

**Defaqto Limited**

Directors' report and financial statements

Registered number 2870220

31 March 2008

FRIDAY



A69 \*AUB035L8\* 267  
12/12/2008  
COMPANIES HOUSE

**Directors**

K H Jorgensen  
A B Robb  
A C G Brown  
S A Fulkes  
R Bijtjes

**Secretary**

P V C Cass

**Company Number**

2870220

**Registered Office**

Financial Research Centre  
Haddenham Business Park  
Thame Road  
Haddenham  
Buckinghamshire  
HP17 8LJ

**Bankers**

National Westminster Bank Plc  
Headington Branch  
91 London Road  
Headington  
Oxford  
OX3 9AF

**Solicitors**

Matthew Arnold and Baldwin  
21 Station Road  
Watford  
Hertfordshire  
WD17 1HT

**Auditors**

KPMG LLP  
20 Farringdon Street  
London  
EC4A 4PP

## Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	3
Independent auditors' report to the members of Defaqto Limited	4
Profit and loss account	6
Balance sheet	7
Notes	8

## **Directors' report**

The directors present their directors' report and the audited financial statements for the year ended 31 March 2008.

### **Principal activity**

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

### **Review of the 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 financial year ended 31 March 2008 has been an excellent period for the business. The business has experienced good growth in turnover and profitability.

The growth has come from all areas of the business. Core subscription revenues have increased in all key market sectors – Life, Pensions and Investments, General Insurance and Retail Banking. Additionally the Company has experienced a significant growth in demand for qualitative analysis products, particularly for Defaqto Market Reports and Defaqto Star Ratings. The success in all of these areas has allowed the business to surpass expectations and grow top line revenues faster than anticipated through the period and to invest in developing a number of new products, most significantly Defaqto Compare.

The Company remains highly dependent upon a subscription based model whereby customers subscribe to receive a service from the Company for a minimum of a year. Such subscription revenues have grown by 12% when comparing March 2008 with the same month in the prior year. This reflects the continued success in attracting financial intermediaries and providers to use the Aequos Engage and Online platforms respectively as well as the launch of Defaqto Compare, a further qualitative analysis product.

Operating profit as a percentage of turnover has increased from 9% to 20%. However, Administration expenses have increased by 11% on a pro rated basis when adjusting the 18 month period to 31 March 2007 to a 12 month period. This growth in costs reflects further investment in improving the accuracy and timeliness of the information collated by the Research staff as well as the cost of developing new products. Certain data collection activities that were previously outsourced have now been brought back in house in order to reduce costs and enhance quality. The Company anticipates benefiting from further operational gearing in the following year to 31 March 2009 such that the rate of growth in turnover again exceeds the growth in costs.

### **Research and development activity**

The Company is developing new software and databases to improve the clarity and breadth of information available to our customers.

### **Dividends**

The directors do not propose to pay a dividend in respect of the year ended 31 March 2008 (2007: *Nil*).

## Directors' report *(continued)*

### Directors

The directors who held office during the year were as follows:

K H Jorgensen	
A B Robb	
A C G Brown	
S A Fulkes	
K S Marsden	(resigned 19 October 2007)
S P Sandercock	(resigned 12 December 2007)
R Bijtjes	(appointed 20 June 2007)

### Donations

Total donations in respect of community affairs in the year totalled £268 (2007: £350). There were no political donations in the year.

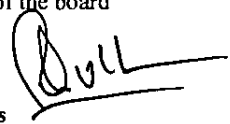
### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information 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 to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Auditors

In accordance with Section 386 of the Companies Act 1985, a resolution to dispense with the need for annual re-appointment of auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board

  
P V C Cass  
Company Secretary

19 SEPTEMBER 2008

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 judgments 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



**KPMG LLP**

8 Salisbury Square  
London  
EC4Y 8BB  
United Kingdom

**Independent auditors' report to the members of Defaqto Limited**

We have audited the financial statements of Defaqto Limited for the year ended 31 March 2008 which comprise the Profit and Loss Account and the Balance Sheet and the related notes. 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 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 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 UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

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 judgments 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 Defaqto Limited *(continued)***

### **Opinion**

#### **In our opinion**

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 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.

