

**Company Registration No. 2488264**

**Bell Pottinger Public Affairs Limited**

**Report and Financial Statements**

**31 December 2005**



# **Bell Pottinger Public Affairs Limited**

## **Report and financial statements 2005**

<b>Contents</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Statement of directors' responsibilities</b>	<b>4</b>
<b>Independent auditors' report</b>	<b>5</b>
<b>Profit and loss account</b>	<b>7</b>
<b><i>Reconciliation of movements in shareholders' funds</i></b>	<b>8</b>
<b>Balance sheet</b>	<b>9</b>
<b>Notes to the financial statements</b>	<b>10</b>

# **Bell Pottinger Public Affairs Limited**

## **Report and financial statements 2005**

### **Officers and professional advisers**

#### **Directors**

P Bingle  
J H Leece

#### **Secretary**

R E Davison

#### **Registered office**

14 Curzon Street  
London  
W1J 5HN

#### **Bankers**

National Westminster Bank Plc  
P O Box 4RY  
250 Regent Street  
London  
W1A 4RY

#### **Solicitors**

Slaughter and May  
1 Bunhill Row  
London  
EC1Y 8YY

#### **Auditors**

Deloitte & Touche LLP  
London

# Bell Pottinger Public Affairs Limited

## Directors' report

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

### Review of business and future developments

The company is principally engaged in acting as government relations advisers and consultants and it is the intention of the directors that it should continue to do so.

### Results and dividends

The company's profit and loss account is set out on page 7 and shows a profit after taxation for the year of £446,302 (2004 – £1,297,620). Dividends paid in the year amounted to £755,000 (2004 – £1,000,000).

### Directors and their interests

The directors of the company, all of whom were directors for the whole period, and their interests (all of which were beneficially held) are set out below:

Chime Communications plc Executive Share Option Scheme Shares under Option				
	1 January 2005 No.	Granted during the year No.	Exercised during the year No.	31 December 2005 No.
P Bingle	130,000	20,000	-	150,000

Chime Communications plc Savings Related Share Option Scheme Shares under Option				
	1 January 2005 No.	Granted during the year No.	Exercised during the year No.	31 December 2005 No.
P Bingle	20,437	-	-	20,437

The interests of J H Leece in Chime Communications plc are shown in the financial statements of Bell Pottinger Communications Limited. Neither of the directors held any beneficial interests in the shares of this company or any other group company at 1 January 2005, or at 31 December 2005.

### Risk management

The company's financial instruments comprise cash and various items such as trade debtors and trade creditors that arise directly from its operations.

It is, and has been throughout the period under review, the company's policy that no trade in financial instruments shall be undertaken.

The main risks arising from the company's financial instruments are credit risk, interest rate risk and liquidity risk. The policy for managing these risks, which have remained unchanged since 1 January 1999, is reviewed and agreed by the parent undertaking, Chime Communications plc ('Chime').

# **Bell Pottinger Public Affairs Limited**

## **Directors' report (continued)**

### ***Risk management (continued)***

*Credit risk:* The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

*Interest rate risk:* cash deposits and loan drawdowns are pooled under Chime's banking facility and then are held either at variable rates of interest or at rates of interest fixed for periods of no longer than three months. The interest for the company is borne by another group company.

*Liquidity risk:* The company operates under Chime's banking facility. On 27 June 2005, Chime agreed to committed facilities of £16.5 million until March 2006 and £12.5 million from March 2006 until 1 July 2007. It was further agreed that should Chime dispose of its interest in HHCL United Limited (formerly HHCL/Red Cell Advertising Limited) during this period then the facility would reduce by £2.5 million. Chime also has an uncommitted facility available of £2 million, which is reviewed on a rolling basis.

*Fair values of financial assets and financial liabilities:* at 31 December 2005 there was no material difference between the fair value of financial assets and financial liabilities and their book value.

All monetary assets and liabilities are denominated in the same currency as the functional currency of the operations involved.

### **Creditor payment terms**

The company's policy on suppliers is that they will be paid in accordance with agreed terms and conditions of trade on a regular basis.

The number of days outstanding between receipt of invoices and date of payment, calculated by reference to the amount owed to trade creditors at the year end as a proportion of the amounts invoiced by suppliers during the year, was 39 days in aggregate (2004 – 38 days).

