

COMPANY NO: 2870220

**THE RESEARCH DEPARTMENT LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

For the year ended 31st March 1997



## THE RESEARCH DEPARTMENT LIMITED

### REPORT OF THE DIRECTORS

For the year ended 31st March 1997

The Directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 31st March 1997.

#### Activity

The company's principal activity is to provide research data and consulting services to the financial services industry.

#### Review of business and future developments

A summary of the company's trading during the year is shown in the profit and loss account on page 6. The directors consider that this level of activity will continue.

#### Research and development activity

During the year the company invested in developing a new software platform on which to deliver research data. The project costing nearly £500,000 has given the business autonomy from the externally licenced software suppliers, and has given considerably enhanced functionality for the company's customers. The software has been designed to provide the main delivery mechanism for the future and its compliance with current computer standards means the board is confident that it will have a commercial value for the business for at least five years. The costs of this project have been capitalised and will be amortised for a period not exceeding five years from the point when the business will derive benefit from the software.

#### Post balance sheet events

On 9th June 1997 the company exercised its option to acquire 51% of the share capital of Infowise Computer Telecommunications Ltd for £1 which is a specialist provider of 'faxback' services. The total investment as at 31 March 1997 is shown under Current assets in the balance sheet on page 7.

#### Dividends and reserves

The Directors do not recommend a dividend for the year. The profit for the year of £295,154 (1996 : £230,075) is transferred to reserves.

#### Fixed assets

The movements in fixed assets during the year are shown in notes 8 and 9 to the financial statements.

#### Donations

The company made charitable donations of £60 during the year. No political contributions were made.

## THE RESEARCH DEPARTMENT LIMITED

### Directors and their share interests

The directors who held office throughout the year are shown below. No director had a direct interest in the share capital of the company, and their interest in the share capital of the holding company, The Independent Research Group Limited is shown in that company's accounts.

A Whitehead  
S Ewan  
D Lee  
M Hayes-Newington  
J Holmes (non-executive)

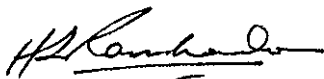
### Tax Status

In the opinion of the directors, the company is a close company within the meaning of Section 414 Income and Corporation Taxes Act 1988.

### Auditors

A resolution to re-appoint the auditors, Coopers & Lybrand, will be proposed at the Annual General Meeting.

By order of the Board



Harish Ramchandani  
Company Secretary

Registered Office:

Dovetail House  
Wycombe Road  
Stokenchurch  
Bucks  
HP14 3RQ

THE RESEARCH DEPARTMENT LIMITED

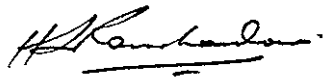
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which 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 those financial statements, the Directors are required to:-

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- (d) 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 to 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.

BY ORDER OF THE BOARD



.....  
Secretary

THE RESEARCH DEPARTMENT LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF THE RESEARCH DEPARTMENT LIMITED

We have audited the financial statements on pages 6-15.

Respective responsibilities of directors and auditors

As described on page 4, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

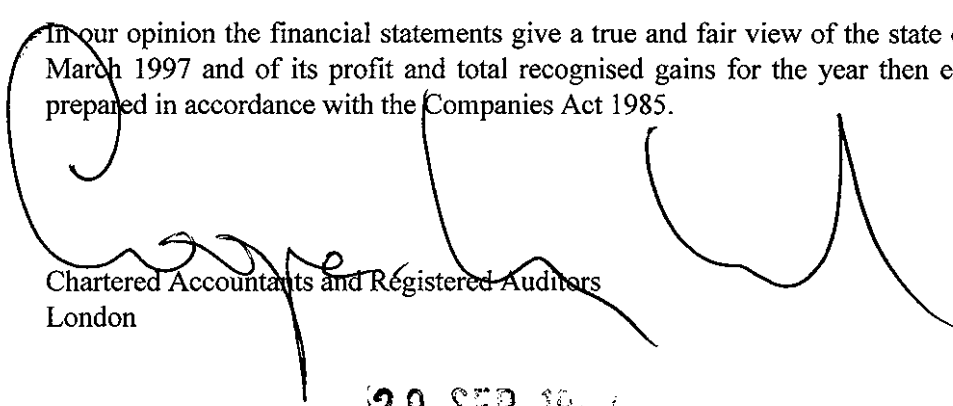
Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 of the state of the company's affairs at 31 March 1997 and of its profit and total recognised gains for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Chartered Accountants and Registered Auditors  
London

