

**Company Registration No. 2956243**

**Finsbury Limited**

**Report and Financial Statements**

**31 December 2005**



# **Finsbury Limited**

## **Report and financial statements 2005**

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# **Finsbury Limited**

## **Report and financial statements 2005**

### **Officers and professional advisers**

#### **Directors**

R Rudd  
R Younger  
J Murgatroyd  
E Orlebar  
R Chisholm  
R Head  
M Bone  
F Birch  
J Leviton  
M Harris  
P Cox  
W Tanner

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#### **Secretary**

P Cox

#### **Registered Office**

Tenter House  
45 Moorfields  
London EC2Y 9AE

#### **Bankers**

HSBC Bank plc  
The Helicon  
2 South Place  
London EC2M 2UP

#### **Solicitors**

Hammonds  
7 Devonshire Place  
Cutlers Gardens  
London  
EC2M 4YH

#### **Auditors**

Deloitte & Touche LLP  
Chartered Accountants  
London

# Finsbury Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

### Principal activities

The company is a financial communications firm with three principle areas of operation – financial public relations, investor relations and regulatory affairs.

### Business review

The directors consider the results reflect an excellent year and expect the company to continue to grow strongly in the future. The profit on ordinary activities after taxation for the year is £6,328,785 (2004: £7,781,252).

### Financial risk management

The company does not use derivatives to manage its financial risks. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the nature of the company's business and the assets and liabilities contained within the company's balance sheet the only financial risk the directors consider relevant to this company is credit risk. This risk are mitigated by the company's credit controls policies.

### Dividends

The directors recommend a dividend of 1.8p per share (£19,000,000) which has been declared and paid in the year (2004: £nil).

### Directors and their interests

The directors who served during the year and appointed since the year end were as follows:

R Rudd	M Bone	
R Younger	F Birch	
J Murgatroyd	J Leviton	(appointed 1 January 2005)
E Orlebar	M Harris	(appointed 1 October 2005)
R Chisholm	P Cox	(appointed 1 October 2005)
R Head	W Tanner	(appointed 1 January 2006)

The following director, who held office at the year end, has shares in the ultimate parent company, WPP Group plc. No other director has any interests in the shares of the company or any other group company requiring disclosure under the Companies Act 1985.

### A Ordinary shares of £1 each

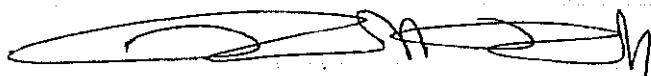
	31 December 2005	31 December 2004
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R Rudd	-	55,742
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### Auditors

A resolution to re-appoint Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board



R Rudd  
Director  
5 September 2006

# **Finsbury Limited**

## **Statement of directors' responsibilities**

The directors are responsible for preparing the financial statements. Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which 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.

## **Independent auditors' report to the members of Finsbury Limited**

We have audited the financial statements of Finsbury Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, 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 other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

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

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

## **Independent auditors' report to the members of Finsbury Limited (continued)**

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors  
London

6 September 2006

# Finsbury Limited

## Profit and loss account Year ended 31 December 2005

	Note	2005 £	2004 £
<b>Turnover</b>	1	17,676,517	15,017,697
<b>Cost of sales</b>		(1,414,799)	(933,183)
<b>Gross profit</b>		16,261,728	14,084,514
Administrative expenses		(10,469,034)	(6,809,556)
<b>Operating profit</b>	2	5,792,684	7,274,958
Interest receivable and similar income	5	590,218	485,037
<b>Profit on ordinary activities before taxation</b>		6,382,902	7,759,995
Tax credit on profit on ordinary activities	6	(54,117)	21,257
<b>Profit on ordinary activities after taxation</b>		6,328,785	7,781,252
Dividends	7	(19,000,000)	-
<b>Amount transferred (from)/to reserves</b>		(12,671,215)	7,781,252

All operations relate to continuing operations.

There are no other recognised gains and losses for the current and prior years other than those presented above. Accordingly no separate statement of total recognised gains and losses is presented.



