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## **ADVFN PLC**

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2011**

**Registered Number: 2374988 (England and Wales)**

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## **ADVFN PLC**

### **Audited Results for the Year Ended 30 June 2011**

ADVFN, Europe's leading stocks and shares website, announces its audited results for the year ended 30 June 2011

## **Highlights:**

- ***Turnover up 7% to £9,167,000 (2010 restated: £8,591,000)***
- ***EBITDA\* profit of £348,000 (2010 restated: £1,256,000)***
- ***Cash and gilts balance to £2,397,000 (2010: £2,300,000)***
- ***P&L (£862,000) (2010 restated: profit of £146,000)***
- ***Positive cash flow; 'net cash generated from operations' £595,000 (2010: £1,417,000)***
- ***ADVFN's registered users base now over 2,200,000 (2010: 2,000,000)***

For further information, please contact

Clem Chambers,  
ADVFN PLC CEO  
0207 0700 909

Fiona Kindness,  
Grant Thornton Corporate Finance (Nominated Adviser)  
0207 728 3414

*\*EBITDA is calculated as the operating loss for the year before depreciation and amortisation charges*

## **DIRECTORS, OFFICERS AND ADVISERS**

### **Directors**

Michael Hodges (Chairman)

Clem Chambers (Chief Executive Officer)

Jonathan Mullins (Technical Director and Chief Financial Officer)

Raymond Negus (Sales Director)

Robert Emmet (Non-executive Director)

Yair Tauman (Non-executive Director)

### **Secretary**

Jackie Ryder

### **Registered Office**

Suite 27, Essex Technology Centre, The Gables, Fyfield Road, Ongar, Essex, CM5 0GA

### **Independent Auditor**

Grant Thornton UK LLP, The Explorer Building, Fleming Way, Manor Royal, Crawley, West Sussex, RH10 9GT

### **Nominated Adviser**

Grant Thornton UK LLP, Grant Thornton House, Melton Street, Euston Square, London, NW1 2EP

### **Broker**

Mirabaud Securities Limited, 21 St James' Square, London, SW1Y 4JP

### **Registrars**

Capita Registrars plc, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU

**Company number.** 2374988

## **CHIEF EXECUTIVE'S STATEMENT**

ADVFN has had another strong year with turnover up 7% to £9,167,000. 2011 has been a pivotal year where we have begun the next phase of growth outside the UK.

We have made very good progress this year against a background which could hardly be described as easy. Our product and geographical diversity has served us well so that we have avoided many of the challenges other media players have had to contend with.

Subscriptions have been robust and advertising income has led our growth. The advertising lead growth is a vanguard of growth as it accelerates the broadening of our business to important new markets.

Having strong sites in the UK, US and Brazil, we believe we have the necessary template now to expand into the emerging markets where audiences are vibrant and huge. Our strategy is to penetrate markets via sales offices, using advertising income to fund growth in the territories that warrant it most.

In line with this we have been opening regional sales offices in Japan, India and the Middle East and we have been focusing on expanding in these territories. This process is delivering the platform for growth in the coming years leveraging the considerable investment we have made over the last 10 years.

All sites have performed robustly against a backdrop of global financial uncertainty. The UK continues to prosper, Brazil has remained strong and continues to develop and the US continues to grow for our ADVFN and investors Hub brands. We feel very positive about next year's prospects whatever the outcome of the markets and expect to see further progress even in the teeth of another crash.

## **Financial overview**

These accounts have been prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union.

These figures show an increase in sales of 7%, an EBITDA of £348,000 and cashflow from operations of £595,000.

We have been operating against a backdrop of a weakening dollar which has masked further underlying growth but as we are earning income in euro, US dollar, UK pounds and Yen we are to some extent hedged against the currency fluctuations of recent times.

## **Strategy**

We are building out the business for the next phase of ADVFN's development which we see as taking us towards sales of £20,000,000 a year.

This year is another year of growth, a yearly goal we have achieved every year for the last 11 years.

The market opportunity for us in India, The Middle East, Mexico and the Philippines is large and involves a modest level of investment. The bulk of our platform for entering such large markets is already made so that each new office is a small measured risk. We expect each territory to come on stream in a 12 month set up window and to be quickly income generative thereafter.

Exposure to fast growing economies with active markets is the way forward for us, taking positive developments in each market and feeding them back into our global offering.

The size of the opportunity is sufficiently large to keep us very busy for a long time to come.

## **Operating Costs**

We spend a great deal of time focusing on our cost base making sure we optimise the return on our outgoings where ever possible. As we enter this new phase we are earmarking resources to invest in growth. We have been hiring, increasing our technical platform and increasing marketing. This has been funded solely from positive cash flow which represents a strong financial and operational performance.

## **Research and Development**

As always ADVFN never stops developing its technology and platform. With growing traffic and giant spikes of usage set off by the global economic chaos of recent times, ADVFN has adapted to supply the demand of a world hungry for updates the moment financial information is available. These demands have grown and grown over the years and we have seamlessly managed to keep up with growth on all fronts. This process will continue and represents a valuable and unique asset.

### Environmental policy

The company as a whole continues to look for ways to develop our environmental policy. It remains our objective to improve our performance in this area.

### Cash and GILTS

We are very happy to say that our improved general performance has directly translated to our cash and gilts balance. Our cash and GILTS balance at the end of the year was up £97,000 to £2,397,000, an increase of 4%.

### Summary of key performance indicators

|                        | 2011<br>Actual | 2011<br>Target | 2010<br>Actual | 2010<br>Target |
|------------------------|----------------|----------------|----------------|----------------|
| Average head count     | 54             | 60             | 46             | 50             |
| ADVFN registered users | 2.2M           | 2.1M           | 2.0M           | 1.9M           |

### Future outlook for the business

We are very comfortable of the prospects for next year and for that matter the years ahead. We are now rolling out ADVFN to more global audiences and feel assured that we have the people, the offerings and the technology to continue along the path we have set to be a global markets website with £100,000,000 in sales. In percentage terms we are as far away from that target today as we were from today's sales when we started out in 2001.

### Principal risks and uncertainties.

#### Economic downturn

An extended economic downturn is not to be taken lightly. However the recent turmoil has been easily overcome and may even have benefitted the company. In addition this is the second time in the company's short life that it has had to navigate a financial crash and both times it has come through bigger and stronger.

#### High proportion of fixed overheads and variable revenues

A major proportion of the company's overheads are reasonably fixed. There is the risk that any significant changes in revenue may lead to the inability to cover such costs. Management closely monitor fixed overheads against budget on a monthly basis and cost saving exercises are implemented on a constant review basis. We have had a strong period of cost optimisations since our finance function was reorganised and this process continues.

#### Product obsolescence

The technology that we use and develop is always in flux. Products are subject to technological change and advance and resultant obsolescence. We are constantly innovating to keep up with growing demand, change in product and new developments both at a technical and a marketing level. The directors are committed to the Research and Development strategy in place, and are confident that the company is able to react effectively to the developments within the market.

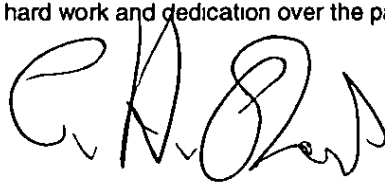
#### Fluctuations in currency exchange rates

A growing proportion of our turnover relates to overseas operations. As a company, we are therefore exposed to foreign currency fluctuations. The company manages its foreign exchange exposure on a net basis, and if required uses forward foreign exchange contracts and other derivatives/financial instruments to reduce the exposure. Currently hedging is not employed. If currency volatility was extreme and hedging activity did not mitigate the exposure, then the results and the financial condition of the company might be adversely impacted by foreign currency fluctuations.

### People

We have a very dedicated team that is focused on creating the best possible service we can provide. We are constantly building this team and have been hiring to enable us to grow during the next phase of our development. I would like to thank them all for their hard work and dedication over the past year.

Clem Chambers  
CEO  
19 October 2011



## REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 30 June 2011

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the group is the development and provision of financial information primarily via the internet, research services and the development and exploitation of ancillary internet sites. A review of the business as required by the Companies Act 2006 has been provided within the Chief Executive's Statement on pages 4 to 5

## RESULTS

The loss for the financial year amounted to £862,000 (2010 restated profit of £146,000). The directors are unable to propose the payment of a dividend (2010 nil)

## DIRECTORS

The directors set out below held office throughout the year except where stated

M J Hodges  
C H Chambers  
J B Mullins  
R J Negus  
R A Emmet  
Y Tauman

R A Emmet and M J Hodges retire by rotation and being eligible, offer themselves for re-election. The directors' interests in the shares of the company are shown in the Remuneration Report

### *Biographic details*

#### **Michael Hodges, aged 48, Chairman**

Michael Hodges has over 22 years experience in computer software development and publishing, while working with multi-user and Internet projects for the last fifteen years. He founded On-line plc and ADVFN plc. He is currently Chairman of On-line plc and ADVFN.

#### **Clement Chambers, aged 48, Managing Director**

Co-founder of On-line, Clement Chambers has been involved in the software industry for over 23 years, primarily as a publisher of computer games entertainment software. He is also a director of On-line plc.

#### **Jonathan Mullins, aged 41, Technical Director and Chief Financial Officer**

Jonathan Mullins has been involved in the development of a wide variety of on-line and internet services for over 13 years. He has been responsible for the entire technical department of ADVFN and has overseen the growth of the web site since its early days, including the development of the proprietary streaming service.

#### **Ray Negus, aged 58, Sales Director**

Ray Negus has over 30 years experience of sales and advertising including 10 years with the Birmingham Post and Mail and 10 years with NEWSCOM PLC where he held the position of Group Sales and Marketing Manager prior to joining ADVFN in January 2000.

#### **Robert Emmet, aged 53, Non-executive Director**

Robert Emmet, is a Chartered Accountant who qualified with Ernst and Young before joining Hoare Govett. He worked in corporate finance for a number of years before joining Auspex, a Silicon Valley company manufacturing high availability file servers. Over the last 10 years he has worked in recruitment, and is currently with Edward Hunter Associates Limited, an executive search consultancy.

#### **Yair Tauman, aged 53, Non-executive Director**

Yair Tauman is the Dean of the Arison School of Business in the IDC, a Leading Professor of Economics at State University of New York, Stony Brook and the Director of the Centre for Game Theory in Economics at Stony Brook. He studied in the Hebrew University of Jerusalem where he obtained his Ph D and M Sc in Mathematics, both under the supervision of Robert Aumann (a 2005 Nobel Prize winner), and his B Sc in Mathematics and Statistics. His areas of research interests are game theory and industrial organization (patents licensing, auctions, pricing, industrial espionage). He has published, among others, in leading journals like *Econometrica*, *Games and Economic Behaviour*, *Journal of Economic Theory*, *Quarterly Journal of Economics* and *RAND Journal of Economics*. Professor Tauman is a board member of four companies in the areas of online auctions, financial information, education and IT.

**REPORT OF THE DIRECTORS (continued)****SUBSTANTIAL SHAREHOLDERS**

At 10 October 2011 the directors were aware of the following shareholdings in excess of 3% of the Company's issued share capital

|                     | Shareholding | %      |
|---------------------|--------------|--------|
| On-Line Plc         | 115,148,488  | 18.43% |
| Peter O'Reilly      | 53,422,333   | 8.55%  |
| FMR Corp (Fidelity) | 27,763,630   | 4.44%  |
| Guy Thomas          | 23,850,000   | 3.82%  |
| Ron Izaki           | 20,316,667   | 3.25%  |

**DONATIONS**

There were no charitable or political donations

**RESEARCH AND DEVELOPMENT**

Expenditure during the year amounted to £499,000 (2010 £575,000)

**GOING CONCERN**

The financial statements have been prepared on the going concern basis which assumes the Group will continue in existence for the foreseeable future. The directors, having taken into consideration the losses before tax incurred in both the current and the prior financial years, note that the Group cash flows are positive and the cash and gilts balances are currently £2.4m. The directors believe that this, together with the latest Group forecasts, which indicate continued future cash generation, make it appropriate for the financial statements to be prepared on the going concern basis.

**PAYMENT POLICY AND PRACTICE**

It is the Group's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and to abide by them. Company trade creditors represented 64 days (2010 71 days).

**FINANCIAL RISK MANAGEMENT**

Information relating to the group's financial risk management is detailed in note 26 to the financial statements.

**EVENTS AFTER THE BALANCE SHEET DATE**

There were no significant events after the balance sheet date to report.



## DIRECTORS' RESPONSIBILITIES STATEMENT

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 International Financial Reporting Standards as adopted by the European Union (IFRSs). 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 and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs 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 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.

In so far as each of the directors is 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.