29 SEP 1997

THE RESEARCH DEPARTMENT LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31st March 1997

	Notes	<u>1997</u> £	<u>1996</u> £
Turnover	1	2,053,418	1,173,161
Cost of sales		(337,208)	(216,532)
		<hr/>	<hr/>
Gross profit		1,716,210	956,629
Net operating expenses		(1,306,981)	(646,503)
		<hr/>	<hr/>
Operating profit		409,229	310,126
Interest payable	2	(10,712)	(2,390)
Interest receivable	3	2,637	4,339
		<hr/>	<hr/>
Profit on ordinary activities before tax		401,154	312,075
Tax on profit on ordinary activities	7	(106,000)	(82,000)
		<hr/>	<hr/>
Profit for the year transferred to reserves		295,154	230,075
		<hr/>	<hr/>

The above results all arise from continuing activities.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

The company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 8 to 15 form part of these financial statements.

Auditors' report - page 5.

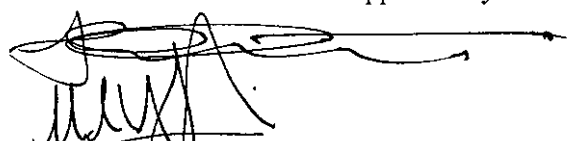
THE RESEARCH DEPARTMENT LIMITED

BALANCE SHEET

As at 31st March 1997

	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
<b>FIXED ASSETS</b>			
Intangible assets	1 & 8	598,882	306,854
Tangible assets	9	325,961	80,366
		<hr/> 924,843	<hr/> 387,220
<b>CURRENT ASSETS</b>			
Debtors	10	1,162,086	646,488
Cash in hand and at bank		93	129,667
		<hr/> 1,162,179	<hr/> 776,155
<b>CREDITORS: Due within 1 year</b>			
Creditors	11	918,965	451,392
Deferred income	1	414,267	258,282
		<hr/> 1,333,232	<hr/> 709,674
Net current (liabilities)/assets		(171,053)	66,481
Total assets less current liabilities		753,790	453,701
<b>CREDITORS: Due after more than 1 year</b>			
Loan	13	-	84,375
Obligations due under finance leases	14	89,310	-
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred tax	12	-	-
Net assets		<hr/> 664,480	<hr/> 369,326
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	2	2
Profit and loss account		664,478	369,324
Equity shareholders' funds	16	<hr/> 664,480	<hr/> 369,326

The financial statements were approved by the Directors on 19 September 1997.


 } Directors  
 }  
 )

The notes on pages 8 to 15 form part of these financial statements.

Auditors' report - page 5.

## THE RESEARCH DEPARTMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st March 1997

1. Principal accounting policies

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

a) Turnover and future update costs

Turnover represents fees invoiced or to be invoiced under a contract for subscription (excluding VAT) less a provision for future update costs. The provision for deferred income is made to cover the costs directly associated with the supply of data updates in respect of invoiced rentals which relate to a period after the balance sheet date. The provision amounts to 35% of such rentals attributed to that period. Turnover is all derived from the United Kingdom.

b) Tangible fixed assets

Tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition. Provision for depreciation is made so as to write off the cost of fixed assets over their expected useful life. The principal rate used for this purpose is:-

Equipment, fixtures and fittings	20% to 33 1/3 %.
Leasehold improvements	20%

c) Intangible fixed assets - database and systems

(i) Costs incurred in initially collating and verifying new databases and developing the associated software are capitalised. From the point at which the company begins to derive benefit from such databases, all subsequent costs in maintaining, updating and enlarging the databases are charged to the profit and loss account as incurred. The capitalised costs of databases and associated software are depreciated over a period of 3 to 5 years commencing from the date when the business will benefit from these. In these circumstances the directors consider that they are justified in not treating unamortised development costs as a realised loss when calculating distributable profits.

(ii) The cost of acquired databases and software are depreciated over 5 years from the date of acquisition.

d) Deferred taxation

Provision is made for deferred tax at the rate of corporation tax ruling at the year end (the liability method) in respect of any timing differences which are expected to result in a tax liability in the foreseeable future.

e) Comparative figures

All comparative figures relating to the profit and loss account cover the period for the previous year to 31 March 1996.



