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Registered number: 03776633

**Old Broad Street Research Limited**

**Annual report and financial statements  
for the year ended 31 December 2013**

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# **Old Broad Street Research Limited**

## **Company Information**

<b>Directors</b>	G M Balzano Morningstar, Inc. M Roomans
<b>Company secretary</b>	Eversecretary Limited
<b>Registered number</b>	03776633
<b>Registered office</b>	1 Oliver's Yard 55-71 City Road London EC1Y 1HQ
<b>Independent auditors</b>	KPMG LLP 15 Canada Square London E14 5GL

# **Old Broad Street Research Limited**

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# **Old Broad Street Research Limited**

## **Directors' report for the year ended 31 December 2013**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2013.

### **Principal activity**

The principal activity of the company during the year was the provision of fund research and consultancy services and licensing of software to financial and professional bodies.

### **Directors**

The directors who held office during the year and up to the date of signing the financial statements are given below:

G M Balzano  
Morningstar, Inc.  
M Roomans (appointed 12 June 2013)

### **Going concern**

The financial statements have been prepared on a going concern basis as, after making appropriate enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

### **Post balance sheet events**

On 31 May 2014, the trade and assets of OBSR Advisory Services Limited were hived up into this company.

At that date the value of the net assets of OBSR Advisory Services Limited was £2,514,793.

### **Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### **Auditors**

On 6 November 2013, KPMG LLP were appointed as auditors to the company and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

# **Old Broad Street Research Limited**

## **Directors' report for the year ended 31 December 2013**

### **Small company exemption**

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

The directors have also taken advantage of the small companies exemptions provided by section 414B of the Companies Act 2006 and not prepared a strategic report.

This report was approved by the board on 30 September 2014 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'G M Balzano', followed by a long horizontal line extending to the right.

**G M Balzano**  
Director

1 Oliver's Yard  
55-71 City Road  
London  
EC1Y 1HQ

## **Old Broad Street Research Limited**

### **Directors' responsibilities statement for the year ended 31 December 2013**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

## **Independent Auditor's Report to the members of Old Broad Street Research Limited**

We have audited the financial statements of Old Broad Street Research Limited for the year ended 31 December 2013, set out on pages 6 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Independent Auditor's Report to the members of Old Broad Street Research Limited

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to not prepare a strategic report, in accordance with the small companies regime.



John Edwards (Senior Statutory Auditor)  
for and on behalf of

**KPMG LLP**  
Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL

Date: 30 September 2014



## Old Broad Street Research Limited

### Profit and loss account for the year ended 31 December 2013

	Note	2013 £	2012 £
Turnover	2	4,387,030	4,669,625
Cost of sales		(2,253,513)	(2,334,706)
<b>Gross profit</b>		<b>2,133,517</b>	<b>2,334,919</b>
Distribution costs		(834,388)	(880,995)
Administrative expenses		(722,766)	(1,497,856)
Other operating income	3	387,519	559,356
<b>Operating profit</b>	4	<b>963,882</b>	<b>515,424</b>
Interest receivable and similar income		25,026	16,663
<b>Profit on ordinary activities before taxation</b>		<b>988,908</b>	<b>532,087</b>
Tax on profit on ordinary activities	6	(239,583)	(129,929)
<b>Profit for the financial year</b>	16	<b>749,325</b>	<b>402,158</b>

All amounts relate to continuing operations.

There were no recognised gains and losses other than those included in the profit and loss account.

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the financial year stated above and their historical cost equivalents.

The notes on pages 8 to 17 form part of these financial statements.

# Old Broad Street Research Limited

Registered number: 03776633

## Balance sheet as at 31 December 2013

	Note	£	2013 £	£	2012 £
<b>Fixed assets</b>					
Intangible assets	7		-		-
Tangible assets	8		6,291		23,650
Investments	9		1,000		1,000
			<u>7,291</u>		<u>24,650</u>
<b>Current assets</b>					
Debtors	10	1,840,419		2,417,477	
Cash at bank		4,953,716		4,421,881	
		<u>6,794,135</u>		<u>6,839,358</u>	
<b>Creditors:</b> amounts falling due within one year	12	(2,217,308)		(3,029,215)	
<b>Net current assets</b>			<u>4,576,827</u>		<u>3,810,143</u>
<b>Net assets</b>			<u>4,584,118</u>		<u>3,834,793</u>
<b>Capital and reserves</b>					
Called up share capital	15		677,000		677,000
Share premium account	16		214,250		214,250
Capital redemption reserve	16		115,000		115,000
Profit and loss account	16		3,577,868		2,828,543
<b>Shareholder's funds</b>	17		<u>4,584,118</u>		<u>3,834,793</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on  
30 September 2014.

