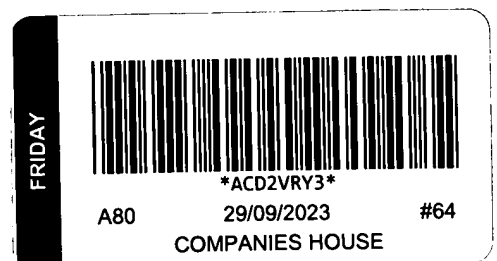


Defaqto Limited

Registered number 2870220

Strategic report, Directors' report and Financial Statements

For the year ended 31 December 2022



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Company Information

Directors

A C G Brown (resigned 4 February 2022)
R P Bijtjes (resigned 28 April 2022)
N M Stevens
M L Timmins
S J Lomax (appointed 28 April 2022)
D J Milliken (appointed 28 April 2022)

Registered Office

Financial Research Centre
Haddenham Business Park
Pegasus Way
Haddenham
Buckinghamshire
HP17 8LJ

Registered Number

02870220 (England and Wales)

Auditor

Ernst & Young LLP
1 Bridgewater Place
Leeds
England
LS11 5QR

Strategic report

The Directors present their Strategic report for the year ended 31 December 2022.

Review of the business and future developments

A summary of the Company's trading during the year is shown in the Statement of Profit and Loss and other comprehensive income on page 11.

The Company is a financial information business, helping financial institutions and consumers make better informed decisions. Our independent fund and product information helps banks, insurers and fund managers with designing and promoting their propositions. In order to do so, the Company:

- collects data from across the whole of the market for products in the following areas: banking, general insurance, life and protection, wealth and funds;
- uses its expertise and insight to analyse the data, and to make it comparable;
- creates a range of products and services to deliver information in a meaningful way to its customers and stakeholders; and
- helps consumers to make better informed financial decisions, and helps the financial services sector create, manage and distribute products.

The Company does this by providing timely and accurate information to all levels of the financial sector including financial intermediaries, banks, insurers, life companies, asset managers, government departments, comparison websites and directly to consumers. Such services are generally supplied through digital delivery mechanisms thereby ensuring that the data used by decision makers is of the best quality available in the market.

Financial advisers use the Company's range of products to research the right products to suit their clients' needs. This service is predominantly offered in the life and protection, wealth and funds product areas.

The Company has and continues to focus its efforts on assisting financial intermediaries in delivering appropriate services to their client base. The Company's customers, both financial intermediaries and financial product providers, benefit from the continued expansion of the product and service suite and the Company is focussed on delivering best in class solutions to fit such demand.

The Company continues to provide services to providers of financial products that enable them to research, launch, distribute and manage quality products. Additionally, the Company rates financial products based on quality using the Defaqto Ratings process.

The Company offers services on either a hosted or an unhosted basis for integration with a number of consumer web-portals.

The Directors are pleased with the performance in the year. The financial year ended 31 December 2022 saw the Company record a net profit of £5,612,309 (*period ended 31 December 2021: £5,079,610*). Turnover was £18,284,547 (*2021: £15,331,460*) and operating profit was £6,996,313 (*2021: £5,865,540*).

The Company continues to invest heavily in the development of its software platforms with £1,582,801 having been invested in the year in both employed and outsourced services (*period ended 31 December 2021: £1,157,789*). Such investment, as well as £45,807 invested in tangible fixed assets during the year (*period ended 31 December 2021: £120,579*), is offset by depreciation and amortisation of £1,580,021 (*period ended 31 December 2021: £1,629,453*).

The aforementioned investments and the payment of £4,000,000 to the ultimate group undertaking offset the profits recorded in the year and resulted in cash decreasing by £52,374. The year-end cash stands at £2,896,607 (*31 December 2021: £2,948,981*).

Research and development

The Company continues to expand the software offering with the main focus being on tools for financial advisers. This investment totalling £1,585,801 in the year (*period ended 31 December 2021: £1,151,390*) has seen new workflows being launched within the Defaqto Engage service and a number of new developments remained in progress at 31 December 2022 and will be launched in the following financial year.