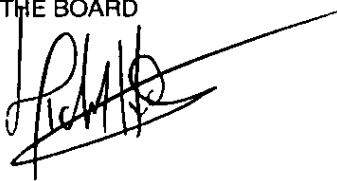
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## AUDITOR

In accordance with section 489(4) of the Companies Act 2006, a resolution proposing the reappointment of Grant Thornton UK LLP will be put to the members at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD

Michael Hodges  
Chairman  
19 October 2011



## REMUNERATION REPORT

### Directors' emoluments

|                                | Salary & fees<br>£'000 | Benefits in kind<br>£'000 | Annual bonus<br>£'000 | 2011 Total<br>£'000 | 2011 Pension<br>£'000 | 2010 Total<br>£'000 | 2010 Pension<br>£'000 |
|--------------------------------|------------------------|---------------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|
| <b>Executive directors</b>     |                        |                           |                       |                     |                       |                     |                       |
| M J Hodges                     | 226                    | 3                         | 5                     | 234                 | 15                    | 193                 | 12                    |
| C H Chambers                   | 285                    | 1                         | 5                     | 291                 | 12                    | 244                 | 12                    |
| J B Mullins                    | 173                    | 1                         | 5                     | 179                 | -                     | 143                 | -                     |
| R J Negus                      | 201                    | -                         | 5                     | 206                 | -                     | 176                 | -                     |
| <b>Non-executive directors</b> |                        |                           |                       |                     |                       |                     |                       |
| R A Emmet                      | 16                     | -                         | -                     | 16                  | -                     | 16                  | -                     |
| Yair Tauman                    | -                      | -                         | -                     | -                   | -                     | -                   | -                     |
|                                | 901                    | 5                         | 20                    | 926                 | 27                    | 772                 | 24                    |

No directors exercised share options during the year

### Remuneration policy for executive directors

The company's policy on executive director remuneration is to

- attract and retain high quality executives by paying competitive remuneration packages relevant to each director's role, experience and the external market. The packages include employment related benefits including contributions to private pension plans,
- incentivise directors to maximise shareholder value through share options which are granted at an exercise price at the market price at date of grant are normally exercisable for a period of 7 years and lapse if an employee leaves

### Service contracts

The executive directors have contracts with a thirty-six month notice period

No director had either during or at the end of the year a material interest in any contract which was significant in relation to the company's business

### Directors' interests in shares

The interests of the directors and their families in the shares of the company at 1 July 2010 and 30 June 2011 were as follows

|              | 30 June<br>2011<br>No of<br>Shares | 1 July<br>2010<br>No of<br>Shares | 30 June<br>2011<br>No of<br>options | 1 July<br>2010<br>No of<br>options |
|--------------|------------------------------------|-----------------------------------|-------------------------------------|------------------------------------|
| M J Hodges   | 450,000                            | 450,000                           | 6,286,831                           | 6,286,831                          |
| C H Chambers | 7,614,073                          | 7,614,073                         | 10,286,831                          | 10,286,831                         |
| J B Mullins  | 464,444                            | 464,444                           | 5,000,000                           | 5,000,000                          |
| R J Negus    | 1,002,045                          | 1,002,045                         | 4,733,333                           | 4,733,333                          |
| R A Emmet    | 50,000                             | 50,000                            | 3,545,000                           | 3,545,000                          |
| Y Tauman     | -                                  | -                                 | -                                   | -                                  |

On 14 January 2011, 21,351,995 share options held by directors were redated so that they do not become exercisable until 31 December 2013 and expire on 31 December 2022. A share based payment charge of £54,000 has been recognised within the financial statements in respect of this redating.

# ADVFN PLC

The details of the options held by each director at 30 June 2011 are as follows

| Grant date | Exercise date | Lapse date | M J Hodges | C H Chambers | J B Mullins | R J Negus | R A Emmet | Total      |
|------------|---------------|------------|------------|--------------|-------------|-----------|-----------|------------|
| 10 06 02   | 10 06 11      | 10 06 18   | 1,000,000  | 4,000,000    | 500,000     | -         | -         | 5,500,000  |
| 18 02 03   | 10 06 11      | 10 06 18   | 1,000,000  | 1,000,000    | 1,000,000   | -         | -         | 3,000,000  |
| 27 01 04   | 31 12 13*     | 31 12 22   | 1,000,000  | 1,500,000    | 1,000,000   | 1,000,000 | 1,000,000 | 5,500,000  |
| 27 01 05   | 31 12 13*     | 31 12 22   | 1,000,000  | 1,500,000    | 1,000,000   | 2,233,333 | 1,000,000 | 6,733,333  |
| 06 06 06   | 31 12 13*     | 31 12 22   | 1,500,000  | 1,500,000    | 1,500,000   | 1,500,000 | 1,500,000 | 7,500,000  |
| 21 10 09   | 31 12 13*     | 31 12 22   | 786,831    | 786,831      |             |           | 45,000    | 1,618,662  |
|            |               |            | 6,286,831  | 10,286,831   | 5,000,000   | 4,733,333 | 3,545,000 | 29,851,995 |

\*21,357,995 of the options have been redated such that their exercise date has been delayed

### **Independent auditor's report to the members of ADVFN plc**

We have audited the group financial statements of ADVFN plc for the year ended 30 June 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cashflow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

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

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the group 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 group 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 APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### **Opinion on financial statements**

In our opinion the group financial statements

- give a true and fair view of the state of the group's affairs as at 30 June 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, 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 group financial statements are prepared is consistent with the group financial statements.

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

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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

### **Other matter**

We have reported separately on the parent company financial statements of ADVFN plc for the year ended 30 June 2011.

*Grant Thornton UK LLP*

**Christian Heeger**  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditors, Chartered Accountants  
Gatwick  
19 October 2011

**Consolidated income statement**

|  |       | 12 months to<br>30 June<br>2011<br>£'000 | 12 months to<br>30 June<br>2010<br>£'000<br>Restated |
|--|-------|--|--|
|  | Notes |  |  |
| Revenue  | 3     | 9,167                                    | 8,591  |
| Cost of sales  |       | (538)                                    | (404)  |
| Gross profit   |       | 8,629                                    | 8,187  |
| Share based payment  | 24    | (84)                                     | (43)   |
| Amortisation of intangible assets  | 13    | (1,089)                                  | (1,149)  |
| All other administrative expenses  |       | (8,241)                                  | (6,963)  |
| Total administrative expenses  |       | (9,414)                                  | (8,155)  |
| Operating (loss)/profit  | 4     | (785)                                    | 32   |
| Finance income   | 7     | 7  | 23   |
| Finance expense  | 8     | (5)                                      | (8)  |
| Gain on bargain purchase and associated fair value loss on previously held equity investment | 15    | -  | (214)  |
| Result from associates after taxation  | 15    | -  | (18)   |
| Loss before tax  |       | (783)                                    | (185)  |
| Taxation   | 9     | (79)                                     | 331  |
| <b>(Loss)/profit for the period attributable to shareholders of the parent</b>               |       | <b>(862)</b>                             | <b>146</b>   |
| <b>(Loss)/earnings per share – from continuing operations</b>                                |       |  |  |
| Basic and diluted (pence per share)  | 10    | (0 14)                                   | 0 02   |

**Consolidated statement of comprehensive income**

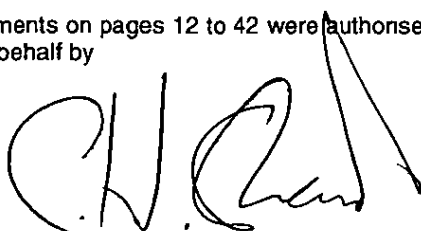
|   | 12 months to<br>30 June<br>2011<br>£'000 | 12 months to<br>30 June<br>2010<br>£'000<br>Restated |
|---|--|--|
| (Loss)/profit for the period  | (862)                                    | 146  |
| <b>Other comprehensive income.</b>  |  |  |
| Exchange differences on translation of foreign operations                                 | 253                                      | (8)  |
| Deferred tax on translation of foreign held assets  | (46)                                     | -  |
| <b>Total comprehensive income for the year attributable to shareholders of the parent</b> | <b>(655)</b>                             | <b>138</b>   |

**Consolidated balance sheet**

|   | Notes | 30 June<br>2011<br>£'000 | 30 June<br>2010<br>£'000<br>Restated | 1 July<br>2009<br>£'000<br>Restated |
|---|-------|--------------------------|--------------------------------------|-------------------------------------|
| <b>Assets</b>                                 |       |                          |                                      |                                     |
| <b>Non-current assets</b>                     |       |                          |                                      |                                     |
| Property, plant and equipment                 | 11    | 106                      | 84                                   | 92                                  |
| Goodwill                                      | 12    | 1,697                    | 1,590                                | 1,590                               |
| Intangible assets                             | 13    | 2,584                    | 2,973                                | 2,297                               |
| Investments in associates                     | 15    | -                        | -                                    | 905                                 |
| Trade and other receivables                   | 17    | 119                      | 113                                  | 204                                 |
|   |       | 4,506                    | 4,760                                | 5,088                               |
| <b>Current assets</b>                         |       |                          |                                      |                                     |
| Trade and other receivables                   | 17    | 1,121                    | 890                                  | 977                                 |
| Current tax recoverable                       |       | 75                       | 92                                   | 65                                  |
| Other financial assets (available for sale)   | 19    | 712                      | 709                                  | 32                                  |
| Cash and cash equivalents                     | 20    | 1,716                    | 1,599                                | 1,509                               |
|   |       | 3,624                    | 3,290                                | 2,583                               |
| <b>Total assets</b>                           |       | <b>8,130</b>             | <b>8,050</b>                         | <b>7,671</b>                        |
| <b>Equity and liabilities</b>                 |       |                          |                                      |                                     |
| <b>Equity</b>                                 |       |                          |                                      |                                     |
| Issued capital                                | 23    | 6,249                    | 6,238                                | 6,156                               |
| Share premium                                 |       | 7,941                    | 7,900                                | 7,758                               |
| Merger reserve                                |       | 221                      | 221                                  | 221                                 |
| Share based payment reserve                   |       | 533                      | 485                                  | 456                                 |
| Foreign exchange reserve                      |       | 181                      | (26)                                 | (18)                                |
| Retained earnings                             |       | (10,007)                 | (9,181)                              | (9,341)                             |
|   |       | 5,118                    | 5,637                                | 5,232                               |
| <b>Non-current liabilities</b>                |       |                          |                                      |                                     |
| Deferred tax                                  | 16    | 533                      | 342                                  | 314                                 |
| Borrowings - obligations under finance leases | 22    | 1                        | 6                                    | 11                                  |
|   |       | 534                      | 348                                  | 325                                 |
| <b>Current liabilities</b>                    |       |                          |                                      |                                     |
| Trade and other payables                      | 21    | 2,455                    | 2,052                                | 2,085                               |
| Current tax                                   |       | 18                       | -                                    | -                                   |
| Borrowings - obligations under finance leases | 22    | 5                        | 13                                   | 29                                  |
|   |       | 2,478                    | 2,065                                | 2,114                               |
| <b>Total liabilities</b>                      |       | <b>3,012</b>             | <b>2,413</b>                         | <b>2,439</b>                        |
| <b>Total equity and liabilities</b>           |       | <b>8,130</b>             | <b>8,050</b>                         | <b>7,671</b>                        |

The financial statements on pages 12 to 42 were authorised for issue by the Board of Directors on 19<sup>th</sup> October 2011 and were signed on its behalf by

Clem Chambers  
CEO



The accompanying accounting policies and notes form an integral part of these financial statements  
Company number 2374988

**Consolidated statement of changes in equity**

|   | Share<br>capital | Share<br>premium | Merger<br>reserve | Share<br>based<br>payment<br>reserve | Foreign<br>exchange<br>reserve | Retained<br>earnings | Total<br>equity   |
|---|------------------|------------------|-------------------|--------------------------------------|--------------------------------|----------------------|-------------------|
|   | £'000            | £'000            | £'000             | £'000                                | £'000                          | Restated<br>£'000    | Restated<br>£'000 |
| <b>At 1 July 2009 as previously stated</b>                | 6,156            | 7,758            | 221               | 456                                  | (18)                           | (8,789)              | 5,784             |
| Prior year adjustment (note 30)                           | -                | -                | -                 | -                                    | -                              | (552)                | (552)             |
|   | 6,156            | 7,758            | 221               | 456                                  | (18)                           | (9,341)              | 5,232             |
| Issue of shares   | 82               | 142              | -                 | -                                    | -                              | -                    | 224               |
| Exercise of share options                                 | -                | -                | -                 | (14)                                 | -                              | 14                   | -                 |
| Equity settled share options                              | -                | -                | -                 | 43                                   | -                              | -                    | 43                |
| <b>Transactions with owners</b>                           | 82               | 142              | -                 | 29                                   | -                              | 14                   | 267               |
| Profit for the period after tax                           | -                | -                | -                 | -                                    | -                              | 146                  | 146               |
| <b>Other comprehensive income</b>                         |                  |                  |                   |                                      |                                |                      |                   |
| Exchange differences on translation of foreign operations | -                | -                | -                 | -                                    | (8)                            | -                    | (8)               |
| Total comprehensive income for the year                   | -                | -                | -                 | -                                    | (8)                            | 146                  | 138               |
| <b>At 30 June 2010</b>                                    | 6,238            | 7,900            | 221               | 485                                  | (26)                           | (9,181)              | 5,637             |
| Issue of shares   | 11               | 41               | -                 | -                                    | -                              | -                    | 52                |
| Exercise of share options                                 | -                | -                | -                 | (36)                                 | -                              | 36                   | -                 |
| Equity settled share options                              | -                | -                | -                 | 84                                   | -                              | -                    | 84                |
| <b>Transactions with owners</b>                           | 11               | 41               | -                 | 48                                   | -                              | 36                   | 136               |
| Loss for the period after tax                             | -                | -                | -                 | -                                    | -                              | (862)                | (862)             |
| <b>Other comprehensive income</b>                         |                  |                  |                   |                                      |                                |                      |                   |
| Exchange differences on translation of foreign operations | -                | -                | -                 | -                                    | 253                            | -                    | 253               |
| Deferred tax on translation of foreign held assets        | -                | -                | -                 | -                                    | (46)                           | -                    | (46)              |
| Total comprehensive income for the year                   | -                | -                | -                 | -                                    | 207                            | (862)                | (655)             |
| <b>At 30 June 2011</b>                                    | 6,249            | 7,941            | 221               | 533                                  | 181                            | (10,007)             | 5,118             |