THE RESEARCH DEPARTMENT LIMITED

f) Leased assets

Where assets are financed by leasing arrangements that give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term or the fair value of the asset on purchase. The corresponding lease commitments are shown as obligations to the lessor. Depreciation on the relevant assets is charged to operating profit. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account using the actuarial method. All other leases are operating leases and the annual rentals are charged to operating profit on a straight line basis over the lease term.

2. Interest payable

	<u>1997</u>	<u>1996</u>
	£	£
Loan interest payable (Note 13)	9,683	2,390
Bank interest paid	382	-
Third party interest paid	647	-
	<u>10,712</u>	<u>2,390</u>

3. Interest receivable

	<u>1997</u>	<u>1996</u>
	£	£
Bank deposit interest	2,637	4,339

4. Profit on ordinary activities before tax

Profit on ordinary activities before tax is stated after charging:

	<u>1997</u>	<u>1996</u>
	£	£
Auditors' remuneration: audit	7,500	6,000
non-audit	8,982	4,000
Operating lease rentals:		
Equipment including motor vehicles	65,465	54,387
Land and buildings	71,846	26,796
Loss on sale of fixed assets	1,220	-
Directors' emoluments (note 5)	189,823	141,517
Finance charges on finance leases	9,736	-
Depreciation:		
Tangible fixed assets (purchased)		
- charged to profit and loss	49,797	19,966
Tangible fixed assets (finance leases)		
- charged to profit and loss	25,692	-
Amortisation of intangible fixed assets	101,392	61,825

## THE RESEARCH DEPARTMENT LIMITED

### 5. Directors' emoluments

a) Directors' emoluments comprise the following:-

	<u>1997</u>	<u>1996</u>
	£	£
Salaries	166,525	134,200
Benefits	23,298	7,317
Pension contributions	-	-
	<u>189,823</u>	<u>141,517</u>

b) The emoluments, excluding pension contributions of directors of the company, are as follows:

	<u>1997</u>	<u>1996</u>
	£	£
Chairman	44,704	26,859
Highest paid director	48,237	39,200

c) The following number of directors have waived their rights to receive emoluments during the year:

	<u>1997</u>	<u>1996</u>
Emoluments waived	-	10,000
Number of directors	-	1

### 6. Employee information

a) The average number of persons employed by the company, including executive directors, during the year was 27 (1996 : 15). These comprised :-

	<u>1997</u>	<u>1996</u>
Research	17	9
Administrative	4	2
Sales & Marketing	6	4
Total	<u>27</u>	<u>15</u>

b) Employee costs of all employees included above.

	<u>1997</u>	<u>1996</u>
	£	£
Gross wages and salaries	615,775	327,297
Social security costs	67,193	33,895
	<u>682,968</u>	<u>361,192</u>

THE RESEARCH DEPARTMENT LIMITED

7. Taxation on profit on ordinary activities

	<u>1997</u> £	<u>1996</u>
United Kingdom corporation tax at 33% (1996: 25%)	106,000	82,000
Prior year adjustment		
- corporation tax	-	31,266
- deferred tax	-	(31,266)
	<u>106,000</u>	<u>82,000</u>

8. Intangible fixed assets

Intangible fixed assets represents expenditure in acquiring or developing databases and associated systems software.

	<u>Acquired</u> £	<u>Developed</u> £	<u>Total</u> £
<u>Cost</u>			
At 1 April 1996	236,470	161,828	398,298
Expenditure	2,108	391,312	393,420
At 31 March 1997	<u>238,578</u>	<u>553,140</u>	<u>791,718</u>
<u>Depreciation</u>			
At 1 April 1996	7,882	83,562	91,444
Charge for year	47,449	53,943	101,392
At 31 March 1997	<u>55,331</u>	<u>137,505</u>	<u>192,836</u>
Net book value at 31 March 1997	<u>183,247</u>	<u>415,635</u>	<u>598,882</u>
Net book value at 31 March 1996	<u>228,588</u>	<u>78,266</u>	<u>306,854</u>

THE RESEARCH DEPARTMENT LIMITED

9. Tangible fixed assets

Tangible fixed assets comprise of computers, equipment, fixtures and fittings and motor vehicles.

