

COFUNDS HOLDINGS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR TO
31 DECEMBER 2009

Registered Number 04022350



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Directors' Report

The Directors present their report and the audited financial statements for the year to 31 December 2009

Principal activity and review of business

The Company's principal activity is that of a holding company and the group operates one of the leading investment platforms.

The continuing investment in and development of the platform is integral to the sustained success of the business. With the firming up of detail from the FSA around the Retail Distribution Review (RDR), Cofunds undertook a comprehensive strategic review of its positioning in the market and proposition, the purpose being to establish the development roadmap required to support the anticipated shifts in the make-up of the intermediary landscape. This was subsequently tested with financial planners and via industry consultants, leading to a firm development plan for 2010 being approved that will reposition the Group with the ambition of becoming the leading platform for financial planning

In trading terms, the start of 2009 saw continuing challenges with worldwide equity markets falling by a quarter, but these recovered during the second half of the year. Despite continuing difficult trading conditions, net assets onto the platform in 2009 set a new Group record of £4.75bn. These strong asset flows and improving equity markets enabled assets under administration to end the year at £22.65bn.

The Group's profit before tax, excluding long term incentive plan costs (see notes 4, 6 and 18), for the year is £2.3m compared to £2.7m in 2008 (as restated – see note 1(a)). The Group's profit before tax for the year is £59k compared to a £6.3m profit in 2008 (as restated – see note 1(a)). Consistent with 2008, no interim dividend was paid (2008: Nil) and no final dividend is proposed (2008: Nil).

On 5 January 2009, Brett Williams joined the Group as Chief Executive Officer of Cofunds Limited. Charlie Eppinger relinquished his executive responsibilities at the same time, but retains the Chairmanship of the Group.

Future outlook

The Group expects that, with existing competitors and new market entrants, competition will remain strong.

Consistent with the broader economic environment, market conditions remain challenging. However, the Group continues to grow both in terms of platform facilities and new asset acquisition.

Despite these factors, the Group believes it can grow its position to become the UK's leading investment platform. In August 2009, the Group entered into a commercial relationship with Suffolk Life to provide a platform-based SIPP which was launched in March 2010.

Cofunds Holdings Limited

Principal risks and uncertainties

Key business risks and uncertainties affecting the Group are considered to relate to high impact stress events arising from a significant medium to long-term market downturn resulting in a reduction of revenues linked to the value of assets under administration, general loss of confidence in the financial services industry resulting in a similar loss of revenues, crystallisation of Counterparty risk exposures, and loss of confidence in Cofunds proposition, either by customers, clients or intermediaries, resulting in loss of revenues

Key performance indicators

The main KPIs monitored by the directors include assets under administration (which were £14.6bn at the start of the year and £22.65bn at the end of the year), net sales, revenue margins and expenses

Directors

The Directors who held office during the year ended 31 December 2009 were as follows

	Appointed	Resigned
J Carey	-	-
T Challenor	-	10 June 2009
T Challenor ^	9 July 2009	-
B Cooke ^	-	-
S Davies	-	-
C Eppinger	-	-
S Hooley ^	-	30 June 2009
S Jensen	-	-
Legal & General Partnership Holdings Limited	-	20 October 2009
T McDonnell	9 July 2009	-
P Moore ^	-	-
J Phelan	30 June 2009	-
S Pistell	20 October 2009	-
J Shuman ^	-	-
B Williams	5 January 2009	-

^ Alternate Director

K Shaw was appointed an (alternate) Director on 16 March 2010. There were no resignations of Directors subsequent to 31 December 2009.

Company Secretary

A Craig was company secretary throughout 2009

Own Shares

The changes to own shares during the year as set out in note 14

Employee Involvement

Employee communication is important to us. We ensure employees are kept well informed of the performance and strategy of the Group through regular open briefing meetings hosted by senior management. Individual departments hold local meetings to disseminate relevant information and we operate an intranet that is available to all staff and which contains information about the Group and its performance.

The Group pursues policies of fairness and equal opportunities for all and considers that people with disabilities should have full and fair consideration for all vacancies. The only criteria in selecting for recruitment, promotion and development are capability and performance.

Payments to Suppliers

The Group agrees payment terms with its suppliers when it enters into contracts for the supply of services. If terms are not specified, standard monthly terms are applied. The Group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

Donations

The Group engages closely with local communities, developing partnerships with charities which operate locally to our offices. This supplements our support of national charitable events and is driven by employee Social Committee representatives at each of our locations. We facilitate employee involvement through matching individual gifts, operating a tax-efficient payroll giving scheme and by supporting local initiatives. In 2009, our contribution was £4k (2008: £1k). The Group and Company made no political donations during the year.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law 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 Group 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 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,
- 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 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 financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office. The Company has previously dispensed with the annual reappointment of the auditors.