**KPMG LLP**

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

29 September 2008



**Profit and loss account**  
*for the year ended 31 March 2008*

	<i>Note</i>	<b>Year ended 31 March 2008 £</b>	<b>18 month period ended 31 March 2007 £</b>
<b>Turnover</b>	<b>2</b>	<b>6,225,600</b>	<b>7,408,487</b>
Cost of sales		(185,920)	(288,222)
<b>Gross profit</b>		<b>6,039,680</b>	<b>7,120,265</b>
Administrative expenses		(4,774,649)	(6,458,979)
<b>Operating profit</b>	<b>3</b>	<b>1,265,031</b>	<b>661,286</b>
Interest receivable and similar income	<b>4</b>	17,053	22,923
Interest payable and similar charges	<b>5</b>	(121)	(24,199)
<b>Profit on ordinary activities before taxation</b>		<b>1,281,963</b>	<b>660,010</b>
Tax on profit on ordinary activities	<b>8</b>	(96,447)	(133,210)
<b>Profit for the financial year</b>	<b>14,15</b>	<b>1,185,516</b>	<b>526,800</b>

A statement of total recognised gains and losses has not been prepared as there were no gains or losses for the year other than as stated above.

A note on historical gains and losses has not been included as part of the financial statements as the results disclosed in the profit and loss account are prepared on an unmodified historical cost basis.

Turnover and the operating result relate to continuing activities.

**Balance sheet**  
 at 31 March 2008

	Note	31 March 2008	31 March 2007
		£	£
<b>Fixed assets</b>			
Tangible assets	9	228,060	209,206
<b>Current assets</b>			
Debtors	10	2,750,316	1,487,290
Cash at bank and in hand		642,751	863,264
		<u>3,393,067</u>	<u>2,350,554</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(2,829,775)</u>	<u>(2,953,924)</u>
<b>Net current assets/(liabilities)</b>		<u>563,292</u>	<u>(603,370)</u>
<b>Net assets/(liabilities)</b>		<u>791,352</u>	<u>(394,164)</u>
<b>Capital and reserves</b>			
Called up share capital	13	2	2
Profit and loss account	14	791,350	(394,166)
<b>Shareholder's funds /(deficit)</b>	15	<u>791,352</u>	<u>(394,164)</u>

These financial statements were approved by the board on ~~18 SEPTEMBER~~ 2008 and were signed on its behalf by:

  
 K. Jorgensen  
 Director

## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

#### ***Basis of preparation***

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

#### ***Cash flow***

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

#### ***Related party transactions***

As the Company is a wholly owned subsidiary of Defaqto Group Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Defaqto Group Limited, within which this Company is included, can be obtained from the address given in note 19.

#### ***Share based payments***

The share option programme allows employees to acquire shares of the ultimate parent company. The fair value of options granted is recognised as an employee expense with a corresponding increase in amounts due from and to group undertakings. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

#### ***Turnover***

Turnover is stated net of value added tax. Turnover includes the provision of information on a subscription basis and this is recognised rateably over the subscription period. Other revenues are recognised on delivery of product.

#### ***Pensions***

Pension contributions made by the Company to employees' personal pension plans are charged to the profit and loss account in the period to which they relate.

## Notes (continued)

### 1 Accounting policies (continued)

#### 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 on a straight line basis. The principal rate used for this purpose is as follows:

Fixtures and fittings	-	20% to 25%
Computer equipment	-	20% to 33⅓%
Motor vehicles	-	20% to 33⅓%
Office equipment	-	33⅓%

#### Research and development

Research and development expenditure in collating and verifying new databases and developing the associated software is written off as the costs are incurred.

#### Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### Leased assets

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

### 2 Turnover

The whole of the turnover is attributable to the principal activity of the Company. Included within turnover is £148,998 (2007: £23,554) deriving from activities carried out within Europe with the balance deriving from the United Kingdom.

### 3 Profit on ordinary activities before taxation is stated after charging

	Year ended 31 March 2008 £	18 month period ended 31 March 2007 £
<b>Profit on ordinary activities before taxation is stated after charging:</b>		
Depreciation and other amounts written off tangible assets:	117,931	121,646
Hire of other assets – operating leases	108,846	98,890
Hire of plant and equipment – rentals payable under operating leases	65,727	138,452
Share based payments	877	-
Research and development expenditure	317,759	187,448
	<hr/>	<hr/>
Auditors' remuneration		
Audit of these financial statements	19,900	22,000

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Defaqto Group Limited.