# Finsbury Limited

## Balance sheet 31 December 2005

	Note	2005 £	2004 £
<b>Fixed assets</b>			
Tangible assets	8	516,029	89,090
Investments	9	100	151
		516,129	89,241
<b>Current assets</b>			
Work in progress		138,543	234,830
Debtors	10	5,795,915	3,870,156
Cash at bank and in hand		8,330,675	18,495,652
		14,267,133	22,600,638
<b>Creditors: amounts falling due within one year</b>	12	(7,636,618)	(2,874,020)
<b>Net current assets</b>		6,630,515	19,726,618
<b>Net assets</b>		7,146,644	19,815,859
Called up share capital	13	36,603	36,603
Profit and loss account	14	7,108,041	19,779,256
<b>Equity shareholders' funds</b>	15	7,146,644	19,815,859

These financial statements were approved by the Board of Directors on 5 September 2006.

Signed on behalf of the Board of Directors



R. Rudd  
Director

# Finsbury Limited

## Notes to the accounts Year ended 31 December 2005

### 1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted have been applied consistently throughout the current and preceding year, and are described below.

#### Basis of accounting

The financial statements are prepared under the historical cost convention.

The company has taken advantage of the exemption afforded by s228 of the Companies Act 1985, not to consolidate its subsidiary as it is a wholly owned subsidiary of WPP Group plc, which prepares consolidated accounts which are publicly available.

The company has taken advantage of the exemption under Financial Reporting Standard 1 (revised) not to prepare a cash flow statement as it is a wholly owned subsidiary of WPP Group Plc, which prepares consolidated accounts, including a cash flow statement, which are publicly available.

#### Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected useful life as follows:

Computers	-	33% per annum
Motor vehicles	-	20% per annum
Short-term leasehold improvements	-	over the term of the lease
Fixtures and fittings	-	20% per annum

#### Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

#### Work in progress

Work in progress represents third party costs billable to clients and is stated at the lower of cost and net realisable value.

#### Debtors

Debtors are stated net of provisions for bad and doubtful debts.

#### Taxation

Corporation tax is provided on taxable profits at the current rate except to the extent that the losses are transferred from another group company under group relief provisions, without corresponding payment by the claimant company.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets and liabilities are not discounted.

#### Pensions costs

The company operates a defined contribution scheme. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and actually paid are shown either as accruals or prepayments in the balance sheet.

# Finsbury Limited

## Notes to the accounts Year ended 31 December 2005

### 1. Accounting policies (continued)

#### Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transactions, or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Differences arising from movements in rates of exchange are dealt with in the profit and loss account.

#### Turnover and revenue recognition

Turnover represents amounts receivable for services provided in the normal course of business, excluding value added tax. Revenue is typically derived from retainer fees and services to be performed subject to specific agreement. Revenue is recognised when the service is performed, in accordance with the terms of the contractual agreement. Revenue is recognised on project-based work, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account revenue and related costs as contract activity progresses. The turnover and pre-tax profit, all of which arises in the United Kingdom, are attributable to one activity, the provision of communications advice.

#### Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

### 2. Operating profit

	2005 £	2004 £
Operating profit is after charging:		
Depreciation		
- owned assets	96,558	81,121
Operating lease rentals		
- plant and machinery	109,668	1,115
- other	183,019	149,884
Auditors' remuneration		
- audit	52,900	42,200

### 3. Directors' remuneration

The remuneration of the directors was as follows:

	2005 £	2004 £
Emoluments	5,351,984	2,324,250
Company contributions to money purchase pension schemes	108,151	84,396
	<u>5,460,135</u>	<u>2,408,646</u>

# Finsbury Limited

## Notes to the accounts Year ended 31 December 2005

### 3. Directors' remuneration (continued)

#### Pensions

The number of directors who were members of pension schemes was as follows:

	2005 No.	2004 No.
Money purchase schemes	11	8

#### Highest-paid director

The above amounts of remuneration include the following in respect of the highest paid director:

	2005 £	2004 £
Emoluments and long-term incentive schemes	1,805,000	411,000
Company contributions to money purchase schemes	14,000	11,911
	<u>1,819,000</u>	<u>422,911</u>

