

Registered No. 4369607

TRACE2 LIMITED

Annual report

for the year ended 30 April 2005



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TRACE2 LIMITED

Annual report for the year ended 30 April 2005

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Directors and advisers

Directors

T P Curran
C Miller

Secretary and registered office

JH Denning
24 Britton Street
London EC1M 5UA

Registered auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Bankers

HSBC Bank plc
9 Wellesley Road
Croydon
Surrey CR9 2AA

Directors' report for the year ended 30 April 2005

The directors present their report and the audited financial statements of the company for the year ended 30 April 2005.

Principal activity

The principal activity of the company in the year under review was provision of internet based genealogical research.

Review of business

The results for the year are set out in the profit and loss account on page 5. During the course of the year, 1837online launched two new historical datasets: Overseas Births, Marriages and Deaths and the 1861 census. The customer response to this increased offering has been very positive, and sales are up by over 70%.

We committed significant resources to delivering this new content to the web, and this is reflected in the loss for the year. This commitment will continue as we work towards our aim of becoming the most useful internet site for UK family history research

Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

Directors and their interests

The directors of the company during the year were as follows:

TP Curran
C Miller (appointed on 1 October 2004)

The company is a wholly owned subsidiary and the interests of the directors in the shares of the parent company are disclosed in the financial statements of the parent company.

Donations

During the year the company made the following contributions:

	2005	2004
	£	£
Charitable	<u>1,250</u>	<u>-</u>

Directors' responsibilities statement

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are also responsible for preparing financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 April 2005 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

During the year Windsor Stebbing Marsh resigned as auditors and PricewaterhouseCoopers LLP was appointed to fill a casual vacancy.

By order of the board
Company secretary

31 August 2005.

Independent auditors' report to the members of TRACE2 LIMITED

We have audited the financial statements, which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 April 2005 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

31st August 2005

Profit and loss account for the year ended 30 April 2005

	Notes	2005 £	2004 £
Turnover	2	3,017,045	1,763,035
Cost of sales		(184,508)	(80,698)
Gross profit		2,832,537	1,682,337
Administrative expenses		(3,328,668)	(889,129)
Operating (loss)/ profit	3	(496,131)	793,208
Interest receivable		20,694	7,429
Interest payable and similar charges	6	(6,561)	(14,907)
(Loss)/ profit on ordinary activities before taxation		(481,998)	785,730
Tax on (loss)/profit on ordinary activities	7	4,272	(215,060)
(Loss)/profit retained for the year		(477,726)	570,670

The above results relate to the continuing operations of the company.

The company had no gains or losses than those included in the losses above. Therefore no separate statement of total recognised gains and loss has been presented.

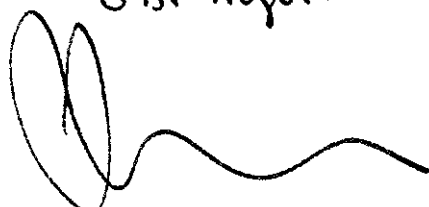
There is no difference between the loss on ordinary activities before taxation and loss for the year stated above and their historical cost equivalents.

Balance sheet

At 30 April 2005

	Notes	2005 £	2004 £
Fixed assets			
Intangible asset	8	254,754	-
Tangible assets	9	180,774	148,281
		<u>435,528</u>	<u>148,281</u>
Current assets			
Debtors	10	1,255,986	19,520
Cash at bank and in hand		246,216	1,122,241
		<u>1,502,202</u>	<u>1,141,761</u>
Creditors: amounts falling due within one year	11	<u>(1,860,746)</u>	<u>(694,489)</u>
Net current (liabilities)/assets		<u>(358,544)</u>	<u>447,272</u>
Total assets less current liabilities		<u>76,984</u>	<u>595,553</u>
Creditors: amounts falling due after more than one year	12	(25,727)	(62,298)
Provisions for liabilities and charges	14	<u>(38,549)</u>	<u>(42,821)</u>
Net assets		<u>12,708</u>	<u>490,434</u>
Capital and reserves			
Called up share capital	15	10,000	10,000
Profit and loss account	16	2,708	480,434
Shareholder's funds – equity interests	17	<u>12,708</u>	<u>490,434</u>

The financial statements on pages 5 to 16 were approved by the board of directors on 31st August 2005 and were signed on its behalf by:



Director

Cash flow statement for the year ended 30 April 2005

	Notes	2005 £	2004 £
Net cash (outflow)/ inflow from operating activities	18	(598,043)	1,256,382
Returns on investments and servicing of finance	19	14,135	(7,478)
Taxation	19	(149,756)	-
Capital expenditure	19	(97,136)	(95,963)
Net cash (outflow)/inflow before financing		(830,800)	1,152,941
Financing	19	(33,577)	(151,827)
(Decrease)/increase in cash	20	(864,377)	1,001,114

