

COMPANY NO: 2870220

THE RESEARCH DEPARTMENT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31st March 1999



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THE RESEARCH DEPARTMENT LIMITED

REPORT OF THE DIRECTORS

For the year ended 31st March 1999

The Directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 31st March 1999.

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

The company is developing new software and databases in areas in which the company is not currently operating. This will enable the company to achieve rapid organic growth.

Dividends

The Directors do not recommend a dividend in respect of the year ended 31 March 1999

	<u>1999</u>	<u>1998</u>
	£	£
Ordinary dividend:		
Final proposed	-	974,000

Donations

The company made charitable donations of £325 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

D Lee

M Hayes-Newington

J Holmes (non-executive)

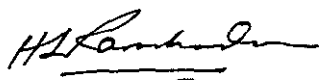
Resigned 8 September 1998

H Ramchandani

Auditors

A resolution to re-appoint the auditors, PricewaterhouseCoopers, 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

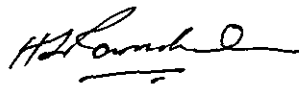
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 to 16, which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 4 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.


Basis of audit 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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Milton Keynes

19 August 1999

THE RESEARCH DEPARTMENT LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31st March 1999

	<u>Notes</u>	<u>1999</u> £	<u>1998</u> £
Turnover	1	3,049,911	2,604,989
Cost of sales		(185,427)	(334,294)
		<hr/>	<hr/>
Gross profit		2,864,484	2,270,695
Net operating expenses		(2,146,996)	(1,808,549)
		<hr/>	<hr/>
Operating profit		717,488	462,146
Interest payable	2	(9,353)	(10,922)
Interest receivable	3	7,830	1,017
		<hr/>	<hr/>
Profit on ordinary activities before tax		715,965	452,241
		<hr/>	<hr/>
Tax on profit on ordinary activities	7	(233,790)	(142,000)
		<hr/>	<hr/>
Profit on ordinary activities after tax		482,175	310,241
		<hr/>	<hr/>
Dividends	8	-	(974,000)
		<hr/>	<hr/>
Profit/(loss) for the year transferred to reserves		482,175	(663,759)
		<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 16 form part of these financial statements.

Auditors' report - page 5.

THE RESEARCH DEPARTMENT LIMITED

BALANCE SHEET

As at 31st March 1999

	<u>Notes</u>	<u>1999</u> £	<u>1998</u> £
FIXED ASSETS			
Intangible assets	1 & 9	704,755	635,051
Tangible assets	10	233,370	266,015
		<u>938,125</u>	<u>901,066</u>
CURRENT ASSETS			
Debtors: amounts falling due after one year	11	-	243,500
Debtors: amounts falling due within one year	11	1,373,165	1,320,905
Cash in hand and at bank		489,744	99,384
CURRENT ASSETS		<u>1,862,909</u>	<u>1,663,789</u>
CREDITORS: Due within 1 year			
Creditors	12	1,677,170	1,970,690
Deferred income	1	636,215	550,469
		<u>2,313,385</u>	<u>2,521,159</u>
Net current liabilities		(450,476)	(857,370)
Total assets less current liabilities		487,649	43,696
CREDITORS: Due after more than 1 year			
Obligations due under finance leases	14	4,753	42,975
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred tax	13	-	-
Net assets		<u>482,896</u>	<u>721</u>
CAPITAL AND RESERVES			
Called up share capital	15	2	2
Profit and loss account		482,894	719
Equity shareholders' funds	16	<u>482,896</u>	<u>721</u>

The financial statements were approved by the board of directors on 22 July 1999 and are signed on its behalf by:

David Lee – Director

Alastair Whitehead - Director

The notes on pages 8 to 16 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 1999

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) 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.

THE RESEARCH DEPARTMENT LIMITED

2. Interest payable

	<u>1999</u>	<u>1998</u>
	£	£
Loan interest payable (Note 13)	-	1,783
Bank interest paid	135	8,092
Third party interest paid	9,218	1,047
	<u>9,353</u>	<u>10,922</u>

3. Interest receivable

	<u>1999</u>	<u>1998</u>
	£	£
Bank deposit interest	5,631	1,017
Third party interest received	2,199	-
	<u>7,830</u>	<u>1,017</u>

4. Profit on ordinary activities before tax

Profit on ordinary activities before tax is stated after charging:

	<u>1999</u>	<u>1998</u>
	£	£
Auditors' remuneration: audit	17,500	15,195
non-audit	12,455	3,500
Operating lease rentals:		
Equipment including motor vehicles	149,554	77,369
Land and buildings	46,800	46,800
Profit on sale of fixed assets	1,440	-
Finance charges on finance leases	9,871	18,130
Depreciation:		
Tangible fixed assets (purchased)		
- charged to profit and loss	91,645	71,219
Tangible fixed assets (finance leases)		
- charged to profit and loss	62,159	58,248
Amortisation of intangible fixed assets	228,034	117,281

THE RESEARCH DEPARTMENT LIMITED

5. Directors' emoluments

a) Directors' emoluments comprise the following:-

	<u>1999</u> £	<u>1998</u> £
Aggregate emoluments	309,894	300,186
Compensation for loss of office	10,000	
	<hr/>	<hr/>

During the year Mr John Holmes resigned from the company. An ex gratia payment of £10,000 equivalent to one year's fees was paid to him.

There are no retirement benefits accruing to any director.

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

	<u>1999</u> £	<u>1998</u> £
Highest paid director	86,186	77,370

6. Employee information

a) The average number of persons employed by the company, including executive directors, during the year was 41 (1998 : 34). These comprised :-

	<u>1999</u>	<u>1998</u>
Research	19	18
Administrative	14	7
Sales & Marketing	8	9
Total	<hr/> 41 <hr/>	<hr/> 34 <hr/>

b) Employee costs of all employees included above.

	<u>1999</u> £	<u>1998</u> £
Gross wages and salaries	1,066,637	909,161
Social security costs	111,410	94,497
	<hr/> 1,178,047 <hr/>	<hr/> 1,003,658 <hr/>

THE RESEARCH DEPARTMENT LIMITED

7. Taxation on profit on ordinary activities

	<u>1999</u> £	<u>1998</u> £
United Kingdom corporation tax at 31% (1998: 31%)	41,000	142,000
Amount payable to a fellow subsidiary in respect of tax saved by group relief	183,000	
Prior year adjustment		
- corporation tax	9,790	-
- deferred tax	-	-
	<u>233,790</u>	<u>142,000</u>

The corporation tax payable for the year has been reduced by £183,000 because of group relief received from fellow group companies for which a payment of £183,000 which will be made on 31 December 1999.

8. Dividends

	<u>1999</u> £	<u>1998</u> £
Dividends on equity shares:		
Ordinary - Final proposed of £ per share (1998: £487,000 per share)	-	974,000
	<u> </u>	<u> </u>

THE RESEARCH DEPARTMENT LIMITED

9. 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 1998	238,578	706,590	945,168
Expenditure	102,566	116,037	218,603
Disposals	-	-	-
Inter-group transfers	-	189,931	189,931
At 31 March 1999	<u>341,144</u>	<u>1,012,558</u>	<u>1,353,702</u>
<u>Depreciation</u>			
At 1 April 1998	102,780	207,337	310,117
Charge for year	50,298	177,736	228,034
Inter-group transfers	-	110,796	110,796
At 31 March 1999	<u>153,078</u>	<u>495,869</u>	<u>648,947</u>
Net book value at 31 March 1999	<u>188,066</u>	<u>516,689</u>	<u>704,755</u>
Net book value at 31 March 1998	<u>135,798</u>	<u>499,253</u>	<u>635,051</u>

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10. Tangible fixed assets

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

	<u>£</u>	<u>£</u>	<u>£</u>
	<u>Leased</u>	<u>Purchased</u>	<u>Totals</u>
<u>Cost</u>			
At 1 April 1998	225,612	274,154	499,766
Expenditure	-	123,021	123,021
Disposals	-	(6,342)	(6,342)
At 31 March 1999	<u>225,612</u>	<u>390,833</u>	<u>616,445</u>
<u>Depreciation</u>			
At 1 April 1998	86,028	147,723	233,751
Charge for year	62,159	91,645	153,804
Disposals	-	(4,480)	(4,480)
At 31 March 1999	<u>148,187</u>	<u>234,888</u>	<u>383,075</u>
Net book value at 31 March 1999	<u>77,425</u>	<u>155,945</u>	<u>233,370</u>
Net book value at 31 March 1998	<u>139,584</u>	<u>126,431</u>	<u>266,015</u>

The net book value at 31 March 1998 includes a motor vehicle with a net book value of £2,222 .