  
G M Balzano  
Director

The notes on pages 8 to 17 form part of these financial statements.

# **Old Broad Street Research Limited**

## **Notes to the financial statements for the year ended 31 December 2013**

### **1. Accounting policies**

#### **1.1 Basis of preparation of financial statements**

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards.

#### **1.2 Going concern**

The financial statements have been prepared on a going concern basis as, after making appropriate enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

#### **1.3 Consolidation**

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 401 of the Companies Act 2006 as it is a subsidiary undertaking of Morningstar, Inc., a company incorporated in the United States of America, and is included in the consolidated accounts of that company. Copies of the consolidated financial statements of Morningstar, Inc. are available from [www.morningstar.com](http://www.morningstar.com).

#### **1.4 Cash flow**

The company is a wholly owned subsidiary of Morningstar UK Limited and is included in the consolidated financial statements of Morningstar, Inc. which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996) 'Cash Flow Statements'.

#### **1.5 Turnover**

The turnover shown in the profit and loss account represents the value of all services provided during the year, at selling price exclusive of Value Added Tax. Sales are recognised at the point at which the company has fulfilled its contractual obligations to the customer, usually on invoice.

Income from services which are invoiced in advance of the company meeting its contractual obligations are held as deferred income and taken to the profit and loss account over the period to which they relate.

#### **1.6 Operating leases**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

#### **1.7 Pensions**

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year. The assets of the scheme are held separately from those of the company in an independently administered fund.

# **Old Broad Street Research Limited**

## **Notes to the financial statements for the year ended 31 December 2013**

### **1. Accounting policies (continued)**

#### **1.8 Amortisation**

Amortisation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the estimated useful economic life of that asset as follows:

Goodwill	-	Straight line over its useful economic life
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#### **1.9 Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more tax, or a right to pay less tax, or a right to receive repayments of tax.

Deferred tax assets are recognised only to the extent that the directors consider it more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities recognised have not been discounted. Deferred tax is measured on a non-discounted basis at the average tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### **1.10 Foreign currencies**

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions, or at an average rate for the period if the rates do not fluctuate significantly. Monetary assets and liabilities are translated at year end exchange rates or, where appropriate, at rates of exchange fixed under the terms of the relevant transaction. The resulting exchange rate differences are charged to the profit and loss account.

#### **1.11 Share-based payments**

Restricted Stock Units (RSUs) and share options are an equity-settled share-based payment used to make awards to directors and certain employees of the company.

RSUs and share options are measured at fair value and the corresponding compensation expense is amortised on a straight line basis over the period they vest. Equity-based compensation expense is included in the administrative expenses on the profit and loss account.

The fair value of RSUs is determined based on the share price of Morningstar, Inc. at the date they are granted.

#### **1.12 Tangible fixed assets and depreciation**

Tangible fixed assets are recognised at cost and stated at cost less depreciation. Cost represents purchase price together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Equipment	-	Straight line basis over 3 - 5 years
Software	-	Straight line basis over 3 years

#### **1.13 Investments**

Long term investments in subsidiary undertakings are included in the company's balance sheet at cost less provision for impairment.

# Old Broad Street Research Limited

## Notes to the financial statements for the year ended 31 December 2013

### 2. Turnover

The whole of the turnover is attributable to the one principal activity of the company.

A geographical analysis of turnover is as follows:

	2013 £	2012 £
United Kingdom	4,387,030	4,293,089
Rest of the World	-	376,536
	<u>4,387,030</u>	<u>4,669,625</u>

### 3. Other operating income

	2013 £	2012 £
Management charges receivable	<u>387,519</u>	<u>559,356</u>

### 4. Operating profit

The operating profit is stated after charging:

	2013 £	2012 £
Depreciation of tangible fixed assets:		
- owned by the company	17,359	31,961
Auditors' remuneration - audit of the financial statements	18,000	22,400
Operating lease rentals:		
- other	949	4,146
Net loss on foreign exchange	18,668	5,990
Loss on disposal of fixed assets	<u>2,746</u>	<u>2,951</u>

# Old Broad Street Research Limited

## Notes to the financial statements for the year ended 31 December 2013

### 5. Staff costs

The staff costs were as follows:

	2013 £	2012 £
Wages and salaries	2,525,236	2,958,547
Social security costs	319,514	314,820
Other pension costs	58,417	63,945
Share-based payments (see note 14)	159,070	211,847
	<u>3,062,237</u>	<u>3,549,159</u>

During the year, no director received or waived any emoluments in respect of their services to this company (2012: £Nil). All directors are directors of other group companies and are remunerated by those companies.