Cofunds Holdings Limited

Statement of disclosure of information to auditors

In the case of each of the persons who are directors at the time when the report is approved

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- They have taken all the steps that ought to be taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

By Order of the Board,



A Craig
Secretary

31 March 2010

1st Floor
1 Minster Court
Mincing Lane
London EC3R 7AA

Independent auditors' report to the members of Cofunds Holdings Limited

We have audited the group and Parent Company financial statements (the "financial statements") of Cofunds Holdings Limited for the year ended 31 December 2009 which comprise the Group Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement 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 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 Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the Parent Company's affairs as at 31 December 2009 and of the group's profit and cash flows 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

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.

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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Parent Company 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



31 March 2010

*Kelvin Laing-Williams (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London*

Consolidated Profit and Loss Account

For the year ended 31 December 2009

	Note	2009 £'000	2008 £'000 (restated)
Turnover	2	45,249	41,873
Administrative Expenses		<u>(48,216)</u>	<u>(40,815)</u>
Operating (Loss) / Profit		(2,967)	1,058
Interest Payable	5	(328)	(203)
Interest Receivable		<u>3,354</u>	<u>5,437</u>
Profit on Ordinary Activities Before Taxation	6	59	6,292
Taxation on Profit on Ordinary Activities	1, 7	<u>2,237</u>	<u>-</u>
Profit on Ordinary Activities After Taxation		2,296	6,292
Dividends		<u>-</u>	<u>-</u>
Retained Profit for the Financial Year	15	<u>2,296</u>	<u>6,292</u>

Statement of Total Recognised Gains and Losses

For the year ended 31 December 2009

	Note	2009 £'000	2008 £'000 (restated)
Total recognised gains and losses relating to the year		2,296	6,292
Prior year adjustment	1 (a)	<u>2,277</u>	<u>-</u>
Total gains and losses recognised since last annual report		<u>4,573</u>	<u>6,292</u>

All amounts relate to continuing operations

There is no difference between the profit on ordinary activities before taxation and after taxation for the year stated above and their historical cost equivalents.

The notes on pages 13 to 31 form part of these financial statements

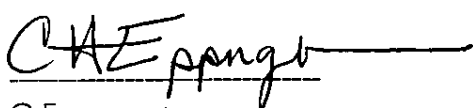
Consolidated Balance Sheet

As at 31 December 2009

	Note	2009 £'000	2008 £'000 (restated)
Fixed Assets			
Tangible Fixed Assets	8	1,605	1,704
Current Assets			
Debtors	10	142,509	88,432
Cash at Bank		<u>23,308</u>	<u>14,835</u>
		165,817	103,267
Current Liabilities			
Creditors: Amounts falling due within one year	11	<u>(136,757)</u>	<u>(82,779)</u>
Net Current Assets		<u>29,060</u>	<u>20,488</u>
Total Assets less Current Liabilities		<u>30,665</u>	<u>22,192</u>
Creditors: Amounts falling due after more than one year	12	<u>(11,539)</u>	<u>(5,362)</u>
Net Assets		<u>19,126</u>	<u>16,830</u>
Capital and Reserves			
Share Capital	14	4,182	4,182
Equity Reserve Account	15	2,039	2,039
Share Premium Account	15	133,384	133,384
Profit and Loss Account	15	<u>(120,479)</u>	<u>(122,775)</u>
Equity Shareholders' Funds		<u>19,126</u>	<u>16,830</u>

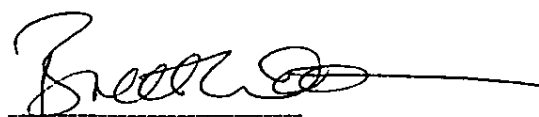
The notes on pages 13 to 31 form part of these financial statements.

