

# **Financial Dynamics (Holdings) Limited**

Directors' report and financial statements

Year ended 31 December 2006

Registered number 3345319

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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

### Principal activities

The company acts as the holding company of Financial Dynamics Limited

### Business review

The results for the year are given in the profit and loss account on page 4. During the year the company received dividends from subsidiaries of £6,706,535

On 4 October 2006, the company's then ultimate holding company, FD International (Holdings) Ltd was acquired by FTI FD LLC, a company incorporated in the USA

### Proposed dividend

An interim dividend of £6.28 per share was declared on 7 April 2006 and paid in the year, the directors do not recommend the payment of a final dividend (2005: £nil)

### Directors and directors' interests

The directors who held office during the year and subsequently were as follows

S Jawa	
C Watson	
D Bannister	(appointed 4/10/06)
D Shaughnessy	(appointed 4/10/06)
J Dunn	(appointed 4/10/06)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company. The interests of D Bannister, D Shaughnessy and J Dunn in the ultimate parent company FTI Consulting, Inc., are shown in the report and financial statements of that company. The interests of S Jawa and C Watson in the ultimate parent company FTI Consulting, Inc., are shown in the report and financial statements of FD International (Holdings) Ltd

### Political and charitable contributions

The company made no political or charitable contributions during the period (2005: £nil)

### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

### Auditors

Pursuant to Section 386 of the Companies Act 1985, the company is not required to re-appoint its auditors annually. Therefore, KPMG LLP will continue as auditors of the Company until further notice

By order of the board



Greg Cooper  
Secretary

Holborn Gate  
26 Southampton Buildings  
London  
WC2A 1PB

28 JUNE 2007

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and 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, 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

## KPMG LLP

8 Salisbury Square  
London  
EC4Y 8BB  
United Kingdom

### **Independent auditors' report to the members of Financial Dynamics (Holdings) Limited**

We have audited the financial statements of Financial Dynamics (Holdings) Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes. 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 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 consider the implications for our report if we become aware of any apparent misstatements within it.

#### **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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP  
Chartered Accountants  
Registered Auditor

*KPMG LLP*

Date

*5 July 2007*

## Profit and loss account

for the year ended 31 December 2006

	Notes	2006 £	2005 £
Income from shares in group undertakings		6,706,577	-
Interest payable and similar charges	4	(42)	(40)
<b>Profit / (loss) on ordinary activities before taxation</b>	2	<b>6,706,535</b>	<b>(40)</b>
Tax on loss on ordinary activities	5	-	-
<b>Profit / (loss) on ordinary activities after taxation</b>		<b>6,706,535</b>	<b>(40)</b>

There were no recognised gains or losses other than those shown above

The results are all derived from continuing activities

There is no difference between the results reported in the profit and loss account above and those that would be reported on a historical cost basis

The notes on pages 7 to 10 form an integral part of these financial statements

## Balance sheet

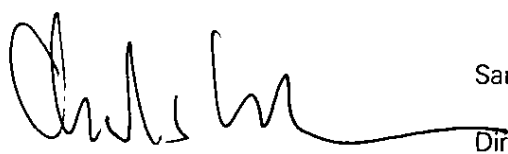
at 31 December 2006

	Notes	2006 £	2005 £
<b>Fixed assets</b>			
Investments	7	6,829,591	6,829,591
<b>Current assets</b>			
Cash at bank and in hand		1,079	1,121
<b>Creditors'</b> amounts falling due within one year	8	<u>(3,830,712)</u>	<u>(3,831,329)</u>
<b>Net current liabilities</b>		<u>(3,829,633)</u>	<u>(3,830,208)</u>
<b>Net Assets</b>		<u><u>2,999,958</u></u>	<u><u>2,999,383</u></u>
<b>Capital and reserves</b>			
Called up share capital	9	1,066,667	1,066,667
Share premium account	10	1,933,333	1,933,333
Profit and loss account	10	(42)	(617)
<b>Shareholders' funds - equity</b>		<u><u>2,999,958</u></u>	<u><u>2,999,383</u></u>

These financial statements were approved by the board of directors on 28th June 2007 2007 and were signed on its behalf by

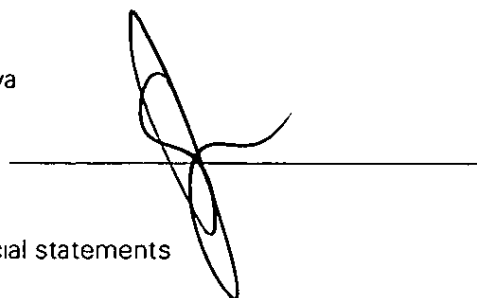
C Watson

Director



Sanjay Jawa

Director



The notes on pages 7 to 10 form an integral part of these financial statements

## Reconciliation of Movements in Shareholders' funds

at 31 December 2006

	Notes	2006 £	2005 £
<b>Profit / (loss) for the financial year</b>	2	<b>6,706,535</b>	(40)
Dividends on shares classified in shareholders' funds	6	<b>(6,705,960)</b>	-
Retained profit		<b>575</b>	(40)
<b>Net addition to / (reduction in) shareholders funds</b>		<b>575</b>	(40)
Opening shareholders' funds		<b>2,999,383</b>	2,999,423
<b>Closing shareholders' funds</b>		<b>2,999,958</b>	<b>2,999,383</b>



## **Notes** *(forming part of the financial statements)*

### **1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements except as noted below

In these financial statements the following new standards have been adopted for the first time

- FRS 21 'Events after the balance sheet date',
- FRS 28 'Corresponding amounts'

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. There has been no impact on the results on the adoption of FRS 21. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

### ***Basis of preparation***

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and with the Companies Act 1985.