Future developments

The Company is well placed to assist financial product providers in the distribution of their products and to assist financial intermediaries in complying with changes in regulation and making their advice offering more efficient. The Company will continue to develop products and services that serve the existing customer base, leveraging on the Company's brand that is known as the trusted source of financial product information.

Strategic report (*continued*)

Regulatory issues

The Company continues to operate in an area experiencing considerable regulatory change. These have provided the Company with several opportunities and the Directors believe that the current product lines and planned developments of them will enjoy success in this changing environment.

Environmental impact

The Company works to reduce its carbon footprint by promoting paperless processes and recycling.

Dividends

The Directors do not recommend a final dividend (*period ended 31 December 2021: £nil*).

Principal risks

The principal risks facing the business are economic and regulatory in nature. The Company relies on the financial services sector in the United Kingdom for 100% (*2021: 100%*) of turnover and that sector continues to face continuing regulatory and economic changes. The Company is not regulated but the majority of its customers are and there is a risk that a change in financial regulation in the United Kingdom may negatively impact either such customers or the Company directly. The Directors maintain strong relationships with the customer base and the various financial regulators in the United Kingdom and take appropriate action where risks arise that need mitigation.

Key Performance Indicators

The performance of the group of companies of which the Company is a member is monitored on a group basis rather than at an individual company level. The key performance indicators monitored at that level are turnover and adjusted operating profit and these are discussed in the report and financial statements of the ultimate parent undertaking Fintel plc.

On behalf of the Board



D Milliken (Sep 27, 2023 17:26 GMT+1)

D J A Milliken
Director

Directors' report

The Directors present their Directors' report and the audited financial statements for the year ended 31 December 2022.

Principal activity

The Company is a financial information business, helping financial institutions and consumers make better informed decisions through the provision of quality financial data and associated tools.

Dividend

The Directors do not recommend payment of a dividend (2021: £nil).

Directors

The Directors who held office during the year and up to the date of signing of this report were:

R P Bijtjes (resigned 28 April 2022)
A C G Brown (resigned 4 February 2022)
N M Stevens
M L Timmins
S J Lomax (appointed 28 April 2022)
D J Miliken (appointed 23 April 2022)

Future Developments

The Directors do not anticipate any material change in the activities of the Company for the foreseeable future. The Company continues to seek to grow its activity providing training for the next generation of financial advisors in support of the wider industry.

Principal risks and uncertainties

The Directors review and where possible mitigate known business risks. The principal risks of the Fintel group of companies ('the Group') are detailed in the financial statements of Fintel plc. The Directors do not believe that there are any significant risks and uncertainties associated with this Company.

Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors manage the Company alongside the other companies within the group, with group banking facilities in place of £80m until December 2026. The Group directors have prepared cash flow forecasts for the Group for the period to 31 December 2024 which indicate that, taking account of severe but plausible downside scenarios, the Group, including this Company, will have sufficient funds through the Group's combined banking facilities to meet its liabilities as they fall due for that period.

Fintel plc has indicated that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due until at least 31 December 2024 and therefore have prepared the financial statements on a going concern basis.

Directors' report *(continued)*

Disclosure of information to auditor

The Directors who held office at the date of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors is unaware and that each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.


Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of a Directors' and officers' liability insurance, which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. This indemnity, purchased by Fintel plc and applicable to the Directors of the Company was in force throughout the last financial year and is currently in force.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

By order of the board



D Milliken (Sep 27, 2023 17:26 GMT+1)

D J A Milliken
Director

Financial Research Centre
Haddenham Business Park
Pegasus Way
Haddenham
Buckinghamshire
HP17 8LJ

27 September 2023

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom 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 Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). 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 group and the Company and of the profit or loss of the group and the Company for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and Company financial position and financial performance;
- state whether applicable UK Accounting Standards, including FRS 101, 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 and group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the group and enable them to ensure that the Company and the group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and parent company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's report to the members of Defaqto Limited

Opinion

We have audited the financial statements of Defaqto Limited for the year ended 31 December 2022 which contain the Profit and Loss Account and Other Comprehensive Income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its profit 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period until 31 December 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Independent Auditor's report to the members of Defaqto Limited *(continued)*