The average monthly number of employees, including the directors, during the year was as follows:

	2013 No.	2012 No.
Sales	29	28
Administrative	4	5
Marketing	1	3
	<u>34</u>	<u>36</u>

### 6. Taxation

	2013 £	2012 £
<b>Analysis of tax charge in the year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profit for the year	219,778	3,714
Adjustments in respect of prior periods	(4,999)	-
<b>Total current tax</b>	<u>214,779</u>	<u>3,714</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	23,641	126,215
Adjustment in respect of previous periods	(2,393)	-
Effect of changes in tax rates	3,556	-
<b>Total deferred tax</b> (see note 11)	<u>24,804</u>	<u>126,215</u>
<b>Tax on profit on ordinary activities</b>	<u>239,583</u>	<u>129,929</u>

# Old Broad Street Research Limited

## Notes to the financial statements for the year ended 31 December 2013

### 6. Taxation (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2012: lower than) the standard rate of corporation tax in the UK of 23.25% (2012: 24.50%). The differences are explained below:

	2013 £	2012 £
Profit on ordinary activities before tax	<b>988,908</b>	532,087
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24.50%)	<b>229,887</b>	130,361
<b>Effects of:</b>		
Expenses not deductible for tax purposes	<b>13,532</b>	60,527
Capital allowances for year in excess of depreciation	<b>(5,777)</b>	7,104
Utilisation of tax losses	<b>(15,813)</b>	(141,321)
Adjustment in respect of previous periods	<b>(4,999)</b>	-
Movement in short term timing differences	<b>(2,051)</b>	-
Non-taxable income	-	(52,580)
Other differences leading to an increase (decrease) in the tax charge	-	(230)
Marginal relief	-	(147)
<b>Current tax charge for the year (see note above)</b>	<b>214,779</b>	3,714

#### Factors that may affect future tax charges

During the year, as a result of the changes in the UK main corporation tax rate to 21% from 1 April 2014 and to 20% from 1 April 2015, which were substantively enacted on 2 July 2013, the relevant deferred tax balances have been remeasured.

### 7. Intangible fixed assets

	Goodwill £
<b>Cost</b>	
At 1 January 2013 and 31 December 2013	<b>182,500</b>
<b>Amortisation</b>	
At 1 January 2013 and 31 December 2013	<b>182,500</b>
<b>Net book value</b>	
At 31 December 2013	-
At 31 December 2012	-

# Old Broad Street Research Limited

## Notes to the financial statements for the year ended 31 December 2013

### 8. Tangible fixed assets

	Equipment £	Software £	Total £
<b>Cost</b>			
At 1 January 2013	228,675	412,948	641,623
Disposals	(122,905)	(412,948)	(535,853)
At 31 December 2013	105,770	-	105,770
<b>Depreciation</b>			
At 1 January 2013	215,244	402,729	617,973
Charge for the year	7,140	10,219	17,359
On disposals	(122,905)	(412,948)	(535,853)
At 31 December 2013	99,479	-	99,479
<b>Net book value</b>			
At 31 December 2013	6,291	-	6,291
At 31 December 2012	13,431	10,219	23,650

### 9. Fixed asset investments

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
At 1 January 2013 and 31 December 2013	1,000
<b>Net book value</b>	
At 31 December 2013	1,000
At 31 December 2012	1,000

#### Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding
OBSR Advisory Services Limited	Ordinary	100 %



# Old Broad Street Research Limited

## Notes to the financial statements for the year ended 31 December 2013

### 10. Debtors

	2013 £	2012 £
Trade debtors	940,293	2,020,178
Amounts owed by group undertakings	726,937	94,161
Other debtors	19,227	13,711
Prepayments and accrued income	128,584	239,246
Deferred tax asset (see note 11)	25,378	50,181
	<u>1,840,419</u>	<u>2,417,477</u>

All amounts owed by group undertakings are unsecured, interest free and repayable on demand.