The accompanying accounting policies and notes form an integral part of these financial statements

**Consolidated cash flow statement**

|  |       | 12 months to<br>30 June<br>2011<br>£'000 | 12 months to<br>30 June<br>2010<br>£'000<br>Restated |
|--|-------|--|--|
|  | Notes |  |  |
| <b>Cash flows from operating activities</b>  |       |  |  |
| Loss for the period before tax   |       | (783)                                    | (185)  |
| Net finance income in the income statement   | 7, 8  | (2)                                      | (15)   |
| Loss from associates   | 15    | -  | 18   |
| Depreciation of property, plant & equipment  | 11    | 44                                       | 75   |
| Amortisation   | 13    | 1,089                                    | 1,149  |
| Gain on bargain purchase and associated fair value loss on previously held equity investment | 15    | -  | 214  |
| Impairment of financial assets   |       | (3)                                      | 24   |
| Share based payments   | 24    | 84                                       | 43   |
| Decrease in trade and other receivables  |       | (237)                                    | 236  |
| Increase/(decrease) in trade and other payables  |       | 403                                      | (142)  |
| Net cash generated from operations   |       | 595                                      | 1,417  |
| Interest paid  | 8     | (5)                                      | (8)  |
| Income tax (payable) / receivable  |       | 101                                      | (17)   |
| Net cash generated by operating activities   |       | 691                                      | 1,392  |
| <b>Cash flows from investing activities</b>  |       |  |  |
| Interest received  | 7     | 7  | 23   |
| Payments for property plant and equipment  | 11    | (66)                                     | (30)   |
| Purchase of intangibles  | 13    | (571)                                    | (570)  |
| Purchase of UK Government gilts  |       | -  | (701)  |
| Acquisition of subsidiary (net of cash with subsidiary)                                      |       | -  | (22)   |
| Net cash used in investing activities  |       | (630)                                    | (1,300)  |
| <b>Cash flows from financing activities</b>  |       |  |  |
| Proceeds from issue of equity shares   |       | 52                                       | 27   |
| Loans repaid (finance leases)  |       | (13)                                     | (21)   |
| Net cash generated by financing activities   |       | 39                                       | 6  |
| Net increase in cash and cash equivalents  |       | 100                                      | 98   |
| Exchange differences   |       | 17                                       | (8)  |
| Total increase in cash and cash equivalents  |       | 117                                      | 90   |
| Cash and cash equivalents at the start of the period   |       | 1,599                                    | 1,509  |
| Cash and cash equivalents at the end of the period   | 20    | 1,716                                    | 1,599  |

The accompanying accounting policies and notes form an integral part of these financial statements



## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 General information**

The principal activity of ADVFN PLC ("the Company") and its subsidiaries (together "the Group") is the development and provision of financial information, primarily via the internet, research services and the development and exploitation of ancillary internet sites

The principal trading subsidiaries are All IPO Plc, Equity Holdings Ltd, Equity Development Ltd, InvestorsHub.com Inc and Cupid Bay Ltd

The Company is a public limited company which is quoted on the Alternative Investment Market of the London Stock Exchange and is incorporated and domiciled in the UK. The address of the registered office is Suite 27, Essex Technology Centre, The Gables, Fyfield Road, Ongar, Essex, CM5 0GA

The registered number of the company is 2374988

### **2. Summary of significant accounting policies**

#### **Basis of preparation**

The consolidated financial statements are for the year ended 30 June 2011. They have been prepared in compliance with International Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union as at 30 June 2011. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of certain available for sale financial instruments to fair value

#### **Prior year adjustment**

During the year the Group upgraded its reporting systems for its subscription website which enabled it to generate more accurate information over the unexpired level of live subscriptions at any period end. The information generated by the new reports has enabled the Group to accurately quantify the level of deferred subscription levels at 30 June 2011 and prior year ends. In prior years the Group had calculated deferred revenue using the information available to it, together with certain estimation techniques.

The new reports have identified that the deferred income calculated and reflected in the financial statements for prior periods was materially incorrect. In accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' the comparative financial statements have been restated. Further information, including the effect of the prior year adjustment on each line item within the prior year financial statements is set out in Note 30.

#### **Going concern**

The financial statements have been prepared on the going concern basis which assumes the Group will continue in existence for the foreseeable future. The directors, having taken into consideration the losses before tax incurred in both the current and the prior financial years, note that the Group cash flows are positive and the cash and gilts balances are currently £2.4m. The directors believe that this, together with the latest Group forecasts, which indicate continued future cash generation make it appropriate for the financial statements to be prepared on the going concern basis.

#### **Standards and amendments to existing standards adopted by the Group**

The Group has adopted the following new standards and interpretations in these financial statements:

IFRS 2 (amendment) 'Group cash-settled share-based payment transactions' requires the cost of share based payments to be recorded in the entity receiving the service for which the shares are issued.

IASB Improvements (Issued April 2009) and IASB Improvements (Issued May 2010) provided numerous non-urgent amendments to IFRS.

None of these amendments resulted in a change in the Group's accounting policies.

## NOTES TO THE FINANCIAL STATEMENTS

**Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group in the 30 June 2010 financial statements**

**IFRS 9 Financial Instruments (effective 1 January 2013)**

This IFRS replaced IAS39 and addresses the usefulness for users of financial statements by simplifying the classification and measurement requirements for financial instruments. Management are currently assessing the detailed impact on the Group's financial statements.

**IFRS 10 Consolidated Financial Statements (effective 1 January 2013)**

This IFRS establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

**IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)**

This IFRS looks at the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows.

**IFRS 13 Fair Value Measurement (effective 1 January 2013)**

IFRS 13 seeks to set out a single framework for measuring fair value and to define it. It also specifies disclosures about fair value measurement.

**IAS 19 (Revised June 2011) Employee Benefits (effective 1 January 2013)**

IAS 19 reviews the treatment of employee benefits with a view to recognising the cost in the period in which the benefit is earned by the employee, rather than when it is paid or payable.

**IAS 27 (Revised) Separate Financial Statements (effective 1 January 2013)**

IAS 27 is concerned with the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent, and in accounting for investments in subsidiaries, jointly controlled entities and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

**Amendments to IFRS 7 Disclosures on Transfers of Financial Assets (effective 1 July 2011)**

IFRS 7 addresses the need for additional disclosures on financial instruments regarding the significance, nature and risk arising from their use.

**Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets (effective 1 January 2012)**

This IAS prescribes the treatment for income taxes.

**Amendments to IAS 1 Presentation of Other Comprehensive Income (effective 1 July 2012)**

This IAS amendment revises the way the statement of other comprehensive income should be presented requiring separate subtotals for those elements which may be 'recycled' (e.g. cash-flow hedging, foreign currency translation), and those elements that will not.

Management anticipate that the above pronouncements will be adopted in the Group's financial statements in line with the effective dates stated above. Management are currently assessing their impact on the Group's financial statements.

Other new standards and Interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### Accounting policies

#### Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of over one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated on the date control ceases.

Inter-company transactions, balances and unrealised gains and losses (where they do not provide evidence of impairment of the asset transferred) on transactions between Group companies are eliminated.

#### Business combinations

The Group uses the acquisition method of accounting for the acquisition of a subsidiary. The consideration transferred is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed in the period.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any non-controlling interest.

Goodwill is recognised at the acquisition date measured as the excess of the aggregate of

- (i) The fair value of the consideration transferred
- (ii) The fair value or, alternatively, the share of net assets of the non-controlling interest in the acquiree
- (iii) In a combination achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree

over the net of the acquisition date fair value of the identifiable assets acquired and the liabilities assumed.

Where the goodwill calculation results in a negative amount (bargain purchase) this amount is taken to the statement of comprehensive income in the period in which it is derived.

#### Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

## NOTES TO THE FINANCIAL STATEMENTS

### 2 Summary of significant accounting policies (continued)

#### Foreign currency translation

- a) **Functional and presentational currency**  
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Company's functional currency and the Group's presentational currency is Sterling.
- b) **Transactions and balances**  
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at reporting period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.
- c) **Group companies**  
The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet.
  - Income and expenses for each income statement are translated at the rate of exchange at the transaction date. Where this is not possible, the average rate for the period is used but only if there is no significant fluctuation in the rate and,
  - On consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognised in other comprehensive income and accumulated in a separate component of equity. Post transition exchange differences are recycled to profit or loss as a reclassification adjustment upon disposal of the foreign operation.

#### Income and expense recognition

Revenue is the fair value of the total amount receivable by the Group for supplies of products as principal and for services. Subscription and advertising income is recognised on a straight line basis over the period in which the service is provided. VAT or similar local taxes and trade discounts are excluded.

Interest income and expenditure are reported on an accruals basis. Operating expenses are recognised in the income statement upon utilisation of the service or at the date of their origin.

#### Employee benefits

The cost of pensions in respect of the Group's defined contribution scheme is charged to profit or loss in the period in which the related employee services were provided.

#### Intangible assets

##### - Licences

Licences are recognised at cost less any subsequent impairment and amortisation charges, they are amortised over a five year period on a straight line basis.

##### - Goodwill

It is capitalised as an intangible asset and allocated to cash generating units (with separately identifiable cash flows) and is subject to impairment testing on an annual basis or more frequently if circumstances indicate that the asset may have been impaired.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Summary of significant accounting policies (continued)

#### *- Internally generated intangible assets*

An internally generated intangible asset arising from development (or the development phase) of an internal project is recognised if, and only if, all of the following have been demonstrated

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- the intention to complete the intangible asset and use or sell it
- the ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Internally generated intangibles not yet in use are subject to annual impairment testing.

Internally generated intangible assets are amortised over three years.

Research expenditure is recognised as an expense in the period in which it is incurred.

#### *- Intangible assets acquired as part of a business combination*

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset. The cost of such intangible assets is their fair value at the acquisition date. All intangible assets acquired through business combination are amortised over their useful lives estimated at between 5 and 10 years.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses.

#### **Property, plant and equipment**

Property, plant and equipment are recorded at cost net of accumulated depreciation and any provision for impairment. Depreciation is provided using the straight line method to write off the cost of the asset less any residual value over its useful economic life. The residual values of assets are reviewed annually and revised where necessary. Assets' useful economic lives are as follows:

|                        |  |
|------------------------|--|
| Leasehold improvements | The shorter of the useful life of the asset or the term of the lease |
| Computer equipment     | 33% per annum  |
| Office equipment       | 20% per annum  |

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Summary of significant accounting policies (continued)

#### **Impairment**

For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. As a result some assets are tested individually for impairment and some are tested at cash-generating unit level.

Goodwill, other individual assets or cash-generating units that include goodwill and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount exceeds the recoverable amount of the asset or cash-generating unit. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

#### **Financial assets**

Financial assets consist of loans and receivables and other financial assets available for sale. Financial assets are assigned to their different categories by management on initial recognition, depending on the purpose for which the investment was acquired and the characteristics of the asset.

#### *Trade receivables*

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that a trade receivable is impaired. The amount of the provision is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectible it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

#### *Investments*

The Group has classified its holding of Government bonds as available for sale financial assets. They are measured at fair value with gains and losses arising on their fair value being recognised in other comprehensive income. Listed investments are stated at bid prices.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired. Gains or losses on an available for sale financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised when the accumulated gain or loss is recycled to profit or loss.

Interest and other cash flows resulting from holding financial assets are recognised in profit and loss when received, regardless of how the related carrying amount of financial assets is measured.

#### **Financial liabilities**

The Group's financial liabilities include trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in the income statement.

Trade payables are recognised initially at their fair value, net of transaction costs and subsequently measured at amortised costs less settlement payments.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Summary of significant accounting policies (continued)

#### Leases

Where the risks and rewards of ownership of an asset are transferred to the group as lessee, the lease is treated as a finance lease. Other leases are treated as operating leases. Future instalments payable under finance leases net of finance charges are included in creditors with the corresponding asset values recorded in property, plant and equipment and depreciated over the shorter of their estimated useful lives or their lease terms. Lease payments are apportioned between the finance element, which is charged to the income statement as interest, and the capital element, which reduces the outstanding obligation for future instalments.

Payments under operating leases are charged to profit or loss on a straight line basis over the lease term.

