

**Report of the Directors and
Financial Statements for the Year Ended 31st December 2009
for
Lightstate Limited**

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for the Year Ended 31st December 2009**

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Lightstate Limited
Company Information
for the Year Ended 31st December 2009

DIRECTORS:

A Totten
K Brown
P J Loveday
M Walters
S K Furner
A Ross
M von Stern
R Martignoni

SECRETARY:

L Allan (resigned 9 September 2010)
S Furner (appointed 21 September 2010)

REGISTERED OFFICE:

3rd Floor, 100 Leaman Street
London E1 8EU

AUDITORS:

Ernst & Young LLP
1 More London Place
London
SE1 2AF

**Report of the Directors
for the Year Ended 31st December 2009**

The directors present their report with the financial statements of the company for the year ended 31st December 2009

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of lead generation for personal finance services

REVIEW OF BUSINESS

The company suffered an operating loss this year. The directors are reviewing various scenarios to ensure a return to profitability

DIVIDENDS

The company's loss for the year after taxation amounted to £203,292 (2008 - loss £171,290). The directors do not recommend a final dividend

EVENTS SINCE THE END OF THE YEAR

On 26 February 2010 Digital Window Limited acquired the entire share capital of Perfiliate Holdco Limited and subsidiary companies (Perfiliate Group) from AOL Advertising International Holdings Limited (part of AOL Inc) for cash consideration of £11 million. The activities of the Perfiliate Group include buy at, a leading affiliate marketing network based in London, Newcastle-Upon-Tyne and Baltimore (Maryland, USA). Consequently, Lightstate Limited's ultimate parent undertaking became Axel Springer AG

DIRECTORS

The directors who have held office during the period from 1st January 2009 to the date of this report are as follows

A Totten – appointed 26th February 2010
K Brown – appointed 26th February 2010
P J Loveday – appointed 26th February 2010
M Walters – appointed 26th February 2010
S K Furner – appointed 26th February 2010
A Ross – appointed 26th February 2010
M von Stern – appointed 26th February 2010
R Martignoni – appointed 26th February 2010
B Thielmann – appointed 26th February 2010 – resigned 17th August 2010
Mrs K M Tabb - appointed 24th July 2009 – resigned 26th February 2010
Mrs L M Clarizo - resigned 6th February 2009
B C Condon - resigned 17th July 2009
D S Quigg - appointed 22nd May 2009 - resigned 18th December 2009
M D Steckler - appointed 22nd May 2009 - resigned 31st January 2010
N P Patel – appointed 31st January 2010 – resigned 26th February 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

Lightstate Limited
Report of the Directors
For the year ended 31 December 2009
(continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES *(continued)*

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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Ernst & Young LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting. This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:


S Furner
Director

Date 27/09/10

**Report of the Independent Auditors to the members of
Lightstate Limited**

We have audited the financial statements of Lightstate Limited for the year ended 31st December 2009 which comprise the Profit and Loss Account and the Balance Sheet and the related notes 1 to 12. 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 for Smaller Entities).

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 a Report of the Auditors 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 Statement of Directors' Responsibilities set out on page 2, 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.

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 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 company's affairs as at 31st December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice for smaller entities, 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 Report of the Directors 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, 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 prepare the financial statements and the Report of the Directors in accordance with the small companies regime.

Gordon Cullen

Gordon Cullen
SENIOR STATUTORY AUDITOR
Ernst & Young LLP, Statutory Auditor
1 More London Place
London
SE1 2AF

Date

21/1/10

Lightstate Limited (Registered number 04269710)