In compliance with Financial Reporting Standard 1, the financial statements of FTI Consulting Inc. include a consolidated cash flow statement hence the company is not required to prepare a cash flow statement.

The company is exempt, under the provisions of section 228A of the Companies Act 1985, from the requirement to prepare group accounts. Consequently these financial statements present information about the company as an individual entity and not about its group.

### ***Going concern***

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £3,829,633, which the directors believe to be appropriate for the following reasons:

The company is dependent for its working capital on funds provided to it by fellow subsidiaries in the FTI Consulting, Inc., group.

FD International (Holdings) Limited has indicated to the company that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

Furthermore, as with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

### ***Fixed asset investments***

Fixed asset investments are stated at cost less provisions for permanent diminution in value.

## **Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

## **2 Profit on ordinary activities before tax**

The company did not trade during the period. Consequently, the company did not have any employees during the current or prior year, and none of the directors received emoluments for their services to the company. Audit fees for the current and prior financial years are borne by another group company.

## **3 Remuneration of directors**

Director emoluments are borne by other group companies. In the opinion of group management, it is not possible to allocate part of these costs to the company.

## **4 Interest payable and similar charges**

	<b>2006</b>	2005
	<b>£</b>	£
Bank charges	<u><b>42</b></u>	<u>40</u>

## **5 Taxation**

	<b>2006</b>	2005
	<b>£</b>	£
<i>Analysis of charge in the period</i>		
Current tax charge for the period	-	-
Total current tax	<u><b>-</b></u>	<u>-</u>

### *Factors affecting the tax charge for the current period*

The current tax charge for the period is lower (2005 lower) than the standard rate of corporation tax in the UK (30%, 2005 30%). The differences are explained below.

	<b>2006</b>	2005
	<b>£</b>	£
<i>Current tax reconciliation</i>		
Profit / (loss) on ordinary activities before tax	<u><b>6,706,535</b></u>	<u>(40)</u>
Tax on profit / (loss) at 30% (2005 30%)	<b>2,011,961</b>	(12)
<i>Effects of</i>		
Dividends received not taxable	<b>(2,011,973)</b>	
Losses carried forward	<b>12</b>	12
Total current tax	<u><b>-</b></u>	<u>-</u>

## Notes (continued)

### 6 Dividends

The aggregate amount of dividends comprises

	2006 £	2005 £
Interim dividends of £6.28 per share paid in respect of the current year	6,705,960	-
Aggregate amount of dividends paid in the financial year	<u>6,705,960</u>	<u>-</u>

The aggregate amount of dividends proposed and recognised as liabilities as at the year end is nil (2005 nil)

### 7 Fixed asset investments

	2006 £	2005 £
<i>Shares in group undertakings (unlisted)</i>		
<b>Cost and net book value</b>		
At 1 January and 31 December 2006	<b>6,829,591</b>	6,829,591

The company directly holds the following investments in group undertakings

	Country of incorporation	Principal activity	Class and percentage of shares held
Financial Dynamics Limited	England and Wales	Financial public relations	Ordinary shares – 100%

### 8 Creditors amounts falling due within one year

	2006 £	2005 £
Amounts owed to group undertakings	<b>3,830,712</b>	3,831,329

There are no formal repayment terms for the intercompany balances totalling £3,830,712 (2005 £3,831,329), but this company has confirmed to the directors that it is not their intention to recall these amounts for at least 12 months from the date of signing these financial statements

## Notes (continued)

### 9 Called up share capital

	2006 £	2005 £
<b>Authorised</b>		
Equity		
5,000,000 ordinary shares of £1 each	5,000,000	5,000,000
<b>Allotted, called up and fully paid</b>		
Equity		
1,066,667 ordinary shares of £1 each	<u>1,066,667</u>	<u>1,066,667</u>

### 10 Reserves

	Share Premium Account £	Capital Reserve £	Profit and Loss Account £	Total £
At 1 January 2006	1,933,333	1,066,667	(617)	<b>2,999,383</b>
Retained profit for the year			6,706,535	<b>6,706,535</b>
Dividends on shares classified in shareholder's funds	-	-	(6,705,960)	<b>(6,705,960)</b>
At 31 December 2006	<u>1,933,333</u>	<u>1,066,667</u>	<u>(42)</u>	<u><b>2,999,958</b></u>

### 11 Related party disclosures

The company has taken advantage of the exemption under Financial Reporting Standard 8 – Related Party Disclosures (FRS 8) not to disclose related party transactions between wholly owned group undertakings

### 12 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a wholly owned subsidiary of FD International 4 Limited, a company incorporated in England and Wales

On 4 October 2006, the company's then ultimate holding company, FD International (Holdings) Ltd was acquired by FTI FD LLC, a company incorporated in the USA

The largest group in which the results of the company are consolidated is that headed by FTI Consulting, Inc, which is also the company's ultimate parent company. The consolidated accounts of this company may be obtained from the Secretary, 500 E Pratt Street, Suite 1400, Baltimore, MD21202, USA. No other group accounts include the results of the company