Reconciliation of net funds for the year ended 30 April 2005

	Notes	2005	2004
(Decrease)/increase in cash in the year		(864,377)	1,001,114
Repayment of principal on Hire purchase agreements		33,577	151,827
Movements in net funds in the year		(830,800)	1,152,941
Net funds/(debt) at the start of the year		1,014,717	(138,224)
Net funds at the end of the year	20	183,917	1,014,717

Notes to the financial statements for the year ended 30 April 2005

1. Principal accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable Accounting Standards. The principal accounting policies are set out below.

Turnover

Turnover represents fees charged to customers for viewing genealogical data on the 1837online.com website. Revenue is recognised when a customer obtains a view of the requested data.

Data set costs

Data set development and transcription costs are written off in the year in which they are incurred. Where the company acquires a complete data set the costs are capitalised as an intangible asset and are written off over the estimated useful economic life of that data set.

Fixed assets

Fixed assets are recorded at cost less any impairment.

Depreciation and amortisation

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

Computer equipment	4 years
Intangible assets	3 years

Hire purchase agreements

Hire purchase agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the hire purchase commitments is shown as obligations under hire purchase agreements. The hire purchase rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under hire purchase agreements are depreciated over their useful economic lives.

Taxation

The charge for taxation is based on the profit for the period as adjusted for disallowable items and timing differences.

All deferred tax liabilities are provided for in line with FRS 19 at the average rate expected to apply in the foreseeable future. Deferred tax assets are only provided for to the extent that they are regarded as recoverable. Deferred tax balances are not discounted.

2. Turnover

The turnover and operating profit for the year were derived from the company's principal activity.

The geographic split of turnover by destination is as follows:

	2005	2004
	£	£
United Kingdom	2,775,683	1,621,992
Europe	120,680	70,521
Rest of the World	120,682	70,522
	<u>3,017,045</u>	<u>1,763,035</u>

3 Operating loss/profit

Operating (loss)/profit is stated after charging:

	2005	2004
	£	£
Data set development costs	1,556,103	37,766
Depreciation of owned fixed assets	36,526	20,981
Depreciation of assets held under hire purchase agreements	28,117	13,657
Auditors' remuneration – audit services	<u>6,500</u>	<u>2,500</u>

4. Directors' emoluments

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

	2005	2004
	£	£
Aggregate emoluments	41,599	-
Pension contributions	4,083	-
	<u>45,682</u>	<u>-</u>

5. Employees

The average monthly number of persons (including executive directors) employed by, or working for, the company during the period was as follows:

	2005 Number	2004 Number (see below)
Finance and administration	1	1
Sales and marketing	2	-
Production	5	3
	<u>8</u>	<u>4</u>

During 2004, all staff were employed and paid by Title Research (Administration) Limited, a group company. Trace2 Limited bore a management charge in 2004 levied by Title Research (Administration) Limited, and the amount of the management charge relating to staff costs is shown below. During 2005, all staff working for Trace2 Limited were employed directly by the company.

	2005 £	2004 £
Wages and salaries	266,072	139,027
Social security costs	29,156	15,870
Other pension costs (note 21)	7,509	4,443
Total staff costs	<u>302,737</u>	<u>159,340</u>

6. Interest payable and similar charges

	2005 £	2004 £
Hire purchase interest	6,561	5,536
Bank interest	-	9,371
	<u>6,561</u>	<u>14,907</u>

7. Taxation

(a) Analysis of charge in the year

	2005	2004
	£	£
Current tax:		
In respect of the year:		
UK corporation tax based on the results for the year at 30% (2004: 30%)	-	149,756
Total current tax	-	149,756
Deferred tax:		
(Decrease)/increase in deferred tax provision (note 14)	(4,272)	65,304
Tax on loss/profit on ordinary activities	(4,272)	215,060

(b) Factors affecting tax charge for the year

The tax charge for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005	2004
	£	£
(Loss)/profit on ordinary activities before tax	(481,996)	785,730
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax	(144,599)	235,719
Difference between depreciation and capital allowance	4,272	(17,868)
Expenses not deductible for tax purposes	3,161	2,914
Losses brought forward	-	(70,988)
Taxation effect of group relief	137,166	-
Marginal relief	-	(21)
Total current tax (Note 7a)	-	149,756

8. Intangible fixed assets

	£
Cost	
At 1 May 2004	-
Additions	254,754
At 30 April 2005	254,754
Depreciation	
At 1 May 2004	-
Charge	-
At 30 April 2005	-
Net book value	
At 30 April 2005	254,754
At 30 April 2004	-

9. Tangible fixed assets

	Computer equipment £
Cost	
At 1 May 2004	211,905
Additions	97,136
At 30 April 2005	309,041
Depreciation	
At 1 May 2004	63,624
Charge	64,643
At 30 April 2005	128,267
Net book value	
At 30 April 2005	180,774
At 30 April 2004	148,281

Hire purchase agreements

Included within the new book value of £180,774 is £64,267 (2004: £92,384) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £28,117 (2004: £13,657).