#### Income taxes

Current income tax assets and liabilities comprise those obligations to fiscal authorities in the countries in which the Group carries out its operations. They are calculated according to the tax rates and tax laws applicable to the fiscal period and the country to which they relate. All changes to current tax liabilities are recognised as a component of tax expense in the income statement unless the tax relates to an item taken directly to equity in which case the tax is also taken directly to equity. Tax relating to items recognised in other comprehensive income is recognised in other comprehensive income.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets such as those resulting from assessing deferred tax on the expense of share based payments, are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

#### Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand.

#### Provisions, contingent liabilities and contingent assets

Other provisions are recognised when the present obligations arising from legal or constructive commitment resulting from past events, will probably lead to an outflow of economic resources from the Group which can be estimated reliably.

Provisions are measured at the present value of the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

#### Share based employee compensation

The Group operates equity settled share based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (e.g. profitability or sales growth targets).

All share based compensation is ultimately recognised as an expense in the income statement with a corresponding credit to the share based payment reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, up to the nominal value of the shares issued are reallocated to share capital with any excess being recorded as additional share premium.

Where modifications are made to the vesting or lapse dates of options any additional fair value created by the modification is expensed over the remaining vesting period.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Summary of significant accounting policies (continued)

#### Equity

##### *Issued capital*

Ordinary shares are classified as equity. The nominal value of shares is included in issued capital.

##### *Share premium*

The share premium account represents the excess over nominal value of the fair value of consideration received for equity shares, net of the expenses of the share issue.

##### *Merger reserve*

The merger reserve results from shares issued on the acquisition of Equity Holdings Ltd.

##### *Share based payment reserve*

The share based payment reserve represents equity settled share based employee remuneration until such share options are exercised.

##### *Foreign exchange reserve*

The foreign exchange reserve represents foreign exchange gains and losses arising on translation of investments in overseas subsidiaries into the consolidated financial statements.

##### *Retained earnings*

The retained earnings include all current and prior period results for the Group and the post acquisition results of the Group's subsidiaries as determined by the income statement.

#### Dividends

Final equity dividends to the shareholders of ADVFN plc are recognised in the period that they are approved by shareholders. Interim equity dividends are recognised in the period that they are paid.

Dividends receivable are recognised when the Company's right to receive payment is established.

#### Use of key accounting estimates and judgements

Many of the amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimates is contained in the accounting policies and/or the notes to the financial statements and the key areas are summarised below.

##### Judgements in applying accounting policies

- a) Capitalisation of development costs in accordance with IAS 38 requires analysis of the technical feasibility and commercial viability of the project in the future. This in turn requires a long term judgement to be made about the development of the industry in which the development will be marketed (Note 13).
- b) Judgement is required in determining the provision for income taxes. There are many transactions and calculations whose ultimate tax treatment is uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes are likely to be due. The Group recognises deferred tax assets and liabilities based on estimates of future taxable income and recoverability. Where a change in circumstance occurs, or the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax balances in the year in which that change or outcome is known.
- c) The directors have used their judgement to decide whether the Group should be treated as a going concern and continue in existence for the foreseeable future. Having considered the latest Group forecasts, which cover a period of two years from the balance sheet date, together with the cash resources available to them, the Directors have judged that it is appropriate for the financial statements to be prepared on the going concern basis.



## NOTES TO THE FINANCIAL STATEMENTS

## 2 Summary of significant accounting policies (continued)

## Sources of estimation uncertainty

- a) Estimates of future profitability for the decision whether or not to create or continue to recognise a deferred tax asset. Such estimates are made in forecasts made by management which are updated on a regular basis based upon the directors' best estimate of future trading conditions. As a result the value of carry forward trading losses which are expected to be utilised may vary. UK carry forward losses equating to a deferred taxation asset of £nil (2010: £250,000) have been recognised within these financial statements.
- b) Determining whether goodwill and related intangible assets are impaired requires an estimation of the value in use of the cash generating unit to which the goodwill or intangible assets have been allocated. This value in use calculation requires an estimation of the future cash flows expected to arise from the cash generating units and a suitable discount rate in order to calculate a suitable present value.
- c) On acquisition of subsidiaries, the Group recognises intangible assets. This requires estimates to be made regarding the valuation methodology, expected useful life and discount rates to be applied. In addition, a number of estimates are used in calculating fair value and amortisation charges in respect of these assets. The carrying value of intangible assets acquired is £1,703,000.

## 3. Segmental analysis

The directors identify reportable segments based upon the information which is regularly reviewed by the chief operating decision maker. The Group considers that the chief operating decision maker is the Board of Directors. The Group has identified two reportable operating segments, being that of the provision of financial information and that of research services. The provision of financial information is made via the Group's various website platforms. Research activities are provided by the Group's staff, primarily to corporate customers.

Two minor operating segments, for which IFRS 8's quantitative thresholds have not been met, are currently combined below under 'other'. The main sources of revenue for these operating segments is the provision of financial broking services and other internet services not related to financial information. Segment information can be analysed as follows for the reporting period under review.

| 2011                            | Provision of<br>financial<br>information<br>£'000 | Research<br>services<br>£'000 | Other<br>£'000 | Total<br>£'000 |
|---------------------------------|---|-------------------------------|----------------|----------------|
| Revenue from external customers | 8,422   | 604                           | 141            | 9,167          |
| Depreciation and amortisation   | (1,177)   | (6)                           | (3)            | (1,186)        |
| Other operating expenses        | (8,254)   | (589)                         | 45             | (8,798)        |
| Segment operating (loss)/profit | (1,009)   | 9                             | 183            | (817)          |
| Interest income                 | 7   | -                             | -              | 7              |
| Interest expense                | (4)   | (1)                           | -              | (5)            |
| Segment assets                  | 9,178   | 216                           | 23             | 9,417          |
| Segment liabilities             | (2,357)   | (162)                         | (5)            | (2,524)        |
| Purchases of non-current assets | (662)   | -                             | -              | (662)          |

# NOTES TO THE FINANCIAL STATEMENTS

| 2010                            | Provision of<br>financial<br>information<br>£'000<br>Restated | Research<br>services<br>£'000 | Other<br>£'000 | Total<br>£'000<br>Restated |
|---------------------------------|---|-------------------------------|----------------|----------------------------|
| Revenue from external customers | 7,979   | 526                           | 102            | 8,607                      |
| Depreciation and amortisation   | (1,327)   | (7)                           | (3)            | (1,337)                    |
| Other operating expenses        | (6,514)   | (684)                         | (61)           | (7,259)                    |
| Segment operating (loss)/profit | 138   | (165)                         | 38             | 11                         |
| Results from associates         | (18)  | -                             | -              | (18)                       |
| Interest income                 | 23  | -                             | -              | 23                         |
| Interest expense                | (5)   | (3)                           | -              | (8)                        |
| Segment assets                  | 9,618   | 196                           | 26             | 9,840                      |
| Segment liabilities             | (1,958)   | (127)                         | (8)            | (2,093)                    |
| Purchases of non-current assets | (895)   | (10)                          | (1)            | (906)                      |

The Group's revenues, which wholly relate to the sale of services, from external customers and its non-current assets are divided into the following geographical areas

|               | Revenue<br>2011<br>£'000 | Non-current<br>assets<br>2011<br>£'000 | Revenue<br>2010<br>£'000<br>Restated | Non-current<br>assets<br>2010<br>£'000 |
|---------------|--------------------------|--|--------------------------------------|--|
| UK (domicile) | 4,802                    | 4,326                                  | 4,906                                | 3,119                                  |
| USA           | 3,419                    | 1,456                                  | 3,071                                | 1,641                                  |
| Other         | 946                      | -                                      | 630                                  | -                                      |
|               | 9,167                    | 5,782                                  | 8,607                                | 4,760                                  |

Revenues are allocated to the country in which the customer resides. During both 2011 and 2010 no single customer accounted for more than 10% of the Group's total revenues.

The segmental information regularly reviewed by the Board is presented under UK GAAP and, as a result, a key reconciling item between the segmental and the Group financial information relates to IFRS conversion.

The totals presented for the Group's operating segments reconcile to the entity's key financial figures as presented in its financial statements as follows:

|   | 2011<br>£'000 | 2010<br>£'000<br>Restated |
|---|---------------|---------------------------|
| <b>Segment revenues</b>   |               |                           |
| Total segment revenues  | 9,167         | 8,607                     |
| Consolidation adjustments   | -             | (16)                      |
|   | 9,167         | 8,591                     |
| <b>Segment profit or loss</b>   |               |                           |
| Total segment operating (loss)/profit   | (817)         | 11                        |
| Consolidation adjustments   | (324)         | (15)                      |
| IFRS conversion adjustments   | 356           | 36                        |
| Group operating (loss)/profit   | (785)         | 32                        |
| Finance income  | 7             | 23                        |
| Finance expense   | (5)           | (8)                       |
| Negative goodwill and associated fair value loss on previously held equity investment | -             | (214)                     |
| Result from associate after taxation  | -             | (18)                      |
| Group loss before tax   | (783)         | (185)                     |

NOTES TO THE FINANCIAL STATEMENTS

|                             | 2011<br>£'000 | 2010<br>£'000<br>Restated | 2009<br>£'000<br>Restated |
|-----------------------------|---------------|---------------------------|---------------------------|
| <b>Segment assets</b>       |               |                           |                           |
| Total segment assets        | 9,417         | 9,840                     | 7,950                     |
| Consolidation adjustments   | (2,113)       | (1,777)                   | (1,382)                   |
| IFRS conversion adjustments | 826           | (13)                      | 1,103                     |
| Total Group assets          | 8,130         | 8,050                     | 7,671                     |
| <b>Segment liabilities</b>  |               |                           |                           |
| Total segment liabilities   | (2,524)       | (2,093)                   | (2,128)                   |
| Consolidation adjustments   | (46)          | -                         | -                         |
| IFRS conversion adjustments | (442)         | (320)                     | (311)                     |
| Total Group liabilities     | (3,012)       | (2,413)                   | (2,439)                   |

Consolidation adjustments primarily relate to the elimination of investments and the calculation of goodwill IFRS conversion adjustments primarily relate to the different accounting bases for the Group's intangible and tangible assets under IFRS and UK GAAP

4 Operating (loss)/profit

|  | 2011<br>£'000 | 2010<br>£'000 |
|--|---------------|---------------|
| Operating (loss)/profit has been arrived at after charging / (crediting)             |               |               |
| Foreign exchange loss/ (gain)  | 8             | (22)          |
| Depreciation and amortisation  |               |               |
| Depreciation of property plant and equipment   |               |               |
| Owned  | 44            | 66            |
| Held under finance leases  | -             | 9             |
| Amortisation of intangible assets  | 1,089         | 1,149         |
| Employee costs (Note 6)  | 3,439         | 2,925         |
| Lease payments on land and buildings held under operating leases                     | 176           | 201           |
| Expenditure on Research and Development  | 499           | 575           |
| Audit and non-audit services   |               |               |
| Fees payable to the company's auditor for the audit of the Company's annual accounts | 21            | 21            |
| Fees payable to the Company's auditor and its associates for other services          |               |               |
| For the audit of the company's subsidiaries pursuant to legislation                  | 23            | 23            |
| Other services pursuant to legislation   | 7             | 7             |
| For tax services   | 12            | 12            |

5 Remuneration of key senior management

|   | 2011<br>£'000 | 2010<br>£'000 |
|---|---------------|---------------|
| Key senior management comprises only directors                |               |               |
| Short term employee benefits                                  | 1,004         | 772           |
| Share based payments  | 49            | 29            |
| Post employment benefits - defined contribution pension plans | 27            | 24            |
|   | 1,080         | 825           |

Details of the directors' emoluments, together with other related information, are set out on page 9

## NOTES TO THE FINANCIAL STATEMENTS

### 6. Employees

|                                      | 2011<br>£'000 | 2010<br>£'000 |
|--------------------------------------|---------------|---------------|
| Employee costs (including directors) |               |               |
| Wages and salaries                   | 2996          | 2,620         |
| Social security costs                | 325           | 247           |
| Pension costs                        | 34            | 31            |
| Share based payments                 | 84            | 27            |
|                                      | <u>3,439</u>  | <u>2,925</u>  |

The average number of employees during the year was made up as follows

|                          |           |           |
|--------------------------|-----------|-----------|
| Development              | 10        | 14        |
| Sales and Administration | <u>44</u> | <u>32</u> |
|                          | <u>54</u> | <u>46</u> |

### 7. Finance income

|  | 2009<br>£'000 | 2010<br>£'000 |
|--|---------------|---------------|
| Interest receivable on bank deposits                       | 2             | 7             |
| Interest receivable on available for sale financial assets | <u>5</u>      | <u>16</u>     |
|  | <u>7</u>      | <u>23</u>     |

### 8 Finance costs

|                                   | 2011<br>£'000 | 2010<br>£'000 |
|-----------------------------------|---------------|---------------|
| Interest payable                  | 2             | -             |
| Finance charges on finance leases | <u>3</u>      | <u>8</u>      |
|                                   | <u>5</u>      | <u>8</u>      |