11. Debtors

	<u>1999</u>	<u>1998</u>
	<u>£</u>	<u>£</u>
<u>Debtors : amounts falling due after one year</u>		
Advance corporation tax recoverable	-	243,500
<u>Debtors : amounts falling due within one year</u>		
Trade debtors	410,467	467,434
Amounts owed by group undertakings	341,734	348,349
Sundry debtors	750	36,124
Prepayments and accrued income	620,214	468,998
	<u>1,373,165</u>	<u>1,320,905</u>

THE RESEARCH DEPARTMENT LIMITED

12. Creditors : due within one year

	<u>1999</u>	<u>1998</u>
	£	£
Loans and obligations under finance leases	39,719	65,301
Trade creditors	221,751	205,982
Amounts owed to group undertakings	1,041,267	976,000
Corporation tax:		
Payable 31 December 1999	14,173	183,584
Advance corporation tax	-	243,500
Other taxation and social security	143,310	152,815
Other creditors	15,536	75
Accruals	201,414	143,433
	<hr/>	<hr/>
	1,677,170	1,970,690
	<hr/>	<hr/>

13. Provisions for liabilities and charges

Deferred taxation provided in the financial statements and the amounts unprovided of the total potential liability, are as follows:

	<u>Amount provided</u>		<u>Amount unprovided</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	£	£	£	£
Tax effect of timing differences because of:				
Excess of capital allowances over depreciation	-	-	60,214	21,387
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	60,214	21,387
	<hr/>	<hr/>	<hr/>	<hr/>

14. Loans and obligations under finance leases

	<u>1999</u>	<u>1998</u>
	£	£
Due within one year (see 12 above)	39,719	65,301
	<hr/>	<hr/>
Due within one to two years	4,753	37,686
Due within two to five years	-	5,289
	<hr/>	<hr/>
	4,753	42,975
	<hr/>	<hr/>

THE RESEARCH DEPARTMENT LIMITED

15. Called up share capital

	<u>1999</u>	<u>1998</u>
	£	£
Authorised - 100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>
Allotted, called up and fully paid - 2 ordinary shares of £1 each	2	2
	<hr/>	<hr/>

16. Reconciliation of movement in shareholders' funds

	<u>1999</u>	<u>1998</u>
	£	£
Opening shareholders' funds	721	664,480
Profit for the year	482,175	(663,759)
	<hr/>	<hr/>
Closing shareholders' funds	482,896	721
	<hr/>	<hr/>

17. Ultimate parent company and controlling party

The ultimate parent company is The Independent Research Group Limited, a company incorporated in England, whom the directors regard as the ultimate controlling party.

18. Related party disclosures

During the period transactions with related parties arose as follows:

Transactions involving Infowise Computer Telecommunications Limited (ICT Ltd)

Cash repaid to the company by ICT Ltd, a group company was £1,284. The balance outstanding at the year end was nil.

The company has taken advantage from the exemptions within FRS 8 from disclosing transactions with other wholly owned group companies.

THE RESEARCH DEPARTMENT LIMITED

19. 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 asset to VAT in the other group companies was £759 (1998: liability £7,206).

The company has given a guarantee in respect of bank borrowings for the group which are secured by a first fixed charge over book debts. There were no bank borrowings at 31 March 1999 (1998: nil). The company is a participant in a Group banking arrangement under which all surplus cash balances are held as collateral for bank facilities advanced to group members.

The company has granted a mortgage and debenture to 3I Group plc in respect of all its assets to facilitate group borrowings and has given a guarantee to that effect.

Other than noted above, the Company had no contingent liabilities or capital commitments at 31 March 1999 (1998 - nil). At 31 March 1999 the company had annual commitments under operating leases as follows:-

	<u>1999</u>		<u>1998</u>	
	<u>Land and Buildings</u>	<u>Other</u>	<u>Land and Buildings</u>	<u>Other</u>
	£	£	£	£
Expiry within one year	-	25,546	-	26,909
Expiry 2-5 years inclusive	-	53,008	-	53,189
Expiry 5-10 years inclusive	107,000	-	52,000	-
	<u>107,000</u>	<u>78,554</u>	<u>52,000</u>	<u>80,098</u>

20. Identification of risks - Year 2000 issue.

Management are responsible for the identification and evaluation of key risks. A risk for many businesses is the impact of Year 2000. The directors recognise the reliance of modern business upon computers; system weaknesses or failures, if not addressed, could occur resulting in serious commercial consequences. These matters are being addressed across the group through working parties headed by senior management to identify issues and the means to address them. A director has been appointed to co-ordinate these activities.