The financial statements on pages 9 to 31 were approved by the board of Directors on 31 March 2010 and were signed on its behalf by



C Eppinger

Director



B Williams

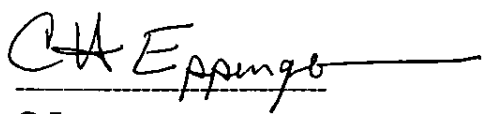
Director

Company Balance Sheet
At 31 December 2009

	Note	2009 £'000	2008 £'000 (restated)
Fixed Assets			
Investment in Subsidiaries	9	156,700	16,407
Current Assets			
Debtors	10	7,048	1,023
Cash at Bank		<u>381</u>	<u>60</u>
		7,429	1,083
Current Liabilities			
Creditors: Amounts falling due within one year	11	<u>(53)</u>	<u>(27)</u>
Net Current Assets		<u>7,376</u>	<u>1,056</u>
Total Assets less Current Liabilities		164,076	17,463
Creditors: Amounts falling due after more than one year	12	<u>(6,000)</u>	<u>(1,000)</u>
Net Assets		<u>158,076</u>	<u>16,463</u>
Capital and Reserves			
Share Capital	14	4,182	4,182
Equity Reserve Account	15	2,039	2,039
Share Premium Account	15	133,384	133,384
Profit and Loss Account	15	<u>18,471</u>	<u>(123,142)</u>
Equity Shareholders' Funds		<u>158,076</u>	<u>16,463</u>


The notes on pages 13 to 31 form part of these financial statements

The financial statements on pages 9 to 31 were approved by the board of Directors on 31 March 2010 and were signed on its behalf by



C Eppinger

Director



B Williams

Director

Consolidated Cash Flow
For the year to 31 December 2009

	Note	2009 £'000	2008 £'000
Net Cash Inflow / (Outflow) from Operating Activities	17	1,358	(6,403)
Returns on Investments and Servicing of Finance			
Interest Received		3,354	5,437
Interest Paid		<u>(328)</u>	<u>(206)</u>
Net Cash Inflow from Returns on Investments and Servicing of Finance		3,026	5,231
Taxation		103	49
Capital Expenditure and Financial Investment			
Purchase of Tangible Fixed Assets		<u>(1,014)</u>	<u>(909)</u>
Cash Inflow / (Outflow) Before Financing		3,473	(2,032)
Financing			
Issue of Share Capital		-	1
Shareholder Loans		<u>5,000</u>	<u>(300)</u>
Net Cash Inflow / (Outflow) from Financing		<u>5,000</u>	<u>(299)</u>
Increase / (Decrease) in Cash		<u>8,473</u>	<u>(2,331)</u>
Reconciliation to Net Cash			
Net cash at 1 January		13,835	15,866
Increase / (Decrease) in Cash		8,473	(2,331)
(Increase) / Decrease in Shareholder Loans	12	<u>(5,000)</u>	<u>300</u>
Net Cash at 31 December		<u>17,308</u>	<u>13,835</u>

Notes to the Financial Statements

1. Statement of Accounting Policies

(a) Change in Accounting Treatment

In prior years, certain revenue measured under a long term service contract was being recognised on a straight line basis over the term of the contract. During the current year management has sought legal advice on the interpretation of future obligations under the contract. Following this advice, management have concluded that no further obligations remain to be satisfied in relation to this revenue after the year in which it is determined, and accordingly, that the revenue should be recognised in full in this period on the basis of discounted future contractual cash receipts. The recognition of this revenue has been revised with retroactive effect in these financial statements, with the result being an increase in revenue of £2,277k for the year ended 31 December 2008

As a result, a prior year adjustment has been made as follows:

	As previously reported £'000	Effect of prior year adjustment £'000	As restated £'000
Group			
Profit for the year	4,015	2,277	6,292
Prepayments	6,848	662	7,510
Prepayments after more than one year	-	1,615	1,615
Net Assets	14,553	2,277	16,830
Company			
Profit for the year	3,993	2,277	6,270
Investment in subsidiaries	14,130	2,277	16,407
Net Assets	14,186	2,277	16,463

As a result, taxable losses brought forward as at 1 January 2009 have also been reduced by £2m to £67m

(b) Accounting Convention

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

(c) Turnover

Turnover is recognised over the period in which the Group satisfies the performance obligations to which such fees relate. Where turnover is subject to contingencies such as attaining target volumes or other matters that are not fully in the control of the Group, revenue is only recognised to the extent it becomes virtually certain of recovery and related performance obligations have been fulfilled.

(d) Currency Translation

Income and expenses denominated in foreign currency are translated at month end rates during the financial year. Assets and liabilities denominated in foreign currency are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are included in the profit and loss account.

(e) Investments in Subsidiaries

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

(f) Operating Leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

(g) Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at historic purchase cost, which includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use, less accumulated depreciation.