## NOTES TO THE FINANCIAL STATEMENTS

## 9. Income tax expense

|  | 2011<br>£'000 | 2010<br>£'000<br>Restated |
|--|---------------|---------------------------|
| <b>Current Tax.</b>                        |               |                           |
| UK corporation tax on profits for the year | (75)          | (25)                      |
| Adjustments in respect of prior periods    | 9             | 17                        |
|  | <hr/>         | <hr/>                     |
| Total current taxation                     | (66)          | (8)                       |
| Deferred tax                               | 145           | (323)                     |
|  | <hr/>         | <hr/>                     |
| Taxation                                   | 79            | (331)                     |

The tax assessed for the year is different from the standard rate of corporation tax as applied in the respective trading domains where the Group operates. The differences are explained below:

|  | 2011<br>£'000 | 2010<br>£'000 |
|--|---------------|---------------|
| Loss before tax  | (783)         | (185)         |
| Loss before tax multiplied by the respective standard rate of corporation tax applicable in the UK (27.5%) (2010: 28%) | (215)         | (52)          |
| Effects of:  |               |               |
| Utilisation of losses  | -             | (201)         |
| Non-deductible expenses  | 293           | 412           |
| Income not taxable for tax purposes  | (65)          | -             |
| Enhanced Research & Development expenditure  | (117)         | (263)         |
| Surrender of tax losses for R & D tax credit   | 72            | 16            |
| Part 12 CTA 2009 deduction   | -             | (1)           |
| Unprovided deferred tax resulting from:  |               |               |
| - the origination and reversal of temporary differences  | -             | (4)           |
| - tax losses arising in the period   | (17)          | 61            |
| - depreciation in excess of capital allowances   | (25)          | 7             |
| Deferred tax origination and reversal of timing differences  | 145           | (323)         |
| Adjustments in respect of prior periods  | 8             | 17            |
|  | <hr/>         | <hr/>         |
| <b>Tax charge/(credit) for the year</b>  | <b>79</b>     | <b>(331)</b>  |

## NOTES TO THE FINANCIAL STATEMENTS

## 10 (Loss) / earnings per share

|   | 12 months to<br>30 June<br>2011<br>£'000 | 12 months to<br>30 June<br>2010<br>£'000 |
|---|--|--|
| (Loss) / profit for the year from continuing operations attributable to equity shareholders | (862)                                    | 146                                      |
| (Loss) / earnings per share from continuing operations                                      |  |  |
| Basic (loss) / earnings per share (pence)   | (0 14)                                   | 0 02                                     |
| Diluted (loss) / earnings per share (pence)   | (0 14)                                   | 0 02                                     |
|   | Shares                                   | Shares                                   |
| Issued ordinary shares at start of the year   | 623,764,505                              | 615,568,903                              |
| Ordinary shares issued in the year (Note 23)  | 1,149,999                                | 8,195,602                                |
| Issued ordinary shares at end of the year   | 624,914,504                              | 623,764,505                              |
| Weighted average number of shares in issue for the year                                     | 624,207,656                              | 622,267,954                              |
| Dilutive effect of options  | -  | 7,100,433                                |
| Weighted average shares for diluted earnings per share                                      | 624,207,656                              | 629,368,387                              |

Where a loss has been recorded for the year the diluted loss per share does not differ from the basic loss per share as the exercise of share options would have the effect of reducing the loss per share and is therefore not dilutive under the terms of IAS 33

## NOTES TO THE FINANCIAL STATEMENTS

## 11 Property, plant and equipment

|                       | Leasehold<br>property<br>improvements<br>£'000 | Computer<br>equipment<br>£'000 | Office<br>equipment<br>£'000 | Total<br>£'000 |
|-----------------------|--|--------------------------------|------------------------------|----------------|
| <b>Cost</b>           |  |                                |                              |                |
| At 30 June 2009       | 68   | 982                            | 142                          | 1,192          |
| Acquired              | -  | 37                             | -                            | 37             |
| Additions             | -  | 30                             | -                            | 30             |
| At 30 June 2010       | 68   | 1,049                          | 142                          | 1,259          |
| Additions             | -  | 62                             | 4                            | 66             |
| At 30 June 2011       | 68   | 1,111                          | 146                          | 1,325          |
| <b>Depreciation</b>   |  |                                |                              |                |
| At 30 June 2009       | 62   | 911                            | 127                          | 1,100          |
| Charge for the year   | 5  | 65                             | 5                            | 75             |
| At 30 June 2010       | 67   | 976                            | 132                          | 1,175          |
| Charge for the year   | 1  | 41                             | 2                            | 44             |
| At 30 June 2011       | 68   | 1,017                          | 134                          | 1,219          |
| <b>Net book value</b> |  |                                |                              |                |
| At 30 June 2011       | -  | 94                             | 12                           | 106            |
| At 30 June 2010       | 1  | 73                             | 10                           | 84             |
| At 30 June 2009       | 6  | 71                             | 15                           | 92             |

The cost of property, plant and equipment held under finance leases is £125,000 (2010/2009 £125,000), accumulated depreciation is £125,000 (2010 £125,000/2009 £107,000) giving a net book value of £Nil (2010 £Nil/2009 £18,000) Finance charges included in lease payments made during the year amounted to £3,000 (2010 £8,000/2009 £11,000)

## NOTES TO THE FINANCIAL STATEMENTS

## 12 Goodwill

|  | £'000 |
|--|-------|
| 1 July 2010  | 1,590 |
| Exchange differences   | 107   |
|  | <hr/> |
| At 30 June 2011  | 1,697 |
|  | <hr/> |
| The goodwill carried in the balance sheet is attributable to the following |       |
|  | £'000 |
| InvestorsHub com Inc   | 764   |
| Equity Holdings Ltd  | 933   |
|  | <hr/> |
|  | 1,697 |
|  | <hr/> |

The Group tests goodwill annually for impairment or more frequently if there are indications that it might be impaired. The recoverable amounts are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs during the period.

For the purposes of the impairment testing of goodwill, the directors have recognised two cash generating units (CGUs) in InvestorsHub com Inc and Equity Holdings Limited. The recoverable amount for the CGUs was determined based on a value in use calculation, based upon management forecasts for the trading results of those entities for the five years ending 30 June 2016. A discount rate of 10% has been used for both income generating units which reflects their estimated weighted average cost of capital. Within the value in use model utilised for InvestorsHub com Inc, an average exchange rate of \$1.64/£ has been assumed. Within the Equity Holdings forecasts the directors have assumed that the cash generating unit returns to pre-recession trading levels by 2016. The value in use calculations indicate that InvestorHub com Limited and Equity Holdings Limited have recoverable amounts which are £133,000 and £1,753,000 greater than their respective carrying amounts. For InvestorsHub com Inc, the exchange rate utilised within the forecasts would have to rise significantly to reduce the recoverable amount to its carrying value. For Equity Holdings Limited expected cash flows would have to reduce by 41% to reduce the recoverable amount to its carrying value.



## NOTES TO THE FINANCIAL STATEMENTS

## 13. Other intangible assets

|                          | Licences | Brands & subscriber lists | Website development costs | Total |
|--------------------------|----------|---------------------------|---------------------------|-------|
|                          | £'000    | £'000                     | £'000                     | £'000 |
| <b>Cost or valuation</b> |          |                           |                           |       |
| At 30 June 2009          | 1,300    | 1,522                     | 4,518                     | 7,340 |
| Acquired at fair value   | 162      | 607                       | 486                       | 1,255 |
| Additions                | -        | -                         | 570                       | 570   |
| At 30 June 2010          | 1,462    | 2,129                     | 5,574                     | 9,165 |
| Exchange differences     | -        | 129                       | -                         | 129   |
| Additions                | -        | -                         | 571                       | 571   |
| At 30 June 2011          | 1,462    | 2,258                     | 6,145                     | 9,865 |
| <b>Amortisation</b>      |          |                           |                           |       |
| At 30 June 2009          | 1,300    | 418                       | 3,325                     | 5,043 |
| Charge for the year      | 30       | 264                       | 855                       | 1,149 |
| At 30 June 2010          | 1,330    | 682                       | 4,180                     | 6,192 |
| Charge for the year      | 33       | 276                       | 780                       | 1,089 |
| At 30 June 2011          | 1,363    | 958                       | 4,960                     | 7,281 |
| <b>Net book value</b>    |          |                           |                           |       |
| At 30 June 2011          | 99       | 1,300                     | 1,185                     | 2,584 |
| At 30 June 2010          | 132      | 1,447                     | 1,394                     | 2,973 |
| At 30 June 2009          | -        | 1,104                     | 1,193                     | 2,297 |

Intangible assets are allocated to the All IPO Plc and the InvestorsHub.com Inc CGUs and have been subjected to an impairment review. No impairment to their carrying value was identified. Website development costs, except those acquired with All IPO, are internally generated and primarily consist of capitalised wages and salaries expense.

## 14. Subsidiary companies consolidated in these accounts

|                                    | Country of incorporation | % interest in ordinary shares at 30 June 2010 | Principal activity             |
|------------------------------------|--------------------------|---|--------------------------------|
| Equity Holdings Limited            | England & Wales          | 100.00%                                       | Holding Company                |
| Equity Development Limited         | England & Wales          | 100.00%                                       | Research services              |
| Cupid Bay Limited                  | England & Wales          | 100.00%                                       | Internet dating web site       |
| Fotothing Limited                  | England & Wales          | 100.00%                                       | Dormant                        |
| InvestorsHub.com Inc               | USA                      | 100.00%                                       | Financial information web site |
| ADVFN Brazil Limited               | England & Wales          | 100.00%                                       | Dormant                        |
| E O Management Limited             | England & Wales          | 100.00%                                       | Dormant                        |
| Throgmorton Street Capital Limited | England & Wales          | 100.00%                                       | Dormant                        |
| ALL IPO Plc                        | England & Wales          | 100.00%                                       | IPO information web site       |

## NOTES TO THE FINANCIAL STATEMENTS

### 15 Investments in associates

|  |              |
|--|--------------|
| <b>ALL IPO Plc</b>                                       | <b>£'000</b> |
| At 1 July 2009   | 905          |
| Share of associate's losses for the year pre-acquisition | (18)         |
| Acquisition of remaining shares                          | (887)        |
|  | <hr/>        |
| At 30 June 2010 and 30 June 2011                         | <hr/> -      |

Interests in associates at net book value include

|                                    | 2011<br>£'000 | 2010<br>£'000 | 2009<br>£'000 |
|------------------------------------|---------------|---------------|---------------|
| Listed investments                 | -             | -             | 905           |
|                                    | <hr/>         | <hr/>         | <hr/>         |
| Listed investments at market value | -             | -             | 158           |
|                                    | <hr/>         | <hr/>         | <hr/>         |

Summarised information for ALL IPO plc is set out below

|                     | 2011<br>£'000 | 2010<br>£'000 | 2009<br>£'000 |
|---------------------|---------------|---------------|---------------|
| Revenues            | -             | -             | 187           |
| Loss for the period | -             | -             | (524)         |
|                     | <hr/>         | <hr/>         | <hr/>         |
| Total assets        | -             | -             | 2,517         |
| Total liabilities   | -             | -             | (62)          |
|                     | <hr/>         | <hr/>         | <hr/>         |
| At 30 June          | -             | -             | 2,455         |
|                     | <hr/>         | <hr/>         | <hr/>         |

On 22 July 2009 the Company acquired the remaining share capital of All IPO plc, which it did not already own, representing 62.93% of the voting rights

The Group's holding in All IPO Plc prior to the acquisition, amounting £887,000 was written down to its fair value of £333,000. This resulted in a charge to the income statement of £554,000. A gain on bargain purchase created on acquisition of the controlling interest of All IPO Plc amounted to £340,000 and as required by IFRS 3 (revised) Business Combinations this was credited to the income statement. The net result was a charge of £214,000 in the period.

## NOTES TO THE FINANCIAL STATEMENTS

### 16 Deferred income tax

The following are the major deferred tax liabilities and assets recognised by the Group and the movements thereon during the current and prior periods

|   | Intangible<br>assets<br>£'000 | Website<br>development<br>costs<br>£'000 | US tax losses<br>£'000 | UK tax losses<br>£'000 | Total<br>£'000 |
|---|-------------------------------|--|------------------------|------------------------|----------------|
| At 1 July 2008                          | (496)                         | (370)                                    | 71                     | 370                    | (425)          |
| Credit/(charge) to profit or loss       | 55                            | 36                                       | 56                     | (36)                   | 111            |
| At 30 June 2009                         | (441)                         | (334)                                    | 127                    | 334                    | (314)          |
| Acquisition of All IPO Plc              | (351)                         | -  | -                      | -                      | (351)          |
| Credit/(charge) to profit or loss       | 162                           | 55                                       | (89)                   | 195                    | 323            |
| At 30 June 2010                         | (630)                         | (279)                                    | 38                     | 529                    | (342)          |
| Credit/(charge) to profit or loss       | 143                           | 50                                       | (38)                   | (300)                  | (145)          |
| Charge to other comprehensive<br>income | (46)                          | -  | -                      | -                      | (46)           |
| At 30 June 2011                         | (533)                         | (229)                                    | -                      | 229                    | (533)          |

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances, after offset, for the purposes of financial reporting

|                          | 2011<br>£'000 | 2010<br>£'000 | 2009<br>£'000 |
|--------------------------|---------------|---------------|---------------|
| Deferred tax liabilities | (533)         | (909)         | (775)         |
| Deferred tax assets      | -             | 567           | 461           |
|                          | (533)         | (342)         | (314)         |

At the balance sheet date the Group had unused tax losses of £6,754,000 (2010 £6,756,000/2009 £6,222,000) available for offset against future profits. A deferred tax asset has been recognised in respect of £833,000 (2010 £2,025,000/2009 £1,645,000) of such losses, as their utilisation based on trading forecasts is deemed to be probable. No deferred tax asset has been recognised in respect of the remaining £5,921,000 (2010 £4,731,000/2009 £4,577,000) due to the unpredictability of future profit streams. Substantially all of the losses may be carried forward indefinitely.