### 11. Deferred tax asset

	2013 £	2012 £
At beginning of year	50,181	176,396
Charged during the year to the profit and loss account	(24,803)	(126,215)
	<u>25,378</u>	<u>50,181</u>
At end of year	<u>25,378</u>	<u>50,181</u>

The deferred tax asset consists of the tax effect of timing differences in respect of the following:

	2013 £	2012 £
Other timing differences	-	50,181
Accelerated capital allowances	(25,378)	-
	<u>(25,378)</u>	<u>50,181</u>

### 12. Creditors: Amounts falling due within one year

	2013 £	2012 £
Trade creditors	32,998	41,718
Amounts owed to group undertakings	805,664	374,900
Corporation tax	49,779	8,713
Other taxation and social security	144,794	367,693
Other creditors	26,258	75,285
Accruals and deferred income	1,157,815	2,160,906
	<u>2,217,308</u>	<u>3,029,215</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

## **Old Broad Street Research Limited**

### **Notes to the financial statements for the year ended 31 December 2013**

#### **13. Pension commitments**

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £58,417 (2012: £63,945).

At the end of the financial year the company owed contributions to the scheme of £Nil (2012: £8,822).

#### **14. Share-based payments**

##### *Equity-settled share-based payments*

During the year ended 31 December 2013 Morningstar, Inc. issued restricted stock units (RSUs) to certain directors and employees of the company in accordance with the Morningstar 2011 and 2004 Stock Incentive Plan.

The shareholders of Morningstar, Inc. approved the Morningstar 2011 Stock Incentive Plan (the 2011 Plan) on May 17, 2011.

As of that date Morningstar, Inc. stopped granting awards under the Morningstar 2004 Stock Incentive Plan (the 2004 Plan).

The 2011 Plan provides for a variety of stock-based awards, including, among other things, RSUs.

All employees and non-employee directors are eligible for awards under the 2011 Plan.

Grants awarded under the 2011 Plan or the 2004 Plan are forfeited, cancelled, settled, or otherwise terminated without a distribution of shares, or shares withheld by Morningstar, Inc. in connection with the exercise of options, will be available for awards under the 2011 Plan.

Any shares subject to awards under the 2011 Plan, but not under the 2004 Plan, that are withheld by Morningstar, Inc. in connection with the payment of any required income tax withholding will be available for awards under the 2011 Plan.

# Old Broad Street Research Limited

## Notes to the financial statements for the year ended 31 December 2013

### 14. Share-based payments (continued)

#### Restricted stock units

The table below summarises activity regarding unvested restricted stock units under the Plan for the year ended 31 December 2013 and 31 December 2012:

	Unvested	Weighted Average Grant Date Value per RSU \$
Outstanding at 1 January 2012	20,841	52.55
Granted	8,484	57.70
Dividend equivalents granted	176	53.25
Vested	(5,964)	51.83
Forfeited	(10,716)	53.62
Outstanding at 31 December 2012	12,821	55.41
Granted	138	69.99
Transfers	(576)	57.28
Dividend equivalents granted	46	52.03
Vested	(2,392)	58.53
Forfeited	(5,064)	53.47
Outstanding at 31 December 2013	4,973	54.03

### 15. Share capital

	2013 £	2012 £
<b>Allotted, called up and fully paid</b>		
677,000 Ordinary shares of £1 each	677,000	677,000

### 16. Reserves

	Share premium account £	Capital redemption reserve £	Profit and loss account £
At 1 January 2013	214,250	115,000	2,828,543
Profit for the financial year	-	-	749,325
At 31 December 2013	214,250	115,000	3,577,868

## Old Broad Street Research Limited

### Notes to the financial statements for the year ended 31 December 2013

#### 17. Reconciliation of movement in shareholder's funds

	2013 £	2012 £
Opening shareholder's funds	3,834,793	3,432,635
Profit for the financial year	749,325	402,158
Closing shareholder's funds	<u>4,584,118</u>	<u>3,834,793</u>

#### 18. Related party transactions

The company has taken advantage of the exemption contained in Financial Reporting Standard 8 'Related Party Disclosures' from disclosing transactions or balances with other members which are 100% controlled within the group headed by Morningstar, Inc..

#### 19. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Morningstar UK Limited, a company incorporated in England and Wales.

The ultimate parent undertaking and controlling party is Morningstar, Inc., incorporated in the United States of America.

The largest group in which the results of the company are consolidated is that headed by Morningstar, Inc.. Copies of the consolidated financial statements are available from [www.morningstar.com](http://www.morningstar.com).

#### 20. Post balance sheet events

On 31 May 2014, the trade and assets of OBSR Advisory Services Limited were hived up into this company.

At that date the value of the net assets of OBSR Advisory Services Limited was £2,514,793.