Tangible assets are depreciated at rates estimated to write down the relevant assets over their useful economic lives, which are estimated to be

Furniture and fittings	5 years
Computer hardware	3 years
Computer software	3 years

Improvements to existing assets are written down over the remaining useful economic life of that asset.

(h) Pensions

The Group operates a defined contribution pension scheme. Contributions are charged to the profit and loss account on an accruals basis.

(i) 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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

(j) Basis of Consolidation

All companies over which the Group is able to exercise a dominant influence are consolidated as subsidiary undertakings. Dominant influence is defined as the right to give directions with respect to operating and financial policies. In accordance with Section 400 of the Companies Act 2006 a separate profit and loss account for the Company is not shown.

Uniform accounting policies are adopted across the Group. On consolidation, intra group transactions are eliminated

(k) Long Term Incentive Scheme

The Group provides benefits to employees (including Directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares. Due to the nature of the terms of these transactions, these are treated as cash settled

The fair value of the employee services rendered is determined by reference to the fair value of the shares awarded

All shares are valued using a discounted cash flow model. This fair value is charged to the profit and loss account over the vesting period of the share-based payment scheme

The value of the charge is adjusted in the profit and loss account over the remainder of the vesting period to reflect expected and actual levels of shares vesting, with the corresponding adjustment made in provisions

2. Turnover

Turnover, which is stated net of value added tax, arises from the provision of consolidated platform services. Turnover comprises front end, platform and fund registration fees.

Included within turnover is a maximum amount of £1,675k which is subject to claw back if relevant target volumes are achieved in the year ending 31 December 2010. The Directors believe that it is virtually certain that the target volumes will not be achieved and therefore a claw back will not be triggered. The Directors have therefore recognised the income in full in the year ended 31 December 2009.

3. Employee Information

The average number of persons, (including executive directors) employed by the Company during the year was nil (2008: nil). The average number of persons, (including executive directors) employed by the Group during the year was 430 (2008: 434).

4. Directors' Emoluments

The emoluments of Directors of the Company were

	2009 (£'000)		2008 (£'000)	
	Total	Highest Paid	Total	Highest Paid
Emoluments	595	512	2	-
Pension contributions	-	-	17	-
Benefits	44	37	14	14
Sums paid by third parties for director services	-	-	445	445
	<u>639</u>	<u>549</u>	<u>478</u>	<u>459</u>

All Directors receiving emoluments are employed by Cofunds Limited and not by Cofunds Holdings Limited.

C Eppinger has an interest free loan as part of the LTI schemes. It is repayable when C Eppinger is no longer employed by the Group or earlier at C Eppinger's option. There was £136k (2008: £201k) outstanding on the loan at 1 January 2009 and there were no (2008: £65k) repayments during the year, leaving £136k (2008: £136k) outstanding at the year end. No other directors had loans or quasi-loans with the Company or any group subsidiaries during the year.

Retirement benefits were accruing to no (2008: one) directors under the pension scheme.

4. Directors' Emoluments (continued)

Long Term Incentive ("LTI") Plan

Two (2008: one) Directors were entitled to shares under the LTI plan. The highest paid Director is entitled to 9,253,555 F Common shares under the LTI plan.

As part of the vesting on 1 April 2009, none (2008: six) of the Directors within the Group sold G Common shares (2008: 4,942,410 shares for a total consideration of £1.6m).

Interest free loans to Directors within the Group associated with the LTI scheme amounted to £651k (2008: £739k) at the start of the year of which £nil (2008: £113k) was repaid during the year and no additional loans (2008: £25k) were made, leaving £651k (2008: £651k) outstanding at the end of the year.

Further details of the LTI plan are set out in note 18.

5. Interest Payable

	2009 £'000	2008 £'000
Interest payable on other loans	<u>328</u>	<u>203</u>

6. Profit on Ordinary Activities Before Taxation

The profit on ordinary activities is stated after charging

	2009 £'000	2008 £'000
Group		
Staff Costs		
- Wages and salaries	20,364	18,423
- Social security costs	1,757	1,667
- Other pension costs	1,785	1,672
Long term incentive plan costs (see note 18)	2,197	(3,616)
Depreciation	1,113	963
Auditors remuneration (see below)	277	233
Premises operating lease rentals	929	891

Staff costs for the Company are nil (2008: nil)

During the year the Group obtained the following services from the Company's auditor