### 17 Trade and other receivables

|                                | 2011<br>£'000 | 2010<br>£'000 | 2009<br>£'000 |
|--------------------------------|---------------|---------------|---------------|
| <b>Non-current assets</b>      |               |               |               |
| Other receivables              | 119           | 113           | 204           |
| <b>Current assets</b>          |               |               |               |
| Trade receivables              | 812           | 607           | 580           |
| Other receivables              | 1             | 2             | 1             |
| Prepayments and accrued income | 308           | 281           | 396           |
|                                | 1,121         | 890           | 977           |

The Group endeavours only to deal with companies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored.

## NOTES TO THE FINANCIAL STATEMENTS

## 18. Credit quality of financial assets

As of 30 June 2011, trade receivables of £452,000 (2010 £249,000 /2009 £570,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these overdue trade receivables is as follows:

|   | 2011<br>£'000 | 2010<br>£'000 | 2009<br>£'000 |
|---|---------------|---------------|---------------|
| <b>Trade receivables</b>                      |               |               |               |
| Not more than 3 months                        | 310           | 196           | 468           |
| More than 3 months but not more than 6 months | 111           | 33            | 64            |
| More than 6 months but not more than 1 year   | 31            | 20            | 38            |
|   | <b>452</b>    | <b>249</b>    | <b>570</b>    |

## Impaired receivables allowance account

|                          | 2011<br>£'000 | 2010<br>£'000 | 2009<br>£'000 |
|--------------------------|---------------|---------------|---------------|
| At 1 July                | 43            | 34            | 43            |
| Utilised during the year | (33)          | (39)          | (49)          |
| Created during the year  | 38            | 48            | 40            |
| <b>At 30 June</b>        | <b>48</b>     | <b>43</b>     | <b>34</b>     |

The carrying amount of the Group's trade and other receivables is denominated in the following currencies:

|              | 2011<br>£'000 | 2010<br>£'000 | 2009<br>£'000 |
|--------------|---------------|---------------|---------------|
| Sterling     | 414           | 442           | 613           |
| Euro         | 102           | 46            | 38            |
| US dollar    | 410           | 234           | 134           |
| Japanese yen | 1             | -             | -             |
| Other        | 5             | -             | -             |
|              | <b>932</b>    | <b>722</b>    | <b>785</b>    |

## 19. Financial instruments

## Categories of financial instrument

|  | 2011<br>£'000 | 2010<br>£'000 | 2009<br>£'000 |
|--|---------------|---------------|---------------|
| <b>Non-current</b>   |               |               |               |
| Trade and other receivables - loans and receivables                      | 119           | 113           | 204           |
| <b>Current</b>   |               |               |               |
| Other financial assets - available for sale                              | 31            | 8             | 32            |
| UK Government gilts - available for sale                                 | 681           | 701           | -             |
| Trade and other receivables - loans and receivables                      | 813           | 609           | 785           |
| Trade and other receivables - non-financial assets                       | 308           | 373           | 257           |
|  | <b>1,833</b>  | <b>1,691</b>  | <b>1,074</b>  |
| Cash and cash equivalents- loans and receivables                         | 1,716         | 1,599         | 1,509         |
| Trade and other payables - other financial liabilities at amortised cost | 1,381         | 1,088         | 1,206         |
| Trade and other payables - non financial liabilities                     | 1,074         | 964           | 879           |
|  | <b>2,455</b>  | <b>2,052</b>  | <b>2,085</b>  |

## NOTES TO THE FINANCIAL STATEMENTS

### Financial instruments (Continued)

Other financial assets which are available for sale relate to listed investments which are stated at their market value at 30 June 2011. The directors consider that the fair value of the other financial assets and liabilities is not materially different from the value set out in the table above due to their short term nature.

The fair value of the listed investments and UK government gilts is their quoted price on the active market on which they are traded.

### 20. Cash and cash equivalents

|   | 2011<br>£'000 | 2010<br>£'000 | 2009<br>£'000 |
|---|---------------|---------------|---------------|
| Cash at bank and in hand                          | 1,716         | 1,569         | 1,459         |
| Short term bank deposits                          | -             | 30            | 50            |
| Cash and cash equivalents per cash flow statement | 1,716         | 1,599         | 1,509         |

### 21 Trade and other payables

|                                      | 2011<br>£'000 | 2010<br>£'000 | 2009<br>£'000 |
|--------------------------------------|---------------|---------------|---------------|
| Trade payables                       | 1,381         | 1,088         | 1,085         |
| Social security and other taxes      | 81            | 80            | 135           |
| Other payables                       | -             | -             | 121           |
| Accrued expenses and deferred income | 993           | 884           | 744           |
|                                      | 2,455         | 2,052         | 2,085         |

### 22. Finance leases

Finance lease liabilities mature as follows

|  | 2011<br>£'000 | 2010<br>£'000 | 2009<br>£'000 |
|--|---------------|---------------|---------------|
| <b>Finance lease minimum payments</b>  |               |               |               |
| Less than 1 year                       | 5             | 17            | 35            |
| Between 2 and 5 years                  | 2             | 8             | 15            |
| Total minimum lease payments           | 7             | 25            | 50            |
| Future finance charges                 | (1)           | (6)           | (10)          |
| Present value of finance leases        | 6             | 19            | 40            |
| <b>Present value of finance leases</b> |               |               |               |
| Less than 1 year                       | 5             | 13            | 29            |
| Between 2 and 5 years                  | 1             | 6             | 11            |
|  | 6             | 19            | 40            |

## NOTES TO THE FINANCIAL STATEMENTS

### 23 Share capital

|  | Shares        | £'000  |
|--|---------------|--------|
| Authorised share capital   |               |        |
| Ordinary shares of £0.01 each  |               |        |
| 1 July 2008, 30 June 2009 and 30 June 2010                                   | 1,000,000,000 | 10,000 |
| Issued, called up and fully paid Ordinary shares of £0.01 each               |               |        |
| At 30 June 2008  | 593,192,435   | 5,932  |
| 2 December 2008 Deferred consideration on acquisition of Equity Holdings Ltd | 20,709,802    | 207    |
| 3 March 2009 Option exercise   | 250,000       | 3      |
| 11 March 2009 Option exercise  | 416,667       | 4      |
| 21 April 2009 Option exercise  | 999,999       | 10     |
| At 30 June 2009  | 615,568,903   | 6,156  |
| 22 July 2009 Shares issued to acquire All IPO                                | 7,236,769     | 72     |
| 18 Dec 2009 Option exercise  | 157,500       | 2      |
| 22 Dec 2009 Option exercise  | 667,333       | 7      |
| 12 May 2010 Option exercise  | 134,000       | 1      |
| At 30 June 2010  | 623,764,505   | 6,238  |
| 14 Oct 2010 Option exercise  | 50,000        | -      |
| 18 Jan 2011 Option exercise  | 800,000       | 8      |
| 7 April 2011 Option exercise   | 100,000       | 1      |
| 11 May 2011 Option exercise  | 199,999       | 2      |
| At 30 June 2011  | 624,914,504   | 6,249  |

#### Share price

The market value of the shares at 30 June 2011 was 5.28p (2010, 4.67p/2009 2.85p) and the range during the year was 4.35p to 6.40p (2010 2.62p to 5.67p/2009 0.80p to 2.95p)

### 24. Share based payments

The Group uses share options as remuneration for services of employees. The following share options were re-dated so that the new vesting date became the 31 December 2012 and the new expiry date became the 31 December 2022. The additional fair value resulting from this amendment is expensed over the remaining vesting period. All costs for unvested options which have been re-dated have been taken to profit or loss in the current period.

The fair value of options granted after 7 November 2002 has been arrived at using the Black-Scholes model. The assumptions inherent in the use of this model are as follows:

- The option life is assumed to be at the end of the allowed period
- There are no vesting conditions which apply to the share options other than continued service up to 3 years
- No variables change during the life of the option (e.g. dividend yield must be zero)
- Volatility has been calculated over the 3 years prior to the grant date by reference to the daily share price

The input values used to calculate the fair value of the options as a result of the re-dating are as follows:

| Date of issue | Number issued | Weighted average share price | Weighted average exercise price | Expected volatility | Expected life | Risk free rate | Additional fair value resulting from modification (pence) |
|---------------|---------------|------------------------------|---------------------------------|---------------------|---------------|----------------|---|
|               |               | (pence)                      | (pence)                         | %                   | years         | %              |   |
| 14 Jan 2011   | 5,500,000     | 6.20                         | 4.750                           | 27.86               | 12            | 1.8            | 1.81  |
| 14 Jan 2011   | 6,733,333     | 6.20                         | 4.600                           | 27.86               | 12            | 1.8            | 1.54  |
| 14 Jan 2011   | 7,500,000     | 6.20                         | 3.300                           | 27.86               | 12            | 1.8            | 0.81  |
| 14 Jan 2011   | 1,618,662     | 6.20                         | 3.056                           | 27.86               | 12            | 1.8            | 0.63  |

The total additional fair value from re-dating the options is £274,000, of this £54,000 has been taken to the income statement in the current period.

## NOTES TO THE FINANCIAL STATEMENTS

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows

|  | 2011 WAEP   |               | 2010 WAEP   |               |
|--|-------------|---------------|-------------|---------------|
|  | Number      | Price (pence) | Number      | Price (pence) |
| Outstanding at the beginning of the year | 34,125,327  | 3 35          | 34,302,510  | 3 30          |
| Granted during the year                  | -           | -             | 2,230,162   | 3 06          |
| Exercised during the year                | (1,149,999) | 4 50          | (958,833)   | 2 78          |
| Expired during the year                  | (936,667)   | 2 53          | (1,448,512) | 2 10          |
| Outstanding at the year end              | 32,038,661  | 3 33          | 34,125,327  | 3 35          |
| Exercisable at the year end              | 7,270,999   | 1 89          | 25,111,996  | 3 97          |

The options outstanding at the year-end are set out below

| Expiry date           | Exercise Price (p) | 2011              |                | 2010              |                |
|-----------------------|--------------------|-------------------|----------------|-------------------|----------------|
|                       |                    | Share options     | Remaining life | Share options     | Remaining life |
| <b>10 year expiry</b> |                    |                   |                |                   |                |
| 31 December 2022      | 4 750              | 5,500,000         | 12             | -                 | -              |
| 31 December 2022      | 4 600              | 6,733,333         | 12             | -                 | -              |
| 31 December 2022      | 3 300              | 7,500,000         | 12             | -                 | -              |
| 31 December 2022      | 3 056              | 1,618,662         | 12             | -                 | -              |
| <b>7 year expiry</b>  |                    |                   |                |                   |                |
| 27 January 2011       | 4 750              | -                 | -              | 6,300,000         | 1              |
| 27 January 2012       | 4 600              | 166,666           | 1              | 7,149,998         | 2              |
| 6 September 2013      | 3 300              | 550,000           | 3              | 8,250,000         | 4              |
| 10 April 2014         | 2 550              | 351,000           | 3              | 517,667           | 4              |
| 11 December 2014      | 2 250              | 370,000           | 4              | 638,000           | 5              |
| 20 December 2014      | 2 325              | -                 | 4              | 402,000           | 5              |
| 7 July 2015           | 2 800              | 250,000           | 5              | 250,000           | 6              |
| 10 June 2018          | 1 750              | 5,500,000         | 7              | 5,500,000         | 8              |
| 10 June 2018          | 1 250              | 3,000,000         | 7              | 3,000,000         | 8              |
| <b>5 year expiry</b>  |                    |                   |                |                   |                |
| 21 October 2014       | 3 056              | 499,000           | 3              | 2,117,662         | 4              |
|                       |                    | <u>32,038,661</u> | <u>10</u>      | <u>34,125,327</u> | <u>4</u>       |

1,149,999 options were exercised during the year, the weighted average share price at the date of exercise was 6 15p

The total expense recognised during the year by the Group, for all schemes, was £84,000 (2010 £43,000)

## 25. Operating lease commitments

The following payments are due to be made on operating lease commitments which are all leases on office accommodation

|                   | 2011<br>£'000 | 2010<br>£'000 | 2009<br>£'000 |
|-------------------|---------------|---------------|---------------|
| Land & buildings  |               |               |               |
| Within one year   | 151           | 201           | 209           |
| Two to five years | 431           | 455           | 250           |
| Over five years   | -             | 513           | -             |
|                   | <u>582</u>    | <u>1,169</u>  | <u>459</u>    |

## NOTES TO THE FINANCIAL STATEMENTS

## 26 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (primarily foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Board and their policies are outlined below.

