

SIFT LIMITED
FINANCIAL STATEMENTS
31 DECEMBER 2008



COMPANY REGISTRATION NUMBER 3863688

SIFT LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2008

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SIFT LIMITED
COMPANY INFORMATION

The board of directors

Ben Heald
Steven Priscott

Company secretary

Ben Heald

Registered office

100 Victoria Street
Bristol

Auditor

Target Consulting Limited
Chartered Accountants & Registered Auditors
Lawrence House
Lower Bristol Road
Bath

Solicitors

Roxburgh Milkins LLP
Merchants Horse North
Wapping Road
Bristol

SIFT LIMITED
THE DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2008

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year is the provision of engagement management solutions and online publishing.

On 1 January 2008 the trade and assets of the company were hived up into the parent undertaking, Sift Group Limited. Following the hive up the company ceased to trade.

RESULTS AND DIVIDENDS

The profit for the year amounted to £3,296,134. The directors have not recommended a dividend.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

DIRECTORS

The directors who served the company during the year were as follows:

Ben Heald
Steven Priscott

DIRECTORS' RESPONSIBILITIES

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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- ☐ select suitable accounting policies and then apply them consistently;
- ☐ make judgements and estimates that are reasonable and prudent;
- ☐ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that 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.

In so far as the directors are aware:

- ☐ there is no relevant audit information of which the company's auditor is unaware; and
- ☐ the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

SIFT LIMITED
THE DIRECTORS' REPORT *(continued)*
YEAR ENDED 31 DECEMBER 2008

AUDITOR

Target Consulting Limited has expressed its willingness to remain in office as auditor.

Signed on behalf of the directors



S Priscott
Company Secretary

Approved by the directors on ...27/03/09...

SIFT LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF
SIFT LIMITED

YEAR ENDED 31 DECEMBER 2008

We have audited the financial statements of Sift Limited for the year ended 31 December 2008 on pages 6 to 15, which have been prepared on the basis of the accounting policies set out on pages 8 to 9.

This report is made solely to the company's shareholder, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholder 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 shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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.

SIFT LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF
SIFT LIMITED (*continued*)**

YEAR ENDED 31 DECEMBER 2008

OPINION

In our opinion:

- ☐ the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- ☐ the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- ☐ the information given in the Directors' Report is consistent with the financial statements.

Target Consulting Ltd

Target Consulting Limited
Chartered Accountants & Registered Auditors
Lawrence House
Lower Bristol Road
Bath

Dated: *30/03/2009*

SIFT LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2008

	Note	2008 £	2007 £
TURNOVER	2	–	1,085,092
Administrative expenses		–	(754,696)
OPERATING PROFIT	3	–	330,396
Forgiveness of intercompany debt	6	3,296,134	–
		3,296,134	330,396
Interest receivable	7	–	1,364
Interest payable and similar charges	8	–	(39,303)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,296,134	292,457
Tax on profit on ordinary activities	9	–	–
PROFIT FOR THE FINANCIAL YEAR		3,296,134	292,457

All of the activities of the company are classed as continuing.

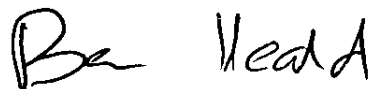
The company has no recognised gains or losses other than the results for the year as set out above.

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

SIFT LIMITED
BALANCE SHEET
31 DECEMBER 2008

	Note	2008 £	£	2007 £	£
FIXED ASSETS					
Tangible assets	10		—		161,777
CURRENT ASSETS					
Debtors	11	2		6,559,066	
Cash at bank		—		1,317	
		<u>2</u>		<u>6,560,383</u>	
CREDITORS: Amounts falling due within one year	12	—		<u>(9,998,292)</u>	
NET CURRENT ASSETS/(LIABILITIES)			<u>2</u>		<u>(3,437,909)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2</u>		<u>(3,276,132)</u>
CREDITORS: Amounts falling due after more than one year	13		—		(20,000)
			<u>2</u>		<u>(3,296,132)</u>
CAPITAL AND RESERVES					
Called-up equity share capital	18		2		2
Profit and loss account	19		—		(3,296,134)
SHAREHOLDER'S FUNDS/(DEFICIT)	20		<u>2</u>		<u>(3,296,132)</u>

These financial statements were approved by the directors and authorised for issue on 27/03/09, and are signed on their behalf by:



B Heald
Director

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

SIFT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Cash flow statement

Under Financial Reporting Standard No 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that the parent undertaking includes the company in its own published consolidated financial statements.