**Profit and Loss Account
for the Year Ended 31st December 2009**

		Year Ended 31.12.09 £	Period 1 4 08 to 31 12 08 £
	Notes		
TURNOVER		512,344	592,588
Cost of sales		<u>(483,884)</u>	<u>(342,040)</u>
GROSS PROFIT		28,460	250,548
Other operating income		-	750
Administrative expenses		<u>(228,733)</u>	<u>(489,461)</u>
OPERATING LOSS	2	(200,273)	(238,163)
Interest receivable and similar income		<u>-</u>	<u>1,873</u>
		(200,273)	(236,290)
Interest payable and similar charges		<u>(3,019)</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(203,292)	(236,290)
Tax on loss on ordinary activities	3	<u>-</u>	<u>65,000</u>
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION	10	<u>(203,292)</u>	<u>(171,290)</u>

Lightstate Limited (Registered number: 04269710)

Balance Sheet
31st December 2009

	Notes	2009 £	2008 £
FIXED ASSETS			
Intangible assets	4	-	80,799
Tangible assets	5	-	1,140
Investments	6	<u>1,000</u>	<u>1,000</u>
		1,000	82,939
CURRENT ASSETS			
Debtors	7	237,798	182,287
Cash at bank		<u>114,010</u>	<u>250,037</u>
		351,808	432,324
CREDITORS			
Amounts falling due within one year	8	<u>(1,042,226)</u>	<u>(1,001,389)</u>
NET CURRENT LIABILITIES		<u>(690,418)</u>	<u>(569,065)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(689,418)</u>	<u>(486,126)</u>
CAPITAL AND RESERVES			
Called up share capital	9	2,285	2,285
Profit and loss account	10	<u>(691,703)</u>	<u>(488,411)</u>
SHAREHOLDERS' FUNDS		<u>(689,418)</u>	<u>(486,126)</u>

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements were approved by the Board of Directors on 27/09/10 and were signed on its behalf by


S Furner
Director

**Notes to the Financial Statements
for the Year Ended 31st December 2009**

I ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

S401 of Companies Act 2006 exempts Lightstate Limited from preparing group financial statements, as the company and its subsidiaries are included in the consolidated financial statements of AOL Inc, the ultimate parent company, established under the law of the United States of America

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year are set out below

Turnover

Turnover represents the value, net of value added tax and discounts, of goods provided to customers and work carried out in respect of services provided to customers

Interest income

Revenue is recognised as interest accrues issuing the effective interest method

Deferred tax

Deferred taxation 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 right to pay less or to receive more tax, with the following exceptions

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves

Fixed asset investments

Fixed asset investments are stated at cost less any provision for permanent diminution in value. The carrying values of fixed asset investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable

Going concern

The financial statements have been prepared on the going concern basis. The company is dependent on its intermediate parent undertaking, Digital Window Limited, for financial support, and the directors have received written confirmation that support will continue for a period of not less than 12 months from the date of signing these financial statements. On this basis, the directors consider it is appropriate to prepare the financial statements on the going concern basis. The financial statements do not reflect any adjustments which would have been made if the going concern basis had not been appropriate

Notes to the Financial Statements - continued
for the Year Ended 31st December 2009

2 OPERATING LOSS

The operating loss is stated after charging

	Year Ended 31.12.09 £	Period 1 4 08 to 31 12 08 £
Depreciation - owned assets	-	4,480
Loss on disposal of fixed assets	1,140	-
Intellectual Property and trademarks amortisation	-	216,086
Impairment of intangible fixed assets	80,799	-
Auditors' remuneration	<u>10,000</u>	<u>10,000</u>

The remuneration of directors for 2009 and 2008 was borne by other group companies

3 TAXATION

Analysis of the tax credit

The tax credit on the loss on ordinary activities for the year was as follows

	Year Ended 31.12.09 £	Period 1 4 08 to 31 12 08 £
Current tax	-	(65,000)
Group relief	-	(65,000)
Tax on loss on ordinary activities	-	(65,000)

Factors affecting the tax credit

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below

	Year Ended 31.12.09 £	Period 1 4 08 to 31 12 08 £
Loss on ordinary activities before tax	<u>(203,292)</u>	<u>(236,290)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 - 28%)	(56,922)	(66,161)
Effects of		
Expenses not deductible for tax	(55,642)	443
Depreciation in excess of capital allowances	-	965
Group relief surrendered for nil consideration	113,124	-
Other	<u>(560)</u>	<u>(247)</u>
Current tax credit	-	(65,000)