### **Auditors**

On 11 April 1995 the shareholders of the company passed an elective resolution to dispense with the holding of Annual General Meetings, with the laying of reports and accounts before general meetings and to dispense with the obligation to appoint auditors annually. Therefore Deloitte & Touche LLP are deemed to continue as auditors.

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



J H Leece

Director

31 October  
2006

## **Bell Pottinger Public Affairs Limited**

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice. 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 GAAP 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:

- 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 Bell Pottinger Public Affairs Limited**

We have audited the financial statements of Bell Pottinger Public Affairs Limited for the year ended 31 December 2005 which comprise the profit and loss account, the reconciliation of movements in shareholders' funds, the balance sheet and the related notes 1 to 18. 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 Bell Pottinger Public Affairs 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

*31 October 2006*



# Bell Pottinger Public Affairs Limited

## Profit and loss account Year ended 31 December 2005

	Notes	2005 £	2004 £
<b>Turnover</b>	1	3,928,352	4,051,004
Cost of sales		(285,237)	(235,581)
<b>Gross profit</b>		3,643,115	3,815,423
Administrative expenses		(2,856,802)	(2,493,163)
Other income		-	264,000
<b>Operating profit</b>	2, 3	786,313	1,586,260
Profit on disposal of fixed asset investment	4	-	163,489
<b>Profit on ordinary activities before interest</b>		786,313	1,749,749
Other interest receivable and similar income	5	59	14,575
<b>Profit on ordinary activities before taxation</b>		786,372	1,764,324
Tax on profit on ordinary activities	6	(340,070)	(466,704)
<b>Profit on ordinary activities after taxation</b>		446,302	1,297,620
Dividends paid	7	(755,000)	(1,000,000)
<b>Retained (loss)/profit for the financial year</b>	13	(308,698)	297,620

Turnover and operating profit relate to continuing operations.

There are no other recognised gains or losses for the current or preceding financial years other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses is presented.

## **Bell Pottinger Public Affairs Limited**

### **Reconciliation of movements in shareholders' funds Year ended 31 December 2005**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Profit for the financial year	446,302	1,297,620
Dividends paid	(755,000)	(1,000,000)
<b>Net (decrease)/increase in shareholders' funds</b>	<b>(308,698)</b>	<b>297,620</b>
<b>Opening shareholders' funds</b>	<b>309,271</b>	<b>11,651</b>
<b>Closing shareholders' funds</b>	<b>573</b>	<b>309,271</b>

# Bell Pottinger Public Affairs Limited

## Balance sheet 31 December 2005

	Notes	£	2005 £	£	2004 £
<b>Fixed assets</b>					
Tangible assets	8		77,327		70,306
			<u>77,327</u>		<u>70,306</u>
<b>Current assets</b>					
Work in progress		19,028		6,988	
Debtors	9	1,249,510		1,908,871	
Cash at bank and in hand		82,653		250	
		<u>1,351,191</u>		<u>1,916,109</u>	
<b>Creditors: amounts falling due within one year</b>	10	(1,411,695)		(1,677,144)	
<b>Net current (liabilities)/ assets</b>			(60,504)		238,965
<b>Total assets less current liabilities</b>			<u>16,823</u>		<u>309,271</u>
<b>Creditors: amounts falling due after more than one year</b>	11		(16,250)		-
<b>Net assets</b>			<u>573</u>		<u>309,271</u>
<b>Capital and reserves</b>					
Called up share capital	12		2		2
Profit and loss account	13		571		309,269
<b>Shareholders' funds</b>			<u>573</u>		<u>309,271</u>

These financial statements were approved by the Board of Directors on 31 October 2006.

Signed on behalf of the Board of Directors



J H Leece  
Director

# **Bell Pottinger Public Affairs Limited**

## **Notes to the financial statements Year ended 31 December 2005**

### **1. Accounting policies**

The financial statements are prepared in accordance with applicable United Kingdom generally accepted accounting practice. The particular accounting policies adopted by the directors are described below. They have all been applied consistently throughout the year and the preceding year.

#### **Accounting convention**

The financial statements are prepared under the historical cost convention.

#### **Turnover**

Turnover represents amounts receivable from clients, exclusive of value added tax, in respect of charges for fees, rechargeable expenses and commission. Turnover relates to the principal activity of the company, public affairs consultancy, which takes place principally in the United Kingdom.