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error:

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's report to the members of Defaqto Limited (*continued*)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

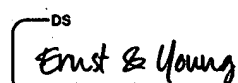
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting frameworks being United Kingdom Accounting Standards, FRS 101 "Reduced Disclosure Framework, the Companies Act 2006, and the relevant tax compliance regulations in the UK.
- We understood how Defaqto Limited is complying with those frameworks by initially making inquiries of relevant members of management, as well as those charged with governance. We have further understood the entity's compliance with those frameworks through review of minutes of the Board and key committees. Finally, through our detailed audit procedures we have considered whether any other evidence has been identified that indicates non-compliance with the relevant laws and regulations has occurred.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by understanding the entity's performance against internal key performance indicators used when calculating management's variable remuneration; identifying key judgments and estimates that can materially impact the financial statements; and understanding the controls and processes in place for the prevention and detection of fraudulent financial reporting.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures included testing manual journals recorded by the entity, understanding any unusual and one-off transactions, and where relevant corroborating the basis of accounting judgements and estimates with employees outside of the finance functions.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Independent Auditor's report to the members of Defaqto Limited *(continued)*

Use of our report

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 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.

^{DS}
The logo for Ernst & Young, featuring the company name in a stylized, handwritten-style font.

Christopher Robson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
Newcastle upon Tyne
28 September 2023

Statement of profit and loss and other comprehensive income
for the year ended 31 December 2022

	<i>Note</i>	31 December 2022 £	31 December 2021 £
Turnover		18,284,547	15,331,460
Administrative expenses	2	(11,288,234)	(9,465,920)
Operating profit		<u>6,996,313</u>	<u>5,865,540</u>
Interest receivable and similar income	3	134	-
Interest payable and similar charges	4	(20,441)	(24,713)
Profit before taxation		<u>6,976,006</u>	<u>5,840,827</u>
Tax charge on profit	7	(1,363,697)	(761,217)
Profit after taxation		<u><u>5,612,309</u></u>	<u><u>5,079,610</u></u>

There are no other items to be included in Other Comprehensive Income in the current or preceding year.

The notes on pages 14 to 28 form part of these financial statements.


Balance Sheet
at 31 December 2022

	<i>Note</i>	31 December 2022	31 December 2021
		£	£
Fixed assets			
Intangible assets	8	3,004,275	2,813,563
Tangible assets	9	87,086	113,514
Lease assets	10	664,359	808,018
Debtors	11	-	-
		<hr/>	<hr/>
		3,755,720	3,735,095
Current assets			
Debtors due within one year	11	25,382,454	18,742,564
Cash at bank and in hand		2,896,607	2,948,981
		<hr/>	<hr/>
		28,279,061	21,691,545
Current liabilities			
Creditors: amounts falling due within one year	12	(9,279,889)	(8,729,593)
		<hr/>	<hr/>
Net current assets		18,999,172	12,961,952
Total assets less current liabilities		<hr/>	<hr/>
		22,754,892	16,697,047
Non-current liabilities			
Lease liability		(573,759)	(655,466)
Deferred tax provision	13	(576,800)	(296,096)
		<hr/>	<hr/>
		(1,150,559)	(951,562)
Net assets		<hr/>	<hr/>
		21,604,333	15,745,485
Capital and reserves			
Called up share capital	14	2	2
Profit and loss account		21,604,331	15,745,483
		<hr/>	<hr/>
Total equity		21,604,333	15,745,485

The notes on pages 14 to 28 form part of these financial statements.

The company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the medium companies.

These financial statements were approved by the Board of Directors on 27 September 2023 and were signed on its behalf by:


D Milliken (Sep 27, 2023 17:26 GMT+1)

D J Milliken
Director

Registered number 2870220

Statement of changes in equity
for the year ended 31 December 2022

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 January 2021	2	10,570,323	10,570,325
Total comprehensive income for the period			
Profit for the period	-	5,079,609	5,079,609
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	5,079,609	5,079,609
	<hr/>	<hr/>	<hr/>
Transactions with owners, recorded directly in equity			
Share-based payments	-	95,550	95,550
	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	95,550	95,550
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2021	2	15,745,482	15,745,484
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Balance at 1 January 2022	2	15,745,482	15,745,484
Total comprehensive income for the period			
Profit for the period	-	5,612,309	5,612,309
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	5,612,309	5,612,309
	<hr/>	<hr/>	<hr/>
Transactions with owners, recorded directly in equity			
Share-based payments	-	246,539	246,539
	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	246,539	246,539
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2022	2	21,604,330	21,604,332
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 14 to 28 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Company information

Defaqto Limited ("the Company") is a private company limited by shares, domiciled and incorporated in England and Wales.