	2009 £'000	2008 £'000
Fees payable to the Company's auditor for the audit of Parent Company and consolidated accounts	30	20
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	147	144
Tax services	30	24
Services relating to recruitment and remuneration	31	41
Other compliance related fees	101	4
	<u>339</u>	<u>233</u>

7. Taxation

Analysis of Charge in the Year

	2009 £'000	2008 £'000
Group		
Current tax		
UK corporation tax on the profits	3	-
	<hr/>	<hr/>
Current year tax	3	-
Deferred tax:		
Origination and reversal of timing differences	(2,240)	-
	<hr/>	<hr/>
Taxation on profit on ordinary activities	<u>(2,237)</u>	<u>-</u>

The tax assessed for the year is lower (2008 lower) than the standard rate of corporation tax in the UK of 28% (2008, 28.5%). The differences are explained below

	2009 £'000	2008 £'000 (restated)
Group		
Profit on ordinary activities before tax	59	6,292
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 28.5%)	17	1,793
Effects of		
Expenses not deductible for tax purposes	709	(1,006)
Capital allowances in excess of depreciation	(126)	(82)
Tax deduction arising on share awards	(61)	(103)
Items capitalised for corporation tax purposes	26	26
Tax losses not utilised carried forward	-	21
Utilisation of brought forward losses	(562)	(649)
	<hr/>	<hr/>
Current tax for the year	<u>3</u>	<u>-</u>

Factors Affecting the Tax Charge for future periods

The standard rate of Corporation Tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the Group's profits for the previous accounting period are taxed at an effective rate of 28.5%. A deferred tax asset of £2.2m (2008 nil) has been recognised in respect of carried forward tax losses. A further deferred tax asset of £17m exists in respect of additional carried forward tax losses. The deferred tax asset will reduce as the Group makes further taxable profits.

8. Tangible Fixed Assets

Group	Furniture & Fittings £'000	Computer Hardware £'000	Computer Software £'000	Total £'000
Cost				
At 1 January 2009	165	2,288	10,603	13,056
Additions	-	138	876	1,014
At 31 December 2009	165	2,426	11,479	14,070
Depreciation				
At 1 January 2009	96	2,007	9,249	11,352
Charge for year	32	132	949	1,113
At 31 December 2009	128	2,139	10,198	12,465
Net book value				
At 31 December 2009	37	287	1,281	1,605
At 31 December 2008	69	281	1,354	1,704

9. Investments in Group Undertakings

The value of the Company's investments in Group undertakings is as follows

	2009 £'000	2008 £'000 <i>(restated)</i>
Company		
Cost		
At 1 January	154,500	152,000
Additional investments	<u>2,200</u>	<u>2,500</u>
At 31 December	<u>156,700</u>	<u>154,500</u>
Write down.		
At 1 January	138,093	144,484
(Credit) for year	<u>(138,093)</u>	<u>(6,391)</u>
At 31 December	<u>-</u>	<u>138,093</u>
Net book value as at 31 December	<u>156,700</u>	<u>16,407</u>

The following information relates to subsidiary undertakings of the Group

Name of Undertaking	Description of Shares	% Held	Nature of Business
Cofunds Limited	Ordinary £1	100%	Regulated trading company
Cofunds Leasing Limited	Ordinary £1	100%	Fixed asset rental company
Cofunds Nominees Limited*	Ordinary £1	100%	Dormant company
Cofunds Employee Benefit Trust	n/a	n/a	Employee Benefit Trust controlled by the Company

Shares in the above are all held directly by Cofunds Holdings Limited unless marked with an asterisk, where they are held through Cofunds Limited. All subsidiary undertakings have the same year end as Cofunds Holdings Limited and are all incorporated in England and Wales. All the above companies have been included in the Group consolidation.

10. Debtors

	2009 £'000	2008 £'000 (restated)
Group		
Trade debtors	457	2,066
Settlement debtors	126,690	74,984
Deferred tax	2,240	-
Consortium relief receivable	13	116
Other debtors	1,235	1,719
Prepayments and accrued income	7,420	7,510
	138,055	86,395
Debtors due after more than one year		
Other debtors	422	422
Prepayments and accrued income	4,032	1,615
	142,509	88,432

Settlement debtors arise as a result of the timing difference between the placing of transactions and their settlement, which is typically four days later

	2009 £'000	2008 £'000
Company		
Amounts owed by group undertakings – Other	52	64
Consortium relief receivable	6	6
Other debtors	990	953
	1,048	1,023
Debtors due after more than one year		
Amounts owed by group undertakings – Loan	6,000	-
	7,048	1,023