	£	£	£
	<u>Leased</u>	<u>Purchased</u>	<u>Totals</u>
<u>Cost</u>			
At 1 April 1996	-	102,226	102,226
Expenditure	203,109	122,330	325,439
Disposals	-	(5,302)	(5,302)
At 31 March 1997	203,109	219,254	422,363
<u>Depreciation</u>			
At 1 April 1996	-	21,860	21,860
Charge for year	25,692	49,797	75,489
Disposals	-	(947)	(947)
At 31 March 1997	25,692	70,710	96,402
Net book value at 31 March 1997	177,417	148,544	325,961
Net book value at 31 March 1996	-	80,366	80,366

The net book value at 31 March 1997 includes a motor vehicle with a net book value of £4,779.

10. Debtors

	<u>1997</u>	<u>1996</u>
	£	£
Trade debtors	363,853	286,301
Sundry debtors	347,485	166,441
Prepayments	276,186	87,490
Amount owed by fellow subsidiary	174,562	106,256
	1,162,086	646,488

THE RESEARCH DEPARTMENT LIMITED

11. Creditors : due within one year

	<u>1997</u>	<u>1996</u>
	£	£
Trade creditors	256,685	44,515
Amount owed to parent company	51,147	51,147
Other creditors	40,356	44,342
Taxation and social security	217,995	95,377
Accruals	150,471	103,511
Bank overdraft	58,688	-
Loans due within one year	84,375	112,500
Loans and obligations under finance leases	59,248	-
	<hr/>	<hr/>
	918,965	451,392
	<hr/>	<hr/>

The creditor for taxation and social security includes UK corporation tax payable of £188,266 (1996 : £82,266).

The overdraft is secured over the book debts with a minimum cover of 200% for the facility at all times and the company has exercised the right of set-off of all bank balances.

12. Provisions for liabilities and charges

	<u>1997</u>	<u>1996</u>
	£	£
Deferred taxation.		
At 1 April 1996	-	31,266
Charged to profit and loss in the year	-	(31,266)
	<hr/>	<hr/>
At 31st March 1997	-	-
	<hr/>	<hr/>

13. Loan

	<u>1997</u>	<u>1996</u>
	£	£
Due within one year (see 11 above)	84,375	112,500
	<hr/>	<hr/>
Repayable within one to two years	-	84,375
	<hr/>	<hr/>

The above loan is repayable in equal monthly instalments of £9,375 and carries interest at 1 per cent above base rate. The loan is secured by a charge over the intangible assets acquired in the year ended 31 March 1996.

# THE RESEARCH DEPARTMENT LIMITED

## 14. Loans and obligations under finance leases

	<u>1997</u> £	<u>1996</u> £
Due within one year (see 11 above)	59,248	-
Due within one to two years	59,281	-
Due within two to five years	30,029	-
	<u>89,310</u>	<u>-</u>

## 15. Called up share capital

	<u>1997</u> £	<u>1996</u> £
Authorised - 100 ordinary shares of £1 each	100	100
Issued - 2 ordinary shares of £1 each	2	2

## 16. Reconciliation of movement in shareholders' funds

	<u>1997</u> £	<u>1996</u> £
Opening shareholders' funds	369,326	139,251
Profit for the year	295,154	230,075
Closing shareholders' funds	<u>664,480</u>	<u>369,326</u>

## 17. Ultimate holding company

The ultimate holding company is The Independent Research Group Limited, a company incorporated in England.

## THE RESEARCH DEPARTMENT LIMITED

### 18. Commitments and contingent liabilities

The Company is registered with HM Customs & Excise as a member of a group for VAT purposes, and as a result is jointly and severally liable on a continuing basis for amounts owing by any other members of that group in respect of unpaid VAT. At the balance sheet date the outstanding liability to VAT in the other group companies was £2,625 (1996: £nil).

Other than noted above, the Company had no contingent liabilities or capital commitments at 31 March 1997 (1996 - nil). At 31 March 1997 the company had annual commitments under operating leases as follows:-

	<u>Land and Buildings</u>	<u>Other</u>
	£	£
Expiry within one year	-	19,219
Expiry 2-5 years inclusive	-	45,431
Expiry 5-10 years inclusive	52,000	-

\TRD\TRD97.doc