**Notes (continued)**

**4 Interest receivable and similar income**

	Year ended 31 March 2008 £	18 month period ended 31 March 2007 £
Bank deposit interest	17,053	17,923
Third party interest received	-	5,000
	<u>17,053</u>	<u>22,923</u>

**5 Interest payable and similar charges**

	Year ended 31 March 2008 £	18 month period ended 31 March 2007 £
Bank loans and overdrafts	121	24,199
	<u>121</u>	<u>24,199</u>

**6 Directors' emoluments**

Directors' emoluments comprise the following:

	Year ended 31 March 2008 £	18 month period ended 31 March 2007 £
Director's emoluments	185,526	798,168
Company contributions to money purchase pension scheme	6,341	967
Compensation for loss of office	3,960	125,500
	<u>195,827</u>	<u>924,638</u>

As at 31 March 2008, retirement benefits were accruing under the Defaqto Group Personal Pension Plan (a money purchase scheme) in respect of one Director (2007: two).

## Notes (continued)

### 7 Staff numbers and costs

The average number of persons employed by the Company (including executive directors) during the year, analysed by category, was as follows:

	Number of employees	
	Year ended 31 March 2008	18 month period ended 31 March 2007
Research	45	41
Administration	21	20
Sales and marketing	24	15
	<u>90</u>	<u>76</u>

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2008 £	18 month period ended 31 March 2007 £
Wages and salaries	2,515,680	3,609,009
Social security costs	298,011	398,040
Share based payments	877	-
Pension costs	131,800	42,655
	<u>2,946,368</u>	<u>4,049,704</u>

## Notes (continued)

### 8 Taxation

	Year ended 31 March 2008 £	18 month period ended 31 March 2007 £
<b>UK Corporation Tax</b>		
Current tax on income for the period	183,775	110,179
Adjustments in respect of prior periods	(73,262)	-
<b>Total current tax</b>	<b>110,513</b>	<b>110,179</b>
<b>Deferred tax (see note 12)</b>		
Reversal of timing differences	-	23,031
Recognition of deferred tax asset	(14,066)	-
<b>Total deferred tax</b>	<b>(14,066)</b>	<b>23,031</b>
Tax on profit on ordinary activities	<b>96,447</b>	<b>133,210</b>

#### Factors affecting the tax charge for the current year

The current tax charge for the period is lower (2007: lower) than the standard rate of corporation tax in the UK (30%, 2007: 30%). The differences are explained below:

	Year ended 31 March 2008 £	18 month period ended 31 March 2007 £
<b>Current tax reconciliation</b>		
Profit on ordinary activities before taxation	1,281,963	660,010
Current tax at 30% (2007: 30%)	384,589	198,003
Expenses not deductible for tax purposes	956	55,720
Utilisation of tax losses	-	(20,197)
Capital allowances for period in excess of depreciation	7,646	3,278
Group relief claimed and not paid for	(209,337)	(126,521)
Charges on income	(79)	(104)
Adjustments to tax charge in respect of previous periods	(73,262)	-
<b>Total current tax (see above)</b>	<b>110,513</b>	<b>110,179</b>

Notes (continued)

**9 Tangible fixed assets**

	Fixtures, fittings and equipment £	Computer equipment £	Office equipment £	Total £
<i>Cost</i>				
At beginning of year	509,010	679,216	528,525	1,716,751
Additions	61,365	75,633	-	136,998
Disposals	(213)	-	-	(213)
At end of year	570,162	754,849	528,525	1,853,536
<i>Depreciation</i>				
At beginning of year	443,579	540,799	523,167	1,507,545
Charge for year	47,466	65,107	5,358	117,931
Disposals	-	-	-	-
At end of year	491,045	605,906	528,525	1,625,476
<i>Net book value</i>				
At 31 March 2008	79,117	148,943	-	228,060
At 31 March 2007	65,431	138,417	5,358	209,206

**10 Debtors**

	31 March 2008 £	31 March 2007 £
Trade debtors	934,278	1,111,710
Amounts owed by group undertakings	1,655,976	245,250
Deferred tax asset (note 12)	14,066	-
Prepayments and accrued income	145,996	130,330
	<u>2,750,316</u>	<u>1,487,290</u>



**Notes (continued)**

**11 Creditors: amounts falling due within one year**

	31 March 2008 £	31 March 2007 £
Bank overdraft	-	22,533
Trade creditors	240,212	190,818
Amounts owed to group undertakings	3,778	196,441
Other taxation and social security	392,507	371,131
Other creditors	46,406	37,468
Accruals	301,900	301,289
Corporation tax	-	110,179
Deferred income	1,844,972	1,724,065
	<u>2,829,775</u>	<u>2,953,924</u>

**12 Provisions for liabilities**

	Deferred taxation £	Total £
At beginning of year	-	-
Charge to the profit and loss for the year	-	-
	<u>-</u>	<u>-</u>
At end of year	-	-
	<u>-</u>	<u>-</u>

The elements of the recognised deferred tax asset (2007: *unrecognised*) are as follows:

	31 March 2008 £	31 March 2007 £
Accelerated capital allowances	14,066	21,669
Other timing differences	-	23,100
	<u>14,066</u>	<u>44,769</u>

Deferred tax assets are recognised to the extent that the directors consider it more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

**Notes (continued)**

**13 Called up share capital**

	31 March 2008 £	31 March 2007 £
<i>Authorised</i>		
100 Ordinary shares of £1 each	100	100
	<u>          </u>	<u>          </u>
<i>Allotted, called up and fully paid</i>		
2 Ordinary shares of £1 each	2	2
	<u>          </u>	<u>          </u>

**14 Reserves**

	Profit and loss £
At beginning of year	(394,166)
Profit for the financial year	1,185,516
	<u>          </u>
At end of year	791,350
	<u>          </u>

**15 Reconciliation of movements in shareholder's funds/(deficit)**

	31 March 2008 £	31 March 2007 £
Profit for the financial period	1,185,516	526,800
	<u>          </u>	<u>          </u>
Net reduction to shareholder's deficit and addition to shareholders fund	1,185,516	526,800
Opening shareholder's deficit	(394,164)	(920,964)
	<u>          </u>	<u>          </u>
Closing shareholder's fund/(deficit)	791,352	(394,164)
	<u>          </u>	<u>          </u>

## Notes (continued)

### 16 Share option and incentive plans

The Defaqto Group Share Option Plan ('SOP') was established in May 2007 and options over shares in Defaqto Group Limited have been granted to employees of the Company.

Options held by employees of the Company and outstanding at 31 March 2008 under the SOP were as follows:

	Number of options	Weighted average exercise price £
Options outstanding at beginning of year	-	-
Granted	31,050	4.18
Forfeited	(5,250)	4.18
	<hr/>	<hr/>
Options outstanding at end of year	25,800	4.18
	<hr/>	<hr/>
Weighted average remaining life of options outstanding at end of year (years)		9.3
Options exercisable at end of year		nil

Options have been granted under the SOP carrying varying vesting periods of up to 3 years. Further, some options will only vest on the achievement of specific performance conditions relating to revenue and profitability. Exercise of all options is subject to continued employment.

The Company has borne an expense under FRS 20 '*Share based payments*' in relation to all share options granted after 7 November 2002. The only grants to have taken place since such date were granted in the year to 31 March 2008 and have been valued using the Black-Scholes option-pricing model. The fair value per option granted and the assumptions used in the calculation were as follows:

Grant date	27 September 2007	26 February 2008
Market value at date of grant	£4.18	£4.18
Exercise price	£4.18	£4.18
Expected volatility	45%	45%
Expected life of options	3 years	3 years
Dividend yield expected in underlying shares	Nil	nil
Risk free interest rate	5.1%	4.5%
Value of option	£1.49	£1.47
Number of options granted	27,050	4,000
Number of options outstanding at end of year	21,800	4,000
Vesting period (period from grant date)	3 years	3 years
Performance conditions attached	Yes	Yes

## Notes (continued)

### 17 Share option and incentive plans (continued)

Volatility has been estimated by reviewing the volatility of the share price of a group of companies against which the directors believe a reasonable benchmark can be attained. Vesting estimates take into account the Company's staff retention rate as well as the likelihood of achieving the performance conditions where relevant. The expected life is the average expected period to exercise from grant date and the risk free interest rate is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

The total expenses recognised for the period arising from share based payments is £877 (2007: nil).

### 18 Pension scheme

#### *Defined contribution pension scheme*

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £131,800 (2007: £42,655). Included in creditors due within one year is £nil (2007: £5,180) in respect of contributions due in relation to this pension scheme.

### 19 Ultimate parent company and controlling party

The Company is a subsidiary undertaking of Defaqto Group Limited which is the ultimate parent company.

The Company is controlled by Defaqto Group Limited. The ultimate controlling parties are the A ordinary shareholders of Defaqto Group Limited.

The smallest and largest group in which the results of the Company are consolidated is that headed by Defaqto Group Limited, incorporated in the United Kingdom. The consolidated financial statements are available to the public and may be obtained from:

Defaqto Group Limited  
 Caledonia House  
 223 Pentonville Road  
 London  
 N1 9NG

### 20 Commitments

At 31 March 2008 the Company had annual commitments under operating leases as follows:

	2008		2007	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiry within one year	65,727	76,694	-	-
Expiry 2-5 years inclusive	-	29,261	65,787	79,731
	<u>65,727</u>	<u>105,955</u>	<u>65,787</u>	<u>79,731</u>