The address of the Company's registered office and principal place of business is Financial Research Centre, Haddenham Business Park, Pegasus Way, Haddenham, Buckinghamshire, HP17 8LJ.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* applicable in the UK and Republic of Ireland ("*FRS 101*"). The presentation currency of these financial statements is pound sterling.

The Company's ultimate parent undertaking, Fintel plc includes the Company in its consolidated financial statements. The consolidated financial statements of The Fintel plc are available to the public and may be obtained from Fintel House, St. Andrews Road, Huddersfield, HD1 6NA. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes;
- Key Management Personnel compensation;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.
- Related party transactions entered into between two or more members of the group provided that they are wholly owned by the group.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors manage the Company alongside the other companies within the Fintel group of companies ('the group'), with group banking facilities in place of £80m until December 2026, of which £nil is drawn as of 30 June 2023. The Group directors have prepared cash flow forecasts for the Group for the period to 31 December 2024 which indicate that, taking account of severe but plausible downside scenarios, the Group, including this Company will have sufficient funds, through the Group's combined banking facilities to meet its liabilities as they fall due for that period.

Various sensitivity analyses have been performed to assess the impact of more severe but plausible downside scenarios to future trading including a 33% reduction in revenue linked to the mortgage market affecting both valuations and commissions, a 33% reduction in core membership revenue, and a 50% reduction in Product Provider Agreements all from August 2023 onwards. All scenarios have been modelled separately and combined, on the separate assumptions that management take no action. Under these severe but plausible downside scenarios the Group continues to operate within its available facilities and does not incur any covenant breaches.

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern (continued)

The position of the Company is dependent on Fintel plc not seeking repayment of the amounts currently due to other entities within the group, which at 31 December 2022 amounted to £393,716. Fintel plc has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due until at least 31 December 2024 and therefore have prepared the financial statements on a going concern basis.

1.3 Critical accounting estimates

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below. There are no significant judgements.

Capitalisation of development costs

The Directors apply their judgement to determine the technical, commercial, and financial viability of software development projects in order to assess whether the costs of such projects should be capitalised.

The Company makes estimates of the useful economic life of capitalised development costs. This estimate takes into consideration historical experience of the speed of change in the retail finance market and the longevity of benefits that arose historically from previous developments.

1.4 Classification of financial instruments issued by the Company

In accordance with FRS 101, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5 Non-derivative financial instruments

Trade and other receivables

Trade and other receivables are recognised at fair value, minus expected future losses. A provision for impairment of trade receivables is recognised based on lifetime expected losses, but principally comprise balances where objective evidence exists that the amount will not be collectible. Such amounts are written down to their estimated recoverable amounts, with the charge being made to operating expenses.

Trade and other payables

Trade and other payables are recognised at fair value.

Notes (continued)

1 Accounting policies (continued)

1.5 Non-derivative financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Amounts owed by / to Group Undertakings

Amounts to group undertakings are classified as current liabilities unless specific payment terms are in place.

Amounts owed by group undertakings are classified as non-current unless management expect to call upon the balance within 1 year, in which case they are classified as current assets.

1.6 Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Company accounts for each lease component separately from the non-lease components. However, for the leases of class of underlying asset, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component. The Company

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Notes (continued)

1 Accounting policies (continued)

1.6 Leases (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment', current lease liabilities in "creditors: amounts falling due within one year" and non-current lease liabilities as a separate line item in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1.7 Intangible fixed assets and amortisation

Intangible assets purchased in relation to computer software are capitalised at their cost and amortised through profit or loss in equal instalments over their estimated useful life of three years.

