Amounts due to immediate parent company	5,184	4,122
Loan payable to ultimate parent undertaking	150	150
	<u>5,334</u>	<u>4,272</u>

The loan from the parent undertaking is interest free with no fixed term for repayment

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Notes to the accounts Year ended 31 December 2010

8 Share capital

	2010 £'000	2009 £'000
Authorised		
2,000,000 Ordinary shares of £1 each	2,000	2,000
Allotted, called up and fully paid		
1,200,000 Ordinary shares of £1 each	1,200	1,200

9. Reconciliation of shareholders' deficit

	Share Capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2010	1,200	(5,247)	(4,047)
Loss for the year	-	(1,063)	(1,063)
At 31 December 2010	1,200	(6,310)	(5,110)

10 Related party transactions and balances

The nature of the relationship and the extent of transactions with Handbag com Limited's related parties, as defined by Financial Reporting Standard 8, are summarised below

	2010 £'000	2009 £'000
Amounts included in debtors (due within one year):		
Amount due at balance sheet date from NatMag Rodale Limited	-	77

Natmag Rodale Limited is a joint venture in which The National Magazine Company holds a 50.05% holding of the share capital

11 Ultimate controlling party

The immediate parent company and controlling entity is The National Magazine Company Limited, incorporated in Great Britain and registered in England and Wales. The National Magazine Company Limited is also the parent company of the smallest group of which the company is a member and for which group accounts are prepared. Accounts can be obtained from 72 Broadwick Street, London, W1F 9EP.

The directors consider The Hearst Corporation, a company incorporated in the United States of America, to be the ultimate parent company and ultimate controlling entity. The Hearst Corporation is also the parent company of the largest group of which the company is a member and for which group accounts are prepared.

In accordance with the exemption under Financial Reporting Standard 8 the company does not disclose transactions with companies which are at least 100% controlled within The National Magazine Company Limited because copies of the group financial statements are publicly available.