The company has incurred taxable losses which are available to offset against future taxable profits. A deferred tax asset has not been recognised in respect of these losses as, based on budgets, the company does not anticipate taxable profits to arise within the immediate future. The estimated value of the deferred tax asset not recognised, measured at a standard rate of 28% is £61,000 (2008 - £61,000)

Notes to the Financial Statements - continued
for the Year Ended 31st December 2009

4 INTANGIBLE FIXED ASSETS

	Intellectual Property & Trademarks £
COST	
At 1st January 2009	585,452
Impairments	(585,452)
At 31st December 2009	-
AMORTISATION	
At 1st January 2009	504,653
Impairments	(504,653)
At 31st December 2009	-
NET BOOK VALUE	
At 31st December 2009	-
At 31st December 2008	80,799

5 TANGIBLE FIXED ASSETS

	Computer equipment £
COST	
At 1st January 2009	20,192
Disposals	(20,192)
At 31st December 2009	-
DEPRECIATION	
At 1st January 2009	19,052
Eliminated on disposal	(19,052)
At 31st December 2009	-
NET BOOK VALUE	
At 31st December 2009	-
At 31st December 2008	1,140

Notes to the Financial Statements - continued
for the Year Ended 31st December 2009

6 FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
At 1st January 2009	
and 31st December 2009	<u>1,000</u>
NET BOOK VALUE	
At 31st December 2009	<u>1,000</u>
At 31st December 2008	<u>1,000</u>

The company's investments at the balance sheet date in the share capital of companies include the following

Gpak Limited

Country of incorporation United Kingdom

Nature of business Provision of internet related services

	% holding
Class of shares	100 00
Ordinary	

7 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £	2008 £
Trade debtors	142,428	78,882
Amounts owed by other group undertakings	2,353	-
Other debtors	-	12,312
Group relief	65,000	65,000
Prepayments and accrued income	<u>28,017</u>	<u>26,093</u>
	<u>237,798</u>	<u>182,287</u>

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £	2008 £
Trade creditors	1,375	480,406
Amounts owed to subsidiary undertakings	-	198,723
Amounts owed to other group undertakings	1,004,968	252,677
VAT	-	392
Accrued expenses	<u>35,883</u>	<u>69,191</u>
	<u>1,042,226</u>	<u>1,001,389</u>

Included in the amounts owed to other group undertakings is a loan of £700,000 from AOL International Finance Limited. The loan is repayable within twelve months of the balance sheet date. The rate of interest payable on the loan is 0.40% above the Lender's Cost of Funds, which at 31 December 2009 was 4.08%.

Lightstate Limited (Registered number: 04269710)

**Notes to the Financial Statements - continued
for the Year Ended 31st December 2009**

9 CALLED UP SHARE CAPITAL

	2009	2008
Allotted, called up and fully paid		
228,474 Ordinary shares of £0.01 each	<u>2,285</u>	<u>2,285</u>

10 RESERVES

	Profit and loss account £
At 1st January 2009	(488,411)
Loss for the year	<u>(203,292)</u>
At 31st December 2009	<u>(691,703)</u>

11 RELATED PARTY DISCLOSURES

The company has taken advantage of paragraph 3(c) of FRS8, which exempts disclosure of transactions between members of AOL Inc group

12 ULTIMATE CONTROLLING PARTY

The company's immediate parent undertaking is Perfiliate Limited, a company registered in England and Wales

On 10 December 2009, the separation of AOL Inc from Time Warner was completed. As a result the ultimate parent undertaking of Lightstate Limited became AOL Inc on that date. AOL Inc's financial statements can be obtained from 770 Broadway, New York, NY 10003

From 26 February 2010, the ultimate parent undertaking and controlling party was Axel Springer AG a public limited company incorporated in Germany. Axel Springer AG's financial statements can be obtained from Straße 65, 10888 Berlin