Research expenditure is recognised as an expense, in profit or loss, in the year in which it is incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends to and has the technical ability and sufficient resources to complete development, if future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses. Amortisation is charged to the statement of profit or loss over the estimated useful lives of the assets, which are a range of three to five years. Development costs capitalised and included as an asset within the financial statements have not been treated as a realised loss for the purpose of determining distributable reserves.

1.8 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 tangible fixed assets over their expected useful lives on a straight line basis. All lease assets are depreciated over the shorter of the useful life or expected lease period, unless it is expected that the Company will exercise an option to purchase the asset, in which case these assets are depreciated over their useful economic life. The principal rates used for this purpose are as follows:

Leasehold improvements	-	over life of lease or asset life if lower
Leased assets	-	over life of lease or asset life if lower
Office equipment	-	33⅓% per annum

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Notes (continued)

1 Accounting policies (continued)

1.9 Revenue recognition

Revenue is recognised by reference to the five-step model set out in IFRS 15. Revenue is recognised when an entity transfers goods or services to a customer, measured at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the good or service is transferred to the customer.

Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

The Company reports revenue under the following categories and the basis of recognition for each category is described below.

Fintech software solutions

Provision (and support) of software licence contracts to providers of financial products that enable them to research, launch and distribute relevant products to the market. The provision of software as a performance obligation is a promise of 'right to access' the software satisfied over a period of time. Provision of Engage software to help financial adviser client recommendations.

Revenue from software licences is recognised straight line over the licence period. The nature of the licences is such that the Group is required to undertake activities which impact the software and its utility to its customers throughout the licence period.

Software licences are invoiced, either, monthly or quarterly, in advance with payment terms applied. Engage products are invoiced monthly and collected in the same month by monthly direct debit.

Research – risk mappings, fund reviews and rating services

Star Ratings – an independent and trusted industry standard for assessing the feature quality and comprehensiveness of a financial product or proposition. The Rating is licensed to product providers over a period of time allowing for promotion of products with accompanying score. Risk Ratings – an independent review of funds to enable advisers to match portfolios to client's risk profiles, which is provided via a licenced Risk Rating over an agreed period of time.

Revenue from star and risk ratings is recognised straight line over the agreed contractual period of the licence, which is typically one year.

Revenue from star and risk ratings is billed on an annual basis in advance, and customers pay according to agreed terms.

Contract assets

A contract asset is initially recognised for revenue earned from services for which the receipt of consideration is conditional on successful completion of the service and performance obligation. Upon completion of the service, the amount recognised as accrued income is reclassified to trade receivables.

Contract liabilities

A contract liability is recognised if a payment is received, or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as deferred income until the Group delivers the performance obligations under the contract (i.e. transfers control of the related goods or services to the customer) at which point revenue is recognised in line with the delivery of the performance obligation.

Notes (continued)

1 Accounting policies (continued)

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense. Employees are entitled to carry forward any unused holiday entitlement at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.11 Retirement benefits

The Company operates a defined contribution pension scheme. The amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

1.12 Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements.

Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.13 Dividends

Dividends are recognised as liabilities once they are no longer at the discretion of the Company.

Notes (continued)

2 Profit and loss account information

	31 December 2022	31 December 2021
	£	£
Depreciation – owned assets	57,343	80,540
Depreciation – leased assets	133,287	161,015
Amortisation	1,389,391	1,387,899
Research expenditure	592,392	549,608
Auditor's remuneration – audit of these financial statements	38,000	35,000
	<u> </u>	<u> </u>

3 Interest receivable and similar income

	31 December 2022	31 December 2021
	£	£
Bank deposit interest	134	-
	<u> </u>	<u> </u>
	134	-
	<u> </u>	<u> </u>

4 Interest payable and similar expenses

	31 December 2022	31 December 2021
	£	£
Finance charges on lease liability (note 10)	20,441	24,713
	<u> </u>	<u> </u>
	20,441	24,713
	<u> </u>	<u> </u>

Notes (continued)

5 Staff numbers and costs

The average monthly number of persons employed by the Company during the year, analysed by category, was as follows:

	Number of employees	
	31 December 2022	31 December 2021
Research, administration, sales and marketing	140	132
Directors	4	4
	<hr/>	<hr/>
	144	136
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	31 December 2022 £	31 December 2021 £
Wages and salaries	7,136,976	6,350,757
Social security costs	821,262	702,232
Pension costs	1,042,291	995,158
	<hr/>	<hr/>
	9,000,529	8,048,147
Staff costs capitalised as development costs	(1,452,031)	(1,151,389)
	<hr/>	<hr/>
	7,548,498	6,896,758
	<hr/>	<hr/>

6 Directors' remuneration

Directors' remuneration

	31 December 2022 £	31 December 2021 £
Directors' remuneration	320,315	367,330
Pension contributions	29,249	27,881
	<hr/>	<hr/>

Information regarding the highest paid director for the year ended 31 December 2022 is as follows:

	31 December 2022 £	31 December 2021 £
Wages and salaries	195,694	152,128
Pension contributions	29,249	27,881
	<hr/>	<hr/>

Notes (continued)

7 Taxation

Total tax credit recognised in the profit and loss account

	31 December 2022 £	31 December 2021 £
Current tax		
Current tax on income for the period	1,027,747	1,094,999
Adjustments in respect of prior periods	55,246	(120,550)
	<hr/>	<hr/>
Total current tax	1,082,993	974,449
	<hr/>	<hr/>
Deferred tax		
Origination and reversal of timing differences	(11,195)	48,044
Adjustments in respect of prior years	300,097	(430,763)
Effect of change in tax rate	(8,198)	169,487
	<hr/>	<hr/>
Total deferred tax (credit)/charge (see note 13)	280,704	(213,232)
	<hr/>	<hr/>
Total tax charge	1,363,697	761,217
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of effective tax rate

	31 December 2022 £	31 December 2021 £
Profit for the year	5,612,309	5,079,610
Total tax charge	1,363,697	761,217
	<hr/>	<hr/>
Profit before taxation	6,976,006	5,840,827
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 19% (2021: 19%)	1,325,441	1,109,757
	<hr/>	<hr/>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	276,677	33,286
Effect of change in tax rate	(8,198)	169,487
Income not taxable	(585,566)	-
Adjustments in respect of previous periods	355,343	(551,313)
	<hr/>	<hr/>
Total tax charge included in the profit or loss	1,363,697	761,217
	<hr/> <hr/>	<hr/> <hr/>

Changes affecting the future tax charge

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in the financial statements.

Notes (continued)

8 Intangible fixed assets

	Development costs £	Computer software £	Total £
Cost			
At 1 January 2022	11,635,323	355,469	11,990,792
Additions	1,582,801	-	1,582,801
Disposals	-	(2,701)	(2,701)
	<hr/>	<hr/>	<hr/>
At 31 December 2022	13,218,124	352,768	13,570,892
	<hr/>	<hr/>	<hr/>
Amortisation			
At 1 January 2022	8,829,440	347,789	9,177,229
Charge for year	1,386,268	3,120	1,389,388
	<hr/>	<hr/>	<hr/>
At 31 December 2022	10,215,708	350,909	10,566,617
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2022	3,002,416	1,859	3,004,275
	<hr/>	<hr/>	<hr/>
At 31 December 2021	2,805,883	7,680	2,813,563
	<hr/>	<hr/>	<hr/>

There are no contractual commitments to acquire intangible assets.

Notes (continued)

9 Tangible fixed assets

	Leased		Owned			
	Cars and office equipment £	Property £	Leasehold improvements £	Office furniture, fixtures and fittings £	Office equipment £	Total £
Cost						
At 1 January 2022	294,986	1,015,977	331,046	53,588	322,397	2,017,994
Additions	14,892	-	4,439	-	26,476	45,807
Disposals	(25,264)	-	-	-	-	(25,264)
At 31 December 2022	284,614	1,015,977	335,485	53,588	348,873	2,038,537
Depreciation						
At 1 January 2022	232,017	270,928	303,018	52,029	238,470	1,096,462
Charge for year	29,999	103,288	11,623	1,107	44,613	190,630
At 31 December 2022	262,016	374,216	314,641	53,136	283,083	1,287,092
Net book value						
At 31 December 2022	22,598	641,761	20,844	452	65,790	751,445
At 31 December 2021	62,969	745,049	28,028	1,559	83,927	921,532