## a) Market risk

*Foreign exchange risk*

The Group is exposed to translation and transaction foreign exchange risk as it operates within the USA and other countries around the world and therefore transactions are denominated in Sterling, Euro, US Dollars and other currencies. The Group policy is to try and match the timing of the settlement of sales and purchase invoices so as to eliminate, as far as possible, currency exposure.

The Group does not hedge any transactions and foreign exchange differences on retranslation of foreign currency monetary assets and liabilities are taken to the income statement.

The carrying value of the Group's foreign currency denominated assets and liabilities are set out below:

|            | 2011            |                      | 2010            |                      | 2009            |                      |
|------------|-----------------|----------------------|-----------------|----------------------|-----------------|----------------------|
|            | Assets<br>£'000 | Liabilities<br>£'000 | Assets<br>£'000 | Liabilities<br>£'000 | Assets<br>£'000 | Liabilities<br>£'000 |
| US Dollars | 816             | 527                  | 604             | 299                  | 347             | 277                  |
| Euros      | 193             | 96                   | 97              | 56                   | 99              | 39                   |
| Yen        | 2               | 17                   | 2               | 15                   | 2               | 19                   |
|            | <b>1,011</b>    | <b>640</b>           | <b>703</b>      | <b>370</b>           | <b>448</b>      | <b>335</b>           |

The majority of the group's financial assets are held in Sterling but movements in the exchange rate of the US Dollar and the Euro against Sterling have an impact on both the result for the year and equity. The Group considers its most significant exposure is to movements in the US Dollar.

Sensitivity to reasonably possible movements in the US Dollar exchange rate can be measured on the basis that all other variables remain constant. The effect on profit and equity of strengthening or weakening of the US Dollar in relation to sterling by 10% would result in a movement of  $\pm£35,000$  (2010:  $\pm£26,000$ ).

*Interest rate risk*

As the Group carries no borrowings other than finance leases at fixed rates of interest the directors consider that there is no significant interest rate risk.

## b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to minimise this risk the Group endeavours only to deal with companies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored. The maximum exposure to credit risk is the value of the outstanding amount of  $£3,241,000$  (2010:  $£2,917,000$ ).

Provision of services by members of the Group results in trade receivables which the management consider to be of low risk, other receivables include subscription monies from shareholders and are likewise considered to be low risk. The management do not consider that there is any concentration of risk within either trade or other receivables. No trade or other receivables have been impaired.

Credit risk on cash and cash equivalents is considered to be small as the counterparties are all substantial banks with high credit ratings. The maximum exposure is the amount of the deposit.

Credit risk in relation to UK Government gilts is considered to be negligible.



## NOTES TO THE FINANCIAL STATEMENTS

**c) Liquidity risk**

The Group currently holds substantial cash balances in Sterling, US Dollars and Euros to provide funding for normal trading activity. The Group also has access to additional equity funding and, for short term flexibility, overdraft facilities would be arranged with the Group's bankers. Trade and other payables are monitored as part of normal management routine.

| 2011                     | Within 1<br>year<br>£'000 | One to two<br>years<br>£'000 | Two to five<br>years<br>£'000 | Over five<br>years<br>£'000 |
|--------------------------|---------------------------|------------------------------|-------------------------------|-----------------------------|
| Trade and other payables | 1,381                     | -                            | -                             | -                           |
| Accruals                 | 203                       | -                            | -                             | -                           |
| Finance lease creditors  | 5                         | 1                            | -                             | -                           |
|                          | <hr/>                     |                              |                               |                             |
| 2010                     | Within 1<br>year<br>£'000 | One to two<br>years<br>£'000 | Two to five<br>years<br>£'000 | Over five<br>years<br>£'000 |
| Trade and other payables | 1,088                     | -                            | -                             | -                           |
| Accruals                 | 229                       | -                            | -                             | -                           |
| Finance lease creditors  | 17                        | 8                            | -                             | -                           |
|                          | <hr/>                     |                              |                               |                             |
| 2009                     | Within 1<br>year<br>£'000 | One to two<br>years<br>£'000 | Two to five<br>years<br>£'000 | Over five<br>years<br>£'000 |
| Trade and other payables | 1,085                     | -                            | -                             | -                           |
| Accruals                 | 161                       | -                            | -                             | -                           |
| Finance lease creditors  | 35                        | 15                           | -                             | -                           |
|                          | <hr/>                     |                              |                               |                             |

**d) Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in a volatile and tight credit economy.

The Group will also seek to minimise the cost of capital and attempt to optimise the capital structure, which currently means maintaining equity funding and keeping debt levels to insignificant amounts of lease funding, currently £6,000 (see note 22) and which continues to reduce. Share capital and premium together amount to £14,190,000 (see note 23).

Whilst the group does not currently pay dividends it is part of the capital strategy to provide returns for shareholders and benefits for other members in the future. However, the Group is growing rapidly and it will be continue to be important to maintain the Groups credit rating and ability to borrow should acquisition targets become available.

Capital for further development of the Group's activities will, where possible, be achieved by share issues and not by carrying significant debt.

**27 Capital commitments**

At 30 June 2011 the Group had no capital commitments (2010 £nil)

**28. Related party transactions**

The Company paid management charges of £nil (2010 £41,000) to On-line plc during the year. On-line plc is related by virtue of having common directors, M J Hodges, C H Chambers and J B Mullins and as On-line holds approximately 18.32% of the shares in the company. In addition, advertising recharges were paid amounting to £160,000 (2010 £72,000).

During the year Edward Hunter Associates Limited, a company in which R A Emmet was a director, received fees of £nil (2010 £12,000) for recruiting staff for the company.

There were no other related party transactions.

**29. Events after the balance sheet date**

There were no significant events which took place after the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS

## 30. Prior year adjustment

During the year the Group upgraded its reporting systems for its subscription website which enabled it to generate more accurate information over the unexpired level of live subscriptions at any period end. The information generated by the new reports has enabled the Group to accurately quantify the level of deferred subscription levels at 30 June 2011 and prior year ends. In prior years the Group had calculated deferred revenue using the information available to it, together with certain estimation techniques.

The new reports have identified that the deferred income calculated and reflected in the financial statements for prior periods was materially misstated. In accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' the comparative financial statements have been restated. The effect of the prior year adjustment on each line item within the prior year financial statements is set out below.

## Consolidated income statement

|  | As originally<br>reported<br>12 months to<br>30 June 2010<br>£'000 | Prior year<br>adjustment<br>£'000 | As restated<br>12 months to<br>30 June 2010<br>£'000 |
|--|--|-----------------------------------|--|
| Revenue  | 8,475  | 116                               | 8,591  |
| Profit for the period attributable to shareholders of the parent | 30   | 116                               | 146  |
| <b>(Loss)/earnings per share – from continuing operations</b>    |  |                                   |  |
| Basic and diluted (pence per share)                              | -  | 0.02                              | 0.02   |

## Consolidated statement of comprehensive income

|   | As originally<br>reported<br>12 months to<br>30 June 2010<br>£'000 | Prior year<br>adjustment<br>£'000 | As restated<br>12 months to<br>30 June 2010<br>£'000<br>Restated |
|---|--|-----------------------------------|--|
| <b>Total comprehensive income for the year attributable to shareholders of the parent</b> | 22   | 116                               | 138  |

## NOTES TO THE FINANCIAL STATEMENTS

## Note 21 – Trade and other payables

|                                      | As originally<br>reported<br>12 months to<br>30 June 2009<br>£'000 | Prior year<br>adjustment<br>£'000 | As restated<br>12 months to<br>30 June 2009<br>£'000 |
|--------------------------------------|--|-----------------------------------|--|
| Trade payables                       | 1,085  | -                                 | 1,085  |
| Social security and other taxes      | 135  | -                                 | 135  |
| Other payables                       | 121  | -                                 | 121  |
| Accrued expenses and deferred income | 192  | 552                               | 744  |
|                                      | <u>1,533</u>   | <u>552</u>                        | <u>2,085</u>   |

|                                      | As originally<br>reported<br>12 months to<br>30 June 2010 | Prior year<br>adjustment | As restated<br>12 months to<br>30 June 2010 |
|--------------------------------------|---|--------------------------|---|
| Trade payables                       | 1,088   | -                        | 1,088                                       |
| Social security and other taxes      | 80  | -                        | 80  |
| Accrued expenses and deferred income | 448   | 436                      | 884   |
|                                      | <u>1,616</u>  | <u>436</u>               | <u>2,052</u>                                |

## Consolidated cash flow statement

|   | As originally<br>reported<br>12 months to<br>30 June 2010 | Prior year<br>adjustment | As restated<br>12 months to<br>30 June 2010 |
|---|---|--------------------------|---|
| Loss for the period before tax            | (301)   | 116                      | (185)                                       |
| Decrease in trade and other payables      | (26)  | (116)                    | (142)                                       |
| Other movements                           | 1,744   | -                        | 1,744                                       |
| <b>Net cash generated from operations</b> | <u>1,417</u>  | <u>-</u>                 | <u>1,417</u>                                |

## COMPANY FINANCIAL STATEMENTS

### DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' Report and the parent company 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 parent financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the directors must not approve the parent company financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the parent company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent 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 parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors is aware

- there is no relevant audit information of which the parent 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.

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

### **Independent auditor's report to the members of ADVFN PLC**

We have audited the parent company financial statements of ADVFN plc for the year ended 30 June 2011 which comprise the parent company balance sheet 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).

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 in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Directors' Responsibilities Statement set out on page 43, the directors are responsible for the preparation of the parent company 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 parent company 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 APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion the parent company financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2011,
- 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 parent company 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.

### **Other matter**

We have reported separately on the group financial statements of ADVFN plc for the year ended 30 June 2011.

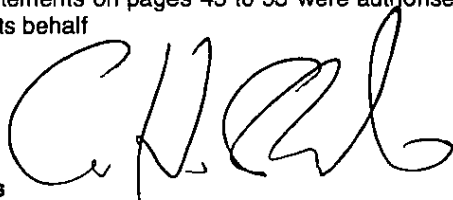
*Grant Thornton UK LLP*

**Christian Heeger**  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditors, Chartered Accountants  
Gatwick  
19 October 2011

COMPANY BALANCE SHEET

|  | Note | At 30 June<br>2011<br>£'000 | At 30 June<br>2010<br>£'000<br>Restated |
|--|------|-----------------------------|---|
| <b>Fixed assets</b>                                  |      |                             |   |
| Tangible assets                                      | 4    | 858                         | 987                                     |
| Investments  | 5    | 3,066                       | 3,066                                   |
|  |      | <u>3,924</u>                | <u>4,053</u>                            |
| <b>Current assets</b>                                |      |                             |   |
| Debtors  | 6    | 1,412                       | 1,509                                   |
| Investments  | 7    | 681                         | 701                                     |
| Cash at bank and in hand                             |      | <u>1,352</u>                | <u>1,383</u>                            |
|  |      | <u>3,445</u>                | <u>3,593</u>                            |
| <b>Creditors amounts falling due within one year</b> | 8    | <u>(2,215)</u>              | <u>(1,967)</u>                          |
| <b>Net current assets</b>                            |      | <u>1,230</u>                | <u>1,626</u>                            |
| <b>Total assets less current liabilities</b>         |      | <u>5,154</u>                | <u>5,679</u>                            |
| <b>Net assets</b>                                    |      | <u>5,154</u>                | <u>5,679</u>                            |
| <b>Capital and reserves</b>                          |      |                             |   |
| Called up share capital                              | 9    | 6,249                       | 6,238                                   |
| Share premium account                                | 10   | 7,941                       | 7,900                                   |
| Share based payment reserve                          | 10   | 528                         | 480                                     |
| Merger reserve                                       | 10   | 221                         | 221                                     |
| Profit and loss account                              | 10   | <u>(9,785)</u>              | <u>(9,160)</u>                          |
| <b>Shareholders' funds</b>                           | 11   | <u>5,154</u>                | <u>5,679</u>                            |

The financial statements on pages 45 to 53 were authorised for issue by the Board of Directors on 19 October 2011 and were signed on its behalf



**Clem Chambers**  
Managing Director

The accompanying accounting policies and notes form an integral part of these financial statements.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

## 1. ACCOUNTING POLICIES

**Accounting convention**

The parent company financial statements have been prepared under United Kingdom Generally Accepted Accounting Practice using the historical cost convention as modified by the revaluation of certain financial instruments and in accordance with the Companies Act 2006 and applicable accounting standards. The particular accounting policies adopted by the directors are described below and are considered suitable, have been consistently applied and are supported by reasonable and prudent judgements and estimates in accordance with FRS 18.

The company has taken advantage of the exemption under FRS 8 and has not disclosed transactions with its wholly owned subsidiaries.