10. Debtors

	2005 £	2004 £
Amounts owed by group undertakings	1,125,520	19,520
Prepayments	36,348	-
Other debtors	94,118	-
	<u>1,255,986</u>	<u>19,520</u>

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

11. Creditors: amounts due within one year

	2005 £	2004 £
Bank loans and overdrafts	-	11,648
Trade creditors	1,025,570	52,447
Amounts owed to group undertakings	198,231	28,652
Corporation tax	-	149,756
Other taxation	10,943	78,005
Hire purchase agreements	36,572	33,578
Other creditors	589,430	340,403
	<u>1,860,746</u>	<u>694,489</u>

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

	2005 £	2004 £
Hire purchase agreements	25,727	62,298
	<u>25,727</u>	<u>62,298</u>

13. Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows:

	2005 £	2004 £
Amounts payable within 1 year	36,572	33,578
Amounts payable between 2 to 5 years	25,727	62,298
	<u>62,299</u>	<u>95,876</u>

14. Provision for liabilities and charges

The movement in the deferred taxation provision during the year was:

	2005 £	2004 £
Provision brought forward	42,821	(22,483)
Profit and loss account movement arising during the year	(4,272)	65,304
Balance carried forward	<u>38,549</u>	<u>42,821</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2005 £	2004 £
Excess of capital allowances over depreciation on fixed assets	38,549	42,821
	<u>38,549</u>	<u>42,821</u>

15. Called up share capital

	2005 £	2004 £
Authorised		
1,000,000 ordinary shares of £0.10 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
100,000 ordinary shares of £0.10 each	<u>10,000</u>	<u>10,000</u>

16. Profit and loss account

	£
At 1 May 2004	480,434
Loss for the year	(477,726)
At 30 April 2005	<u>2,708</u>

17. Reconciliation of movements in shareholders' funds

	2005	2004
	£	£
(Loss)/profit for the financial year	(477,726)	570,670
Opening equity shareholder's funds	490,434	(80,236)
Closing equity shareholder's funds	12,708	490,434

18. Reconciliation of operating loss/profit to net cash flow from operating activities

	2005	2004
	£	£
Operating (loss)/profit	(496,131)	793,208
Depreciation of tangible fixed assets	64,643	34,638
(Increase) in debtors	(1,236,466)	(9,520)
Increase in creditors	1,069,911	438,056
Net cash flow from operating activities	(598,043)	1,256,382

19. Analysis of cash flows

	2005	2004
	£	£
Return on Investment and servicing of finance		
Interest receivable	20,696	7,429
Hire purchase interest	(6,561)	(5,536)
Bank interest	-	(9,371)
	14,135	(7,478)
Taxation		
Corporation tax	(149,756)	-
Capital expenditure		
Purchase of tangible fixed assets	(97,136)	(95,963)
Financing		
Repayment of hire purchase agreements	(33,577)	(151,827)

20. Analysis of changes in net funds

	At 1 May 2004 £000	Cash flows £000	At 30 April 2005 £000
Cash at bank and in hand	1,122,241	(876,025)	246,216
Overdraft	(11,648)	11,648	-
		864,377	
Hire purchase agreements	(95,876)	33,577	(62,299)
Net funds	1,014,717	(830,800)	183,917

21. Pensions

The company operates a defined contribution pension scheme as well as an executive pension scheme. The total contributions paid during the year were £7,509 (2004: £4,443).

22. Related party transactions

The company was under the control of Mr T P Curran throughout the current year. Mr T P Curran is Chief Executive of the Title Research Group Limited.

23. Post balance sheet events

Post year end the company secured a loan facility of £400,000 and an overdraft facility of £200,000.

24. Ultimate controlling party

The ultimate parent company is Title Research Group Limited, a company incorporated in England, which owns 100% of the issued share capital.

Title Research Group Limited is owned by Mr T P Curran, who owns holds 88.45% (2004: 65.01%) of the issued share capital and is also a director of that company.