Revenue is recognised when charges are made to clients. Fees are recognised over the period of the relevant assignments or agreements.

#### **Depreciation**

Depreciation is provided in equal instalments over the estimated useful lives of the assets using the following annual rates:

Short-term leasehold improvements	-	20%
Motor vehicles	-	16 $\frac{2}{3}$ %
Fixtures, fittings and equipment (including computer equipment)	-	25%

#### **Work in progress**

Work in progress is stated at the lower of invoiced cost and net realisable value, net of payments received on account. Cost represents work supplied from outside the group awaiting billing to clients at the year end.

#### **Pension costs**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company and the group in an independently administered fund. The pension cost is the amount of contributions payable by the company to the fund in the accounting period.

#### **Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax 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 are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

#### **Finance leases**

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. The interest charges are borne by another group company.

# Bell Pottinger Public Affairs Limited

## Notes to the financial statements Year ended 31 December 2005

### 2. Directors' emoluments and employee remuneration

	2005 £	2004 £
<i>The aggregate emoluments of the directors were:</i>		
Aggregate emoluments excluding pension contributions	264,275	251,802
Pension contributions	18,000	14,400
	<u>282,275</u>	<u>266,202</u>
 <i>The emoluments of the highest paid director were:</i>		
Aggregate emoluments excluding pension contributions	264,275	251,802
Pension contributions	18,000	14,400
	<u>282,275</u>	<u>266,202</u>

One director (2004 – one) has retirement benefits accruing under a personal pension scheme.

Neither director (2004 - nil) exercised share options in Chime Communications plc during the year.

	2005 £	2004 £
<i>Employee costs, including those of the directors, were as follows:</i>		
Wages and salaries	1,557,593	1,428,054
Social security costs	201,440	176,660
Other pension costs	67,091	46,445
	<u>1,826,124</u>	<u>1,651,159</u>
 <i>Average number of persons employed during the year</i>	<i>No.</i>	<i>No.</i>
Consultancy	25	22
Administration	1	1
	<u>26</u>	<u>23</u>

### 3. Operating profit

	2005 £	2004 £
<i>Operating profit is stated after charging/(crediting):</i>		
Depreciation of owned tangible fixed assets	20,139	13,887
Depreciation of assets held under finance leases	2,471	-
Auditors' remuneration – audit services	7,000	6,500
Other fees paid to auditors	2,198	4,209
Loss/(profit) on disposal of fixed assets	1,408	(40)

# Bell Pottinger Public Affairs Limited

## Notes to the financial statements Year ended 31 December 2005

### 4. Profit on disposal of fixed asset investment

On 29 December 2004 the company received verbal notice of Yougov Limited's intention to buy back shares and accordingly the company disposed of its shareholding in Yougov Limited for £169,000. The disposal resulted in a net profit of £163,489 which is shown as Profit on disposal of a fixed asset investment in the 2004 profit and loss account. Costs arising on disposal were £5,511.

### 5. Other interest receivable and similar income

	2005 £	2004 £
Other interest	59	14,575
	<u>59</u>	<u>14,575</u>

### 6. Tax on profit on ordinary activities

*Analysis of tax charge on ordinary activities:*

	2005 £	2004 £
UK Corporation tax at 30% (2004 – 30%) based on profit for the year	279,164	472,606
Adjustment in respect of prior years	54,675	(10,834)
<i>Deferred taxation:</i>		
Origination and reversal of timing differences	5,951	4,098
Adjustments in respect of prior years	280	834
	<u>340,070</u>	<u>466,704</u>

*Factors affecting tax charge:*

	2005 %	2004 %
Standard tax rate for period as a percentage of profits	30	30
Effects of:		
Expenses not deductible for tax purposes	6	(3)
Capital allowances in excess of depreciation	(1)	-
Prior period adjustments	7	(1)
	<u>42</u>	<u>26</u>

### 7. Dividends paid

	2005 £	2004 £
Final paid dividend £377,500 per ordinary share (2004: £500,000)	<u>755,000</u>	<u>1,000,000</u>