### 4. Staff costs

#### Particulars of employees (including executive directors) are shown below:

Employee costs during the year amounted to:

	2005 £	2004 £
Wages and salaries	7,707,158	4,679,942
Social security costs	1,066,388	619,120
Other pension costs (see note 17)	218,027	203,453
	<u>8,991,573</u>	<u>5,502,515</u>

#### Average monthly number of persons employed by the company during the year including executive directors:

	No.	No.
Operations	45	42
Administration	8	8
	<u>53</u>	<u>50</u>

### 5. Interest receivable and similar charges

	2005 £	2004 £
Bank interest	<u>590,218</u>	<u>485,037</u>

# Finsbury Limited

## Notes to the accounts Year ended 31 December 2005

### 6. Tax credit on profit on ordinary activities

#### (i) Analysis of tax credit on profit on ordinary activities

	2005 £	2004 £
United Kingdom corporation tax at 30% (2004: 30%) based on profit for the year	-	22,810
Double taxation relief	-	(22,810)
Foreign tax for the current period	-	22,810
	-	22,810
<i>Current corporation tax credit</i>		
<i>Deferred tax</i>		
Timing differences, origination and reversal	-	(417)
Adjustment to the estimated recoverable amounts of deferred tax assets arising in previous periods	(83,921)	-
Adjustment in respect of prior years	29,804	(1,136)
	(54,117)	21,257

#### (ii) Factors affecting the charge for the current period

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained below:

	2005 £	2004 £
Profit on ordinary activities before tax	6,382,902	7,759,995
Tax at 30%	(1,914,871)	(2,327,999)
Effects of		
Expenses not deductible for tax purposes	(49,898)	(9,040)
Depreciation in excess of capital allowances	(28,967)	417
Group relief	1,993,736	2,359,434
Current tax credit for the year	-	22,810

Corporation tax payable is provided on taxable profits at the current rate, except to the extent that the losses are transferred from another group company under the group relief provisions without corresponding payment by the claimant company.

# Finsbury Limited

## Notes to the accounts Year ended 31 December 2005

### 7. Dividends

	2005	2004
	£	£
Dividend paid	19,000,000	-

### 8. Tangible fixed assets

	Computers £	Motor vehicles £	Short-term leasehold improvements £	Fixtures and fittings £	Total £
<b>Cost</b>					
At 1 January 2005	215,914	21,874	347,033	372,485	957,306
Additions	28,742	-	326,215	168,540	523,497
Disposals	-	-	-	-	-
At 31 December 2005	244,656	21,874	673,248	541,025	1,480,803
<b>Depreciation</b>					
At 1 January 2005	175,219	17,116	324,744	351,137	868,216
Charge for the year	23,319	4,375	43,366	25,498	96,558
Disposals	-	-	-	-	-
At 31 December 2005	198,538	21,491	368,110	376,635	964,774
<b>Net book value</b>					
At 31 December 2005	46,118	383	305,138	164,390	516,029
At 31 December 2004	40,695	4,758	22,289	21,348	89,090

# Finsbury Limited

## Notes to the accounts Year ended 31 December 2005

### 9. Fixed asset investments

	Shares in subsidiary undertaking £
<b>Cost</b>	
At 1 January 2005 and at 31 December 2005	151
<b>Impairment</b>	
At 1 January 2005	-
Impairment	51
At 31 December 2005	51
<b>Net book value</b>	
At 31 December 2005	100
At 31 December 2004	151

Investments in subsidiary undertakings comprise ordinary shares of the following companies all of which are engaged in public relations and related activities or dormant and are registered in England and Wales.