11. Creditors: Amounts falling due within one year

	2009 £'000	2008 £'000
Group		
Trade creditors	4,142	2,965
Settlement creditors	122,171	70,221
Corporation tax	3	-
Other creditors	2,615	1,989
Accruals and deferred income	<u>7,826</u>	<u>7,604</u>
	<u>136,757</u>	<u>82,779</u>
Company		
Amounts owed by group undertakings	27	-
Other creditors	10	13
Accruals and deferred income	<u>16</u>	<u>14</u>
	<u>53</u>	<u>27</u>

Settlement creditors arise as a result of the timing difference between the placing of transactions and their settlement, which is typically four days later

12. Creditors: Amounts falling due after more than one year

	2009 £'000	2008 £'000
Group		
Loan	6,000	1,000
Other creditors	<u>5,539</u>	<u>4,362</u>
	<u>11,539</u>	<u>5,362</u>
	2009 £'000	2008 £'000
Company		
Loan	<u>6,000</u>	<u>1,000</u>

The loans are subordinated and attract interest at the rate of the Bank of England base rate plus 3%, subject to a 7% floor. Repayment requires twenty-seven months notice from the lender or two years notice from the borrower.

13. Deferred Tax

Included in debtors is deferred tax of.

	2009 £'000	2008 £'000
Group		
Asset at 1 January	-	-
Credit to the profit and loss account	<u>2,240</u>	<u>-</u>
Asset at 31 December	<u>2,240</u>	<u>-</u>

Additional unrecognised deferred tax assets exist as set out in note 7

14. Share Capital

	2008 £'000	New issues £'000	2009 £'000
Issued and Fully Paid			
A Ordinary Shares of 1p each	4,108	-	4,108
B Common Shares of 1p each	29	-	29
D Shares of 0.1p each	6	-	6
G Common Shares of 0.1p each	21	-	21
H Common Shares of 0.1p each	18	-	18
	<hr/> 4,182	<hr/> -	<hr/> 4,182

	2008 Number 000s	New issues Number 000s	2009 Number 000s
Issued and Fully Paid			
A Ordinary Shares of 1p each	410,761	-	410,761
B Common Shares of 1p each	2,872	-	2,872
D Shares of 0.1p each	5,967	-	5,967
G Common Shares of 0.1p each	21,455	-	21,455
H Common Shares of 0.1p each	18,335	-	18,335

Each share is part of a separate class and rank par passu, except

- only A Ordinary Shares carry the right to receive notice of, attend, speak and vote at a general meeting of the Company,
- neither D Shares, G Common Shares nor H Common Shares carry a right to receive any dividend or distribution,
- upon a liquidation, dissolution or winding up, the G Common Shares and the H Common Shares receive a restricted share of any distribution,
- the D shares carry no right to receive a share certificate nor a return of capital in a liquidation, dissolution or winding up, except in exceptional circumstances

Until such time as they vest unconditionally, the G Common, H Common and certain of the B Common and A Ordinary shares are classified as own shares in accordance with UITF 38. As at the year end the Company held 47.8m (2008: 47.8m) of own shares.

15. Reserves

Group	Profit and loss account £'000	Share premium account £'000	Equity reserve account £'000
As at 1 January 2009	(125,052)	133,384	2,039
Prior year adjustment	<u>2,277</u>	<u>-</u>	<u>-</u>
Restated as at 1 January 2009	(122,775)	133,384	2,039
Profit for the financial year	<u>2,296</u>	<u>-</u>	<u>-</u>
As at 31 December 2009	<u>(120,479)</u>	<u>133,384</u>	<u>2,039</u>
Company	Profit and loss account £'000	Share premium account £'000	Equity reserve account £'000
As at 1 January 2009	(125,419)	133,384	2,039
Prior year adjustment	<u>2,277</u>	<u>-</u>	<u>-</u>
Restated as at 1 January 2009	(123,142)	133,384	2,039
Profit for the financial year	<u>141,613</u>	<u>-</u>	<u>-</u>
As at 31 December 2009	<u>18,471</u>	<u>133,384</u>	<u>2,039</u>

The Equity Reserve arose on the issue of A and B Common shares at a discount to the price paid by other shareholders. The reserve is non-distributable

As permitted by Section 408 of the Companies Act 2006 the Parent Company's profit and loss account has not been included in these financial statements; its profit for the year amounted to £142m (2008: £6m, as restated – see note 1(a))