Turnover

Turnover represents the amounts (excluding VAT) derived from the provision of goods and services to customers during the period.

Revenue recognition

Advertising revenue is recognised evenly over the period in which the advertising solution is delivered in accordance with the signed order confirmation.

e-Commerce revenue is recognised in the period in which the product is downloaded from the company's web site.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Computer Equipment	- 3 years straight line
Fixtures & Fittings	- 3 years straight line

During the year the useful life of a number of fixed assets included in Computer Equipment and Fixtures & Fittings were revised upwards.

SIFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES *(continued)*

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, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

Deferred tax assets are recognised only to the extent that the directors consider that it is 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 is measured on an undiscounted basis at the 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.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2008	2007
	£	£
United Kingdom	-	1,085,092

Turnover includes royalties of £Nil (2007 - £1,088,094) from Sift Software Limited, a fellow group company for the use of Sift Technology. Royalty revenue is charged and recognised on the basis of 80% of the signed contract value by Sift Software Limited in accordance with the royalty agreement.

SIFT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2008

3. OPERATING PROFIT

Operating profit is stated after charging:

	2008	2007
	£	£
Depreciation of owned fixed assets	–	41,808
Depreciation of assets held under finance lease agreements	–	16,993
Auditor's remuneration		
- as auditor	–	18,100
Operating lease costs:		
Plant and equipment	–	18,815
Other	–	33,626
Net loss on foreign currency translation	–	7,383
	<u>–</u>	<u>7,383</u>

Audit fees are paid by the parent company, Sift Group Limited.

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2008	2007
	No	No
Sales and marketing	–	37
Technical	–	34
Administration	–	9
Editorial	–	12
	<u>–</u>	<u>92</u>

The aggregate payroll costs of the above were:

	2008	2007
	£	£
Wages and salaries	–	720,770
Social security costs	–	82,758
	<u>–</u>	<u>803,528</u>

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2008	2007
	£	£
Emoluments receivable	–	184,459
Value of company pension contributions to money purchase schemes	–	18,000
	<u>–</u>	<u>202,459</u>

The company does not operate a pension scheme, but does make voluntary contributions to directors' personal pension schemes. Last year one director received contributions to money purchase schemes.

SIFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

6. INTERCOMPANY BALANCE WAIVER

	2008 £	2007 £
Forgiveness of intercompany debt	<u>(3,296,134)</u>	<u>-</u>

On 1 January 2008 the trade and assets of the company were hived up into the parent undertaking, Sift Group Limited.

Sift Group Limited gave debt forgiveness of £3,296,134 to Sift Limited following the hive up.

7. INTEREST RECEIVABLE

	2008 £	2007 £
Bank interest receivable	<u>-</u>	<u>1,364</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2008 £	2007 £
Interest payable on bank borrowing	<u>-</u>	<u>39,303</u>

Included in interest payable is £Nil (2007 - £2,903) relating to finance leases.

9. TAXATION ON ORDINARY ACTIVITIES

Factors affecting current tax charge

	2008 £	2007 £
Profit on ordinary activities before taxation	<u>3,296,134</u>	<u>292,457</u>
Profit on ordinary activities by rate of tax	939,308	87,737
Utilisation of tax losses	(932,567)	(90,364)
Expenses not deductible for tax purposes	3,425	917
Capital allowances in excess of depreciation	(3,425)	(5,942)
Group relief (surrendered)/received without payment	-	7,652
Income not taxable for tax purposes	(6,741)	-
Total current tax	<u>-</u>	<u>-</u>

Trading losses amounting to £3,272,479 were transferred to Sift Group Limited on the hive up of trade and assets on 1 January 2008.

SIFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

10. TANGIBLE FIXED ASSETS

	Computer Equipment £	Fixtures & Fittings £	Motor Vehicles £	Total £
COST				
At 1 January 2008	493,192	121,608	32,200	647,000
Disposals	(493,192)	(121,608)	(32,200)	(647,000)
At 31 December 2008	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
DEPRECIATION				
At 1 January 2008	381,765	103,458	—	485,223
On disposals	(381,765)	(103,458)	—	(485,223)
At 31 December 2008	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
NET BOOK VALUE				
At 31 December 2008	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2007	<u>111,427</u>	<u>18,150</u>	<u>32,200</u>	<u>161,777</u>

Finance lease agreements

Included within the net book value of £Nil is £Nil (2007 - £37,865) relating to assets held under finance lease agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £Nil (2007 - £16,993).

11. DEBTORS

	2008 £	2007 £
Amounts owed by group undertakings	2	6,267,897
Other debtors	—	58,369
Prepayments and accrued income	—	232,800
	<u>2</u>	<u>6,559,066</u>

SIFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

12. CREDITORS: Amounts falling due within one year

	2008 £	2007 £
Bank loans and overdrafts	—	731,339
Trade creditors	—	527,207
Amounts owed to group undertakings	—	7,760,267
Other creditors including taxation and social security:		
Taxation and social security	—	389,800
Finance lease agreements	—	12,835
Accruals and deferred income	—	576,844
	<u>—</u>	<u>9,998,292</u>

The company had a bank overdraft which is secured by a fixed and floating charge in favour of Lloyds TSB Bank.

Other bank borrowings were secured against the trade debtors of fellow group company Sift Media Limited.

Both liabilities were hived up to Sift Group Limited on 1 January 2008.

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2008 £	2007 £
Bank loans and overdrafts	—	731,339
Other creditors including taxation and social security	—	12,835
	<u>—</u>	<u>744,174</u>

13. CREDITORS: Amounts falling due after more than one year

	2008 £	2007 £
Other creditors:		
Finance lease agreements	—	20,000
	<u>—</u>	<u>20,000</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	2008 £	2007 £
Other creditors	—	20,000
	<u>—</u>	<u>20,000</u>

14. CREDITORS - CAPITAL INSTRUMENTS

Creditors include finance capital which is due for repayment as follows:

	2008 £	2007 £
Amounts repayable:		
In one year or less or on demand	—	744,174
In more than one year but not more than two years	—	20,000
	<u>—</u>	<u>764,174</u>

SIFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

15. COMMITMENTS UNDER FINANCE LEASE AGREEMENTS

Future commitments under finance lease agreements are as follows:

	2008 £	2007 £
Amounts payable within 1 year	-	12,835
Amounts payable between 1 and 2 years	-	10,000
Amounts payable between 3 and 5 years	-	10,000
	<u>-</u>	<u>32,835</u>

16. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2008 the company had annual commitments under non-cancellable operating leases as set out below.

	2008 £	2007 £
Operating leases which expire:		
Within 2 to 5 years	-	104,530
	<u>-</u>	<u>104,530</u>

17. RELATED PARTY TRANSACTIONS

As the company is a wholly owned subsidiary of Sift Group Limited, the company has taken advantage of the exemption contained in the Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

The consolidated financial statements of Sift Group Limited, within which the company is included, can be obtained from the address given in note 21.

18. SHARE CAPITAL

Authorised share capital:

	2008 £	2007 £
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	2008 No	£	2007 No	£
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

19. PROFIT AND LOSS ACCOUNT

	2008 £	2007 £
Balance brought forward	(3,296,134)	(3,588,591)
Profit for the financial year	3,296,134	292,457
Balance carried forward	<u>-</u>	<u>(3,296,134)</u>

SIFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2008	2007
	£	£
Profit for the financial year	3,296,134	292,457
Opening shareholder's deficit	(3,296,132)	(3,588,589)
Closing shareholder's funds/(deficit)	<u>2</u>	<u>(3,296,132)</u>

21. ULTIMATE CONTROLLING PARTY

The company's ultimate parent undertaking and controlling party is Sift Group Limited which is incorporated in England. Consolidated financial statements for Sift Group Limited are available from 100 Victoria Street, Bristol, BS1 6HZ