Name of company	Country of incorporation	Principal activity	Holding
<b>Subsidiary</b>			
FIPRA UK Limited	Great Britain	Dormant	100%
Finsbury.com Limited	Great Britain	Dormant	100%
FIPRA EU Limited	Great Britain	Public and Regulatory Affairs	100%

### 10. Debtors

	2005 £	2004 £
Trade debtors	4,107,055	2,710,103
Amounts owed by group undertakings	-	7,687
Other debtors	27,648	37,881
Prepayments and accrued income	1,638,402	1,037,558
Corporation tax	22,810	22,810
Deferred tax asset (Note 11)	-	54,117
	<u>5,795,915</u>	<u>3,870,156</u>

# Finsbury Limited

## Notes to the accounts Year ended 31 December 2005

### 11. Deferred tax asset

	Deferred taxation £
At 1 January 2005	54,117
Credited to the profit and loss account in the year	(54,117)
At 31 December 2005	-

The deferred tax asset relates to timing differences between capital allowances and depreciation.

### 12. Creditors: amounts falling due within one year

	2005 £	2004 £
Trade creditors	242,775	94,974
Other taxes and social security	902,069	557,804
Accruals and deferred income	6,491,774	2,195,300
Defined contribution pension scheme accrual	-	25,942
	<u>7,636,618</u>	<u>2,874,020</u>

### 13. Called up share capital

	2005 £	2004 £
<b>Authorised</b>		
1,052,631 ordinary shares of £0.01 each	10,526	10,526
2,850,000 A ordinary shares of £0.01 each	28,500	28,500
202,631 B ordinary shares of £0.01 each	2,026	2,026
5,894,738,000 ordinary shares of £0.00001 each	58,948	58,948
	<u>100,000</u>	<u>100,000</u>
<b>Allotted, called up and fully paid</b>		
1,052,631 ordinary shares of £0.01 each	10,526	10,526
1,352,463 A ordinary shares of £0.01 each	13,525	13,525
202,631 B ordinary shares of £0.01 each	2,026	2,026
1,052,631,000 ordinary shares of £0.00001 each	10,526	10,526
	<u>36,603</u>	<u>36,603</u>

All classes of share rank pari passu.



# Finsbury Limited

## Notes to the accounts Year ended 31 December 2005

### 14. Profit and loss reserve

	£
Balance at 1 January 2005	19,779,256
Retained loss for the year	(12,671,215)
Balance at 31 December 2005	<u>7,108,041</u>

### 15. Reconciliation of movements in equity shareholder's funds

	2005 £	2004 £
Amount transferred (from)/to reserves	(12,671,215)	7,781,252
Opening shareholder's funds	<u>19,815,859</u>	<u>12,034,607</u>
Closing shareholder's funds	<u>7,144,644</u>	<u>19,815,859</u>

### 16. Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	2005		2004	
	Land and buildings £	Other £	Land and buildings £	Other £
Commitment expiring:				
- within one year	-	15,897	126,416	23,447
- during the second to fifth years	<u>831,597</u>	<u>302,791</u>	<u>-</u>	<u>111,976</u>

### 17. Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost represents contributions payable by the company to the fund, which amounted to £218,027 (2004: £203,453).

# **Finsbury Limited**

## **Notes to the accounts** **Year ended 31 December 2005**

### **18. Related party transactions**

The company incurred £11,000 (2004: £4,600) worth of expenses on behalf of Breaking Views Limited, a company which Roland Rudd is a director. At year end there was a £nil (2004: £nil) balance between the two entities.

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The company has taken advantage of the exemption under FRS8 not to disclose the details of transactions with other WPP Group companies as it is wholly owned by WPP Group plc, the consolidated accounts of which are publicly available.

#### **Transactions**

The following transactions have taken place with directors:

Quasi-loan to directors:

The company made unsecured non-interest-bearing quasi-loans to Mr Rudd at various times throughout the year, in respect of personal costs incurred by him and initially paid by the company. At the balance sheet date there was a balance of £1,321 (2004: £11,865) outstanding. The maximum outstanding at any point in the year was £11,865 (2004: £11,865).

### **19. Ultimate parent company**

The ultimate parent and controlling party is WPP Group plc, a company incorporated in the Great Britain. The largest and only group in which the results of Finsbury Limited are consolidated is that headed by WPP Group plc. The address from which copies of the consolidated financial statements can be obtained is 27 Farm Street, London, W1T 5RJ.