16. Reconciliation of Movements in Shareholders' Funds

Group	2009 £'000	2008 £'000 (restated)
Opening shareholders' funds	16,830	10,537
Profit attributable to shareholders	2,296	6,292
New share capital issued	-	1
Net increase in shareholders' funds	2,296	6,293
Closing shareholders' funds	19,126	16,830
Company	2009 £'000	2008 £'000 (restated)
Opening shareholders' funds	16,463	10,192
Profit attributable to shareholders	141,613	6,270
New share capital issued	-	1
Net increase in shareholders' funds	141,613	6,271
Closing shareholders' funds	158,076	16,463

17. Cash flow from operating activities

Reconciliation of consolidated operating loss to net cash inflow / (outflow) from operating activities:

Continuing Operating Activities	2009 £'000	2008 £'000 (restated)
Operating (Loss) / Profit	(2,967)	1,058
Depreciation	1,113	963
(Increase) / Decrease in Debtors	(51,940)	18,575
Increase / (Decrease) in Creditors	55,152	(26,999)
Net Cash Inflow / (Outflow) from Operating Activities	1,358	(6,403)

18 Share Based Payments

During the year, a charge of £2.2m (2008: credit of £3.6m) was recognised in the profit and loss account arising from share-based payment transactions. A total of £7.6m (2008: £5.5m) is included within creditors.

The details of the Long Term Incentive Plan are detailed below.

Long Term Incentive ("LTI") Plan

Under the LTI plan F Common shares (representing approximately 2% (by number)), G Common shares (representing approximately 4% (by number)) and H Common shares (representing approximately 4% (by number)) of the shares in issue are held in trust for senior executives. The main terms of the LTI plan are:

- If the executive voluntarily leaves the Group all rights to the shares are forfeited (except in exceptional circumstances at the discretion of the Board of Directors).
- For the F Common shares, one third of the shares vest on 5 January 2012, one third on 5 January 2013, and one third on 5 January 2014.
- The F Common shares only have a value after vesting and share in the Group's value is in excess of £187m.
- The Company has call options at the prevailing value at the time over the F Common shares exercisable between 5 January 2014 and 5 January 2019.
- For the G Common shares, one third of the shares vested on 1 April 2008 and on 1 April 2009, and one third vest on 1 April 2010.
- The G Common shares that vest in 2009 and 2010 can only be sold by the senior executives when the Company's consolidated profit before tax for the most recently ended financial year was positive.
- The G Common shares only have a value after vesting and share in the Group's value is in excess of £60m.
- The Company has call options at the prevailing value at the time over the G Common shares exercisable between 1 April 2010 and 1 April 2015.
- For the H Common shares, one third of the shares vest on 1 January 2010, one third on 1 January 2011 and one third on 1 January 2012.
- The H Common shares that vest in 2011 and 2012 can only be sold by the senior executives when the Company's consolidated profit before tax for the most recently ended financial year was positive.
- The H Common shares only have a value after vesting and share in the Group's value is in excess of £110m.
- The Company has call options at the prevailing value at the time over the H Common shares exercisable between 1 January 2012 and 1 January 2017.

During the year, 9,253,555 F Common shares (2008: 1,145,917 H Common shares) were awarded under the LTI plan. An independent valuation of the F Common shares was undertaken and used as a basis to calculate the fair value of those shares at the award date. The independent valuation used management projections and a discounted cash flow model. As the F Common shares carry no dividend rights expected dividends were excluded from the calculation. The total valuation of the F Common shares at the award date was £0.5m.

18. Share Based Payments (continued)

Although there is no legally binding requirement, it is expected that the Company will acquire vested shares that are offered for sale by the LTI plan participant and therefore the LTI plan has been accounted for as a 'cash settled' scheme.

As at the balance sheet date, an independent valuation of the F Common, G Common and H Common shares was undertaken and used as a basis to calculate the fair value of the services received. The independent valuation used management projections and a discounted cash flow model. As the G Common and H Common shares carry no dividend rights expected dividends were excluded from the calculation.

Share Options

The Company operates an Approved Share Options Scheme for all employees of the Group. Under the terms of the scheme the options become exercisable over a four year period from the grant date and must be exercised within ten years of the grant date. As the last options were granted in 2002, all options may now be exercised. All options are exercisable at 95p per share. No grants were made during the year.

The Group offered to 'buy out' the remaining options from the employees for 21.19p per option and 2,500 were bought out in (2008: none). As at 31 December 2009 there were a total of 12,300 (2008: 14,800) options over A Common shares of 1p each outstanding under the scheme. The balance of 500 in 2008 were forfeited.