10 Leases

Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases:

Right-of-use assets

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as property (see note 9):

	Property £	Office equipment £	Total £
Balance at 1 January 2022	745,049	62,969	808,018
Additions to right-of-use asset	-	14,892	14,892
Depreciation charge for the year	(103,288)	(55,263)	(158,551)
Balance at 31 December 2022	641,761	22,598	664,359

Notes (continued)

10 Leases (continued)

Lease Liabilities

The following lease liabilities existed at 31 December:

	31 December 2022	31 December 2021
	£	£
Current liability (note 12)	112,198	132,178
Non-current liability	573,759	655,466
Total lease liability	685,957	787,644

Changes in lease liabilities from financing activities

	£
Balance at 1 January 2022	787,644
New leases	14,892
Interest	20,441
Lease payments	(137,020)
Balance at 31 December 2022	685,957

Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss for which the Company is a lessee:

	31 December 2022	31 December 2021
	£	£
Depreciation charge for the year	133,287	161,015
Interest on lease liability	20,441	24,713

Notes (continued)

11 Debtors

	31 December 2022 £	31 December 2021 £
Trade debtors	2,342,931	2,592,496
Corporation tax	483,001	220,247
Amounts owed by group undertakings	22,121,478	15,662,047
Prepayments	185,314	201,552
Accrued income	237,667	66,147
Other debtors	12,063	75
	<hr/>	<hr/>
Amounts due within one year	25,382,454	18,742,564
	<hr/> <hr/>	<hr/> <hr/>

Amounts owed by group undertakings are payable on demand and do not attract interest.

12 Creditors: amounts falling due within one year

	31 December 2022 £	31 December 2021 £
Trade creditors	225,247	154,614
Other taxation and social security	585,103	757,865
Amounts due to group undertaking	393,716	162,124
Lease liability (note 10)	112,198	132,178
Other creditors	123,185	215,515
Accruals	1,271,635	1,176,528
Deferred income	6,568,805	6,130,769
	<hr/>	<hr/>
	9,279,889	8,729,593
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

13 Deferred taxation

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	£	£	£	£	£	£
Accelerated capital allowances	43,142	46,666	-	-	43,142	46,666
Other short term timing differences	-	-	(619,942)	(342,762)	(619,942)	(342,762)
Tax assets / liabilities	43,142	46,666	(619,942)	(342,762)	(576,800)	(296,096)

14 Share capital and reserves

	31 December 2022	31 December 2021
	£	£
<i>Allotted, called up and fully paid</i>		
2 Ordinary shares of £1 each	2	2

The Company's ordinary shares, which carry no right to fixed income, carry the right to one vote at general meetings of the Company.

15 Pension scheme

Defined contribution pension scheme

The Defaqto Personal Pension Plan is a defined contribution plan and is open to all employees of the Company that have completed three months' service. The Company doubles the contributions made by employees up to a maximum company contribution of 10% of salary (2021: 10%). The pension cost for the year represents contributions payable by the Company to the scheme and amounted to £1,042,291 (2021: £995,158). Included in creditors due within one year is £89,930 (2021: £76,347) in respect of contributions due in relation to this pension scheme.

16 Contingencies

The Company has provided a guarantee against the bank loans of Fintel plc, the ultimate parent company. The total amount outstanding at 31 December 2022 amounted to £nil (2021: £7,000,000).

Notes *(continued)*

17 Ultimate parent company and controlling party

The immediate parent undertaking is Regulus Bidco Limited.

The ultimate parent undertaking is Fintel plc, which is the only set of consolidated financial statements which include the results of the Company. These accounts can be obtained from the company's registered office.

In the opinion of the Directors, the ultimate controlling party is Fintel plc.

18 Related party transactions

The Company has taken advantage of the exemption within FRS101 and therefore not disclosed details of transactions with fellow wholly owned companies within the group headed by Fintel plc.