# Bell Pottinger Public Affairs Limited

## Notes to the financial statements Year ended 31 December 2005

### 8. Tangible fixed assets

	Short-term leasehold improve- ments £	Motor vehicles £	Fixtures, fittings and equipment £	Total £
<b>Cost</b>				
At 1 January 2005	-	58,626	145,142	203,768
Additions	2,810	30,018	8,024	40,852
Disposals	-	(26,061)	(99,085)	(125,146)
At 31 December 2005	2,810	62,583	54,081	119,474
<b>Depreciation</b>				
At 1 January 2005	-	13,124	120,338	133,462
Charge for the year	94	10,518	11,998	22,610
On disposals	-	(14,840)	(99,085)	(113,925)
At 31 December 2005	94	8,802	33,251	42,147
<b>Net book value</b>				
At 31 December 2005	2,716	53,781	20,830	77,327
At 31 December 2004	-	45,502	24,804	70,306

The net book value of fixed assets under finance lease was £28,165 (2004: £ nil)

### 9. Debtors

	2005 £	2004 £
Trade debtors	1,099,032	1,348,271
Amounts owed by group undertakings	28,660	11,000
Deferred tax asset	15,302	21,533
Other debtors	4,767	459,200
Prepayments and accrued income	101,749	68,867
	<u>1,249,510</u>	<u>1,908,871</u>
<i>Movement on deferred tax asset in the year:</i>		
	2005 £	2004 £
At 1 January	21,533	26,465
Charge to profit and loss account	(6,231)	(4,932)
At 31 December	<u>15,302</u>	<u>21,533</u>

# Bell Pottinger Public Affairs Limited

## Notes to the financial statements Year ended 31 December 2005

### 9. Debtors (continued)

*An analysis of the deferred tax asset is given below:*

	2005 £	2004 £
Capital allowances in excess of depreciation	15,302	19,300
Short term timing differences	-	2,233
At 31 December	<u>15,302</u>	<u>21,533</u>

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

	2005 £	2004 £
Bank overdraft	-	196,890
Obligations under finance leases	8,529	-
Trade creditors	77,095	63,807
Amounts owed to group undertakings	395,124	270,790
Corporation tax	312,164	529,851
Social Security creditor	56,727	51,162
Other creditors	157,166	165,820
Accruals and deferred income	404,890	398,824
	<u>1,411,695</u>	<u>1,677,144</u>

### 11. Creditors: amounts falling due after more than one year

	2005 £	2004 £
Obligations under finance leases	<u>16,250</u>	<u>-</u>
	£	£
Due in more than one year, but not more than two years	9,082	-
Due in more than two years, but not more than five years	7,168	-
	<u>16,250</u>	<u>-</u>

### 12. Called up share capital

	2005 £	2004 £
<b>Authorised:</b>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Allotted, called up and fully paid:</b>		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>



# Bell Pottinger Public Affairs Limited

## Notes to the financial statements Year ended 31 December 2005

### 13. Statement of movement on reserves

	£
At 1 January 2005	309,269
Retained loss for the year	(308,698)
	<hr/>
At 31 December 2005	571
	<hr/>

### 14. Pension scheme

The company makes contributions to the group's defined contribution scheme. The assets of the scheme are held separately from those of the company and the group and the scheme is independently administered. The amount charged in the profit and loss account for the year ended 31 December 2005 amounted to £49,091 (2004 – £32,045). In addition, contributions of £18,000 (2004 – £14,400) were made to the personal pension schemes of employees.

### 15. Contingent liabilities

The company, together with the ultimate parent company and certain other companies in the Chime Communications plc group, has given an unlimited cross-guarantee in favour of its bankers.

### 16. Ultimate parent undertaking

The ultimate parent company, controlling party and the parent undertaking of the largest group for which the group accounts are prepared and of which the company is a member is Chime Communications plc, which is incorporated in Great Britain. Copies of its financial statements are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ. The company's immediate parent undertaking and its immediate controlling party is Bell Pottinger Consultants Limited, incorporated in Great Britain. Chime Communications plc is the smallest and largest group to consolidate these financial statements.

### 17. Related party transactions

The company has taken advantage of the exemption granted under paragraph 3(c) of FRS 8 and has not disclosed details of transactions with group companies qualifying as related parties.

### 18. Cash flow statement

Under the provisions of FRS 1, the company is exempt from the requirement to produce a cash flow statement on the grounds that it is a wholly owned subsidiary of a parent undertaking which has produced a cash flow statement in its consolidated accounts.