**Prior year adjustment**

During the year the Company upgraded its reporting systems for its subscription website which enabled it to generate more accurate information over the unexpired level of live subscriptions at any period end. The information generated by the new reports has enabled the Company to accurately quantify the level of deferred subscription levels at 30 June 2011 and prior year ends. In prior years the Group had calculated deferred revenue using the information available to it, together with certain estimation techniques.

The new reports have identified that the deferred income calculated and reflected in the financial statements for prior periods was materially incorrect. Accordingly the comparative financial statements have been restated.

The effect of the prior year adjustment on retained profits at 1 July 2009 and 1 July 2010 was to reduce reserves by £552,000 and £436,000 respectively. Revenues for the year ended 30 June 2010 increased by £116,000 and the retained loss reduced by an equal amount.

**Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. No depreciation is charged during the period of construction. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful economic lives. The rates generally applicable are:

|                           |                              |
|---------------------------|------------------------------|
| Leasehold improvements    | over the period of the lease |
| Computer equipment        | 33%                          |
| Office equipment          | 20%                          |
| Website development costs | see below                    |

**Website development costs**

Website development costs represent the design and content cost associated with the development of financial software. They are capitalised only to the extent that they lead to the creation of an enduring asset delivering benefits at least equal to the amount capitalised. They are recorded in the balance sheet in the year in which they are incurred, in accordance with FRS 15 'Tangible fixed assets' and UITF 29 'Website development costs'. Such costs are amortised over their useful economic life of two, three or five years as appropriate.

**Deferred taxation**

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date. Deferred tax balances are not discounted.

**Investments**

Fixed asset investments are included at cost less amounts written off. Current asset investments are included at market value where they are traded on an active market. Unrealised gains and losses on current asset investments are recognised in the statement of total recognised gains and losses. Profit or loss on disposal of current asset investments is the difference between sale proceeds and carrying value.

**Leased assets**

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful economic lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

**Defined contribution pension costs**

Pension costs are charged in the year in which they are incurred.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES (continued)

#### *Foreign currencies*

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All other exchange differences are dealt with through the profit and loss account.

#### *Financial instruments*

Classification as equity or financial liability

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities. Shares containing such obligations are classified as financial liabilities.

Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

An equity instrument is any contract that evidences a residual interest in the assets of the group/company after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to reserves.

#### *Share based payments*

The Company recognises a charge to the profit and loss account for all applicable share based payments, including share options. The Company has equity-settled share based payments but no cash-settled share based payments. All share based payments awards granted after 7 November 2002 which had not vested prior to 1 July 2006 are recognised in the financial statements at their fair value at the date of grant.

As vesting periods and non-market based vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. All equity-settled share based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to the option valuation reserve.

Where modifications are made to the vesting or lapse dates of options any additional fair value created by the modification is expensed over the remaining vesting period.



## NOTES TO THE COMPANY FINANCIAL STATEMENTS

### 2 COMPANY PROFIT AND LOSS ACCOUNT

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's result after taxation for the financial year was a loss of £661,000 (2010 restated profit of £84,000). The auditor's remuneration for the statutory audit was £22,000 (2010 £22,000).

### 3 STAFF COSTS

Employee costs including directors

|                       | Year to 30<br>June<br>2011<br>£'000 | Year to 30<br>June<br>2010<br>£'000 |
|-----------------------|-------------------------------------|-------------------------------------|
| Wages and salaries    | 2,287                               | 1,915                               |
| Social security costs | 240                                 | 196                                 |
| Pension               | 27                                  | 24                                  |
| Share based payments  | 84                                  | 27                                  |
|                       | <u>2,638</u>                        | <u>2,162</u>                        |

For details of directors' remuneration, see the Remuneration Report on page 9

The average monthly number of employees during the year was as follows

|                          | Year to 30<br>June<br>2011 | Year to 30<br>June<br>2010 |
|--------------------------|----------------------------|----------------------------|
| Development              | 9                          | 11                         |
| Sales and Administration | 25                         | 21                         |
|                          | <u>34</u>                  | <u>32</u>                  |

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

## 4. TANGIBLE FIXED ASSETS

|                       | Leasehold<br>property<br>improvements<br>£'000 | Computer<br>equipment<br>£'000 | Office<br>equipment<br>£'000 | Website<br>development<br>costs<br>£'000 | Total<br>£'000 |
|-----------------------|--|--------------------------------|------------------------------|--|----------------|
| <b>Cost</b>           |  |                                |                              |  |                |
| At 1 July 2009        | 48   | 939                            | 106                          | 4,159                                    | 5,252          |
| Additions             | -  | 35                             | -                            | 511                                      | 546            |
| At 30 June 2010       | 48   | 974                            | 106                          | 4,670                                    | 5,798          |
| Additions             | -  | 81                             | -                            | 499                                      | 580            |
| At 30 June 2011       | 48   | 1,055                          | 106                          | 5,169                                    | 6,378          |
| <b>Depreciation</b>   |  |                                |                              |  |                |
| At 1 July 2009        | 42   | 886                            | 106                          | 2,964                                    | 3,998          |
| Charge for the year   | 5  | 47                             | -                            | 761                                      | 813            |
| At 30 June 2010       | 47   | 933                            | 106                          | 3,725                                    | 4,811          |
| Charge for the year   | 1  | 42                             | -                            | 666                                      | 709            |
| At 30 June 2011       | 48   | 975                            | 106                          | 4,391                                    | 5,520          |
| <b>Net book value</b> |  |                                |                              |  |                |
| At 30 June 2011       | -  | 80                             | -                            | 778                                      | 858            |
| At 30 June 2010       | 1  | 41                             | -                            | 945                                      | 987            |

The cost of property, plant and equipment held under finance leases is £125,000 (2010 £125,000), accumulated depreciation is £125,000 (2010 £125,000) giving a net book value of £Nil (2010 £ Nil) Finance charges included in lease payments made during the year amounted to £3,000 (2010 £8,000)

NOTES TO THE COMPANY FINANCIAL STATEMENTS

5. INVESTMENT IN SUBSIDIARIES

Subsidiaries  
£'000

At 30 June 2011 and 30 June 2010

3,066

Included within investment in subsidiaries at the balance sheet date are the following companies

|                                    | Country of<br>incorporation | % interest in<br>ordinary shares<br>at 30 June 2010 | Activity                      |
|------------------------------------|-----------------------------|---|-------------------------------|
| Equity Holdings limited            | England & Wales             | 100 00%   | Holding company               |
| Equity Development Limited         | England & Wales             | 100 00%   | Research services             |
| Cupid Bay Limited                  | England & Wales             | 100 00%   | Internet dating website       |
| Fotothing limited                  | England & Wales             | 100 00%   | Dormant                       |
| InvestorsHub com Limited           | USA                         | 100 00%   | Financial information website |
| ADVFN Brazil Limited               | England & Wales             | 100 00%   | Dormant                       |
| E O Management Limited             | England & Wales             | 100 00%   | Dormant                       |
| Throgmorton Street Capital Limited | England & Wales             | 100 00%   | Dormant                       |
| ALL IPO Plc                        | England & Wales             | 100 00%   | IPO information web site      |

6 DEBTORS

|                                 | 2011<br>£'000 | 2010<br>£'000 |
|---------------------------------|---------------|---------------|
| <b>Over one year</b>            |               |               |
| Other debtors                   | 98            | 92            |
| Amounts owed by Group companies | 463           | 459           |
|                                 | 561           | 551           |
| <b>Within one year</b>          |               |               |
| Trade debtors                   | 534           | 417           |
| Recoverable corporation tax     | 57            | 48            |
| Deferred tax                    | -             | 250           |
| Prepayments and accrued income  | 260           | 243           |
|                                 | 1,412         | 1,509         |

NOTES TO THE COMPANY FINANCIAL STATEMENTS

7. CURRENT ASSET INVESTMENTS

|                     | At 30 June<br>2011<br>£'000 | At 30 June<br>2010<br>£'000 |
|---------------------|-----------------------------|-----------------------------|
| UK Government gilts | 681                         | 701                         |

8 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

|                                    | At 30 June<br>2011<br>£'000 | At 30 June<br>2010<br>£'000<br>Restated |
|------------------------------------|-----------------------------|---|
| Trade creditors                    | 1,251                       | 994                                     |
| Other tax and social security      | 78                          | 163                                     |
| Accruals and deferred income       | 885                         | 800                                     |
| Hire purchase and finance leases   | -                           | 9                                       |
| Amounts owed to Group undertakings | 1                           | 1                                       |
|                                    | 2,215                       | 1,967                                   |

9. SHARE CAPITAL

|  | Shares        | £'000  |
|--|---------------|--------|
| Authorised share capital                                       |               |        |
| Ordinary shares of £0.01 each                                  |               |        |
| 1 July 2008, 30 June 2009 and 30 June 2010                     | 1,000,000,000 | 10,000 |
| Issued, called up and fully paid Ordinary shares of £0.01 each |               |        |
| At 30 June 2010  | 623,764,505   | 6,238  |
| 14 Oct 2010 Option exercise                                    | 50,000        | -      |
| 18 Jan 2011 Option exercise                                    | 800,000       | 8      |
| 7 April 2011 Option exercise                                   | 100,000       | 1      |
| 11 May 2011 Option exercise                                    | 199,999       | 2      |
| At 30 June 2011  | 624,914,504   | 6,249  |

**Share price**

The market value of the shares at 30 June 2011 was 5.28p (2010, 4.67p/2009 2.85p) and the range during the year was 4.35p to 6.40p (2010 2.62p to 5.67p/2009 0.80p to 2.95p)

NOTES TO THE COMPANY FINANCIAL STATEMENTS

10. RESERVES

|  | Share<br>premium<br>account<br>£'000 | Merger<br>reserve<br>£'000 | Option<br>reserve<br>£'000 | Profit<br>and loss<br>account<br>£'000 |
|--|--------------------------------------|----------------------------|----------------------------|--|
| <b>At 1 July 2009 as previously stated</b> | 7,758                                | 221                        | 452                        | (8,692)                                |
| Prior year adjustment (note 1)             | -                                    | -                          | -                          | (552)                                  |
| <b>At 1 July 2009 as restated</b>          | 7,758                                | 221                        | 452                        | (9,244)                                |
| Share option charge                        | -                                    | -                          | 28                         | -                                      |
| Profit for the year                        | -                                    | -                          | -                          | 84                                     |
| Share issues                               | 142                                  | -                          | -                          | -                                      |
| <b>At 30 June 2010</b>                     | 7,900                                | 221                        | 480                        | (9,160)                                |
| Share option charge                        | -                                    | -                          | 84                         | -                                      |
| Option exercises                           | -                                    | -                          | (36)                       | 36                                     |
| Loss for the year                          | -                                    | -                          | -                          | (661)                                  |
| Share issues                               | 41                                   | -                          | -                          | -                                      |
| <b>At 30 June 2011</b>                     | 7,941                                | 221                        | 528                        | (9,785)                                |

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

|   | 2011<br>£'000 | 2010<br>£'000<br>Restated |
|---|---------------|---------------------------|
| Loss for the financial year as previously stated        | (661)         | (32)                      |
| Prior year adjustment (note 1)                          | -             | 116                       |
| (Loss) / profit for the year as restated                | (661)         | 84                        |
| Issue of shares   | 52            | 224                       |
| Share option charge                                     | 84            | 28                        |
| <b>Net (decrease) / increase in shareholders' funds</b> | (525)         | 336                       |
| <b>Shareholders' funds at 1 July brought forward</b>    | 5,679         | 5,343                     |
| <b>Shareholders' funds at 30 June</b>                   | 5,154         | 5,679                     |

**NOTES TO THE COMPANY FINANCIAL STATEMENTS****12. RELATED PARTY TRANSACTIONS**

The Company paid management charges of £nil (2010 £41,000) to On-line plc during the year. On-line plc is related by virtue of having common directors, M J Hodges, C H Chambers and J B Mullins and as On-line holds approximately 18.32% of the shares in the company. In addition, advertising recharges were paid amounting to £160,000 (2010 £72,000).

During the year Edward Hunter Associates Limited, a company in which R A Emmet was a director, received fees of £nil (2010 £12,000) for recruiting staff for the company.

There were no other related party transactions.

**13. CAPITAL COMMITMENTS**

The company had no capital commitments at 30 June 2011 or 30 June 2010.

**14. SHARE BASED PAYMENTS**

The ADVFN Plc equity settled share based payment scheme is fully disclosed in note 24 to the Group consolidated accounts above.

**15. OPERATING LEASE COMMITMENTS**

At 30 June 2011 the Company had annual commitments under non-cancellable operating leases expiring as follows:

| <b>Land &amp; buildings</b> | <b>2011<br/>£'000</b> | <b>2010<br/>£'000</b> |
|-----------------------------|-----------------------|-----------------------|
| Within one year             | 11                    | -                     |
| Two to five years           | 141                   | 201                   |
| Over five years             | -                     | -                     |
|                             | <b>152</b>            | <b>201</b>            |

**16. ACCOUNTS**

Copies of these accounts are available from the Company's registered office at Suite 27, Essex Technology Centre, The Gables, Fyfield Road, Ongar, Essex, CM5 0GA or from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

[www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)

and from the ADVFN plc website

[www.ADVFN.com](http://www.ADVFN.com)