B Share Schemes

The Company operates an Unapproved Share Acquisition Scheme for senior executives of the Group. During the year, no (2008: no) further shares were acquired by executives under this scheme. As at 31 December 2009 the number of B Common shares of 1p each held by executives still employed by the Group was 583,333 (2008: 583,333).

As at 31 December 2009 the EBT held 1,486,810 (2008: 1,486,810) B Common shares. During the year, beneficial ownership of 250,000 (2008: 200,000) of the B Common shares held by the EBT were transferred to senior employees of the Group under a management incentive scheme and 250,000 (2008: nil) were returned to the EBT as a result of scheme leavers. The main terms of this scheme are:

- If the senior employee voluntarily leaves the Group all rights to the shares are forfeited (except in exceptional circumstances at the discretion of the Board of Directors),
- The shares vest on 1 October 2010, provided that the Group made a consolidated profit before tax in the preceding financial year,

Although there is no legally binding requirement, it is expected that the Company will acquire vested shares that are offered for sale by the senior employee plan participant and therefore the senior employee plan has been accounted for as a 'cash settled' scheme.

18. Share Based Payments (continued)

Management undertook a valuation of the B Common shares and used this as a basis to calculate the fair value of those shares at the award date. The valuation used relevant internal information available to management. As dividends are not expected to be paid in the foreseeable future, expected dividends were excluded from the calculation. The total valuation of the B Common shares at the award date was £0.1m.

19. Pension Fund

The Group operates a defined contribution pension scheme and, under the terms of the Group's flexible benefit policy, the Group made contributions at a rate of up to 10% of pensionable salary. Outstanding contributions at the balance sheet date were £149k (2008: £141k) and are included within 'other creditors'.

20. Financial Commitments

At 31 December 2009 the Group had a commitment to pay rentals during the following year under premises operating leases as follows:

Commitments under operating leases	2009 £'000	2008 £'000
Leases which expire between two and five years	413	834
Leases which expire between after more than five years	421	-

21. Related Party Transactions

Newhouse Capital Partners LLC, Threadneedle Asset Management Holdings Limited, Jupiter Investment Management Group Limited, International Financial Data Services Limited, Boston Financial Data Services, Inc and Legal and General Partnership Holdings Limited were regarded as the controlling parties by virtue of having the ability to act in concert as shareholders in respect of the operations of the Group and are all therefore deemed related parties. In addition, Legal and General Partnership Holdings Limited are deemed a related party by virtue of their 25.4% share ownership percentage.

Related party transactions with the Threadneedle group during the year consisted of fees payable by the Group of £54k (2008: £24k), fees receivable by the Group of £552k (2008: £434k), debtors outstanding of £nil (2008: £38k), and creditors outstanding of £6k (2008: £2k). In addition, in 2008, the Threadneedle group provided the services of a Communications Officer at no charge (estimated market value £18k).

There were no related party transactions with the Newhouse group during the year or balances outstanding.

Related party transactions with the Jupiter group during the year consisted of fees payable by the Group of £286k (2008: £254k), fees receivable by the Group of £3,096k (2008: £2,900k), debtors outstanding of £244k (2008: £14k), and creditors outstanding of £36k (2008: £18k).

Related party transactions with the International Financial Data Services group during the year consisted of expenses payable by the Group of £10,724k (2008: £8,578k) principally for the provision of the FAST record keeping system, subordinated loan outstanding of £6,000k (2008: £1,000k), subordinated loan advances received of £5,000k (2008: £3,000k), subordinated loan repayments of £nil (2008: £2,000k), subordinated loan interest paid, at the rate of 7% (2008: Bank of England base rate plus 3%), of £328k (2008: £170k) and creditors outstanding of £1,375k (2008: £842k).

Related party transactions with the Legal & General group during the year consisted of fees payable by the Group of £644k (2008: £21k), fees receivable by the Group of £10,414k (2008: £5,155k), debtors outstanding of £171k (2008: £1,162k), subordinated loan repayments of £nil (2008: £1,300k), subordinated loan interest paid, at the rate of Bank of England base rate plus 5%, of £nil (2008: £33k) and creditors outstanding of £586k (2008: £344k). Legal & General provide the Portfolio Bond product and the pension product available on the platform.

There were no related party transactions with the Boston Financial Data Services group (2008: provision of the services of a Chief Executive Officer for £445k) and no balances outstanding.

All related party transactions have been conducted at arm's length unless otherwise stated.