

Company Registration No. 02538908

**THE PRESS COMPLAINTS COMMISSION
LIMITED**

Report and Financial Statements

31 December 2006



29/05/07
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THE PRESS COMPLAINTS COMMISSION LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

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THE PRESS COMPLAINTS COMMISSION LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Sir Christopher Meyer KCMG (Chairman)
Matt Alderson
Roger Alton
Paul Dacre
Spencer Feeney
Colleen Harris MVO
Vivien Hepworth
Peter Hill
Simon Irwin
Ian Nichol
Adam Phillips
Eve Salomon
Dianne Thompson CBE
Derek Tucker
Bishop John Wayne KCVO
Rear Admiral Nick Wilkinson CB

SECRETARY

Tim Toulmin

REGISTERED OFFICE

Halton House
20/23 Holborn
London EC1N 2JD

BANKERS

Royal Bank of Scotland plc
London Drummonds Branch
49 Charing Cross
London SW1A 2DX

SOLICITORS

Sherdans
Whittington House
Alfred House
London WC1E 7EA

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Cambridge

THE PRESS COMPLAINTS COMMISSION LIMITED

DIRECTORS' REPORT

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

This report has been prepared in accordance with the special provisions relating to small companies under Section 246 (4) of the Companies Act 1985

PRINCIPAL ACTIVITIES OF THE COMMISSION

The Press Complaints Commission is an independent organisation which deals with complaints from members of the public about possible breaches by newspapers or magazines of their own Code of Practice

The Commission was set up in 1991, following the closure of the Press Council

RESULTS

The Commission had a surplus of £85,756 (2005 - deficit £24,853) for the year

The results do not include the value of free advertising space donated to the Commission by the newspaper industry

TRADING REVIEW

The Commission received a total of 3,325 complaints in 2006. This was a slight overall drop on the 2005 figure, but the underlying number of complaints that fell under the Code of Practice rose by 9% to 1,010. Of these, 418 were resolved to the complainant's satisfaction following the Commission's intervention - an increase of 20% and a new record. The other complaints fell outside the Commission's remit - concerning advertising or broadcasting, for instance, or were about matters of taste and decency or otherwise could not fall for consideration by the Commission.

The prominence of corrections and apologies continued to be monitored with 60% appearing on the same page or further forward than the original transgression.

The Commission published 31 formal adjudications following a full meeting of the board, upholding 10, not upholding 15 and finding that sufficient remedial action had been offered in 6 cases. There were new and significant rulings in the areas of privacy, children and payments to criminals. The Commission continued to give advice to both members of the public and editors in thousands more cases in order to minimise the possibility of the Code being breached.

72.5% of cases that raised a possible breach of the Code concerned accuracy in reporting, with 23.6% about some aspect of personal privacy.

Complaints about discrimination fell to 6.9% of the total.

As part of its drive to increase awareness about the Commission, Open Days were held in Glasgow and Liverpool. Training seminars were held for existing journalists and there were dozens of lectures from the Commission's speakers to student journalists. Delegates from the PCC attended the 8th annual meeting of the Alliance of Independent Press Councils of Europe, held in Sofia.

The Commission continued to be funded by the Press Standards Board of Finance.

INCORPORATION

The company is incorporated under the Companies Act 1985 and is limited by guarantee, the liability of each member being limited to £1. At 31 December 2006 there were 16 members (2005 - 17).

FUTURE ACTIVITIES

In the coming year the commission will continue to further its objects with funds provided to it by the Press Standards Board of Finance Limited.

THE PRESS COMPLAINTS COMMISSION LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS

The directors who have served during the year and who are also the Commission members, were as follows

- Sir Christopher Meyer KCMG (Chairman)
- Matt Alderson
- Roger Alton
- Professor The Lord Chan MBE (deceased 21 January 2006)
- Edmund Curran (resigned 30 April 2006)
- Paul Dacre
- Jane Ennis (resigned 31 January 2007)
- Spencer Feeney (appointed 1 May 2006)
- Mary Francis (resigned 28 February 2006)
- Colleen Harris MVO (appointed 1 August 2006)
- Vivien Hepworth
- Peter Hill
- Paul Horrocks (resigned 31 December 2006)
- Ian Nichol (appointed 1 March 2006)
- Adam Phillips
- Eve Salomon
- Dianne Thompson CBE
- Derek Tucker (appointed 1 January 2006)
- Bishop John Wayne KCVO
- Rear Admiral Nick Wilkinson CB

They have all undertaken to contribute such amounts as may be required, not exceeding £1, to the Commission's assets if it should be wound up

Simon Irwin was appointed as a director on 1 January 2007

AUDITORS

In the case of each of the persons who are directors of the company at the date when this report is approved

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware, and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

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

Vivien Hepworth
V Hepworth
Directors
13.02.07

Sir Christopher Meyer
Sir Christopher Meyer KCMG

THE PRESS COMPLAINTS COMMISSION LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgements and estimates that are reasonable and prudent, 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, 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
THE PRESS COMPLAINTS COMMISSION LIMITED**

We have audited the financial statements of The Press Complaints Commission Limited for the year ended 31 December 2006 which comprise the income and expenditure account, the balance sheet and the related notes 1 to 13. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
THE PRESS COMPLAINTS COMMISSION 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 2006 and of its surplus 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

D. Greenhouse

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Cambridge, United Kingdom

15 June 2007

THE PRESS COMPLAINTS COMMISSION LIMITED

INCOME AND EXPENDITURE ACCOUNT
Year ended 31 December 2006

| | Note | 2006 £ | 2005 £ |
|---|------|--------------------|--------------------|
| INCOME | 3 | 1,943,000 | 1,657,400 |
| Administrative expenses | | <u>(1,824,606)</u> | <u>(1,682,792)</u> |
| OPERATING SURPLUS (DEFICIT) | 4 | 118,394 | (25,392) |
| Interest receivable | | 1,518 | 2,155 |
| Interest payable | 7 | <u>(431)</u> | <u>(33)</u> |
| SURPLUS (DEFICIT) ON ORDINARY ACTIVITIES BEFORE TAXATION | | 119,481 | (23,270) |
| Tax on surplus (deficit) on ordinary activities | 8 | <u>(33,725)</u> | <u>(1,583)</u> |
| SURPLUS (DEFICIT) ON ORDINARY ACTIVITIES AFTER TAXATION | | 85,756 | (24,853) |
| Retained deficit brought forward | | <u>(88,238)</u> | <u>(63,385)</u> |
| Retained deficit carried forward | | <u>(2,482)</u> | <u>(88,238)</u> |

All amounts derive from continuing operations

There were no recognised gains or losses other than the surplus for the current financial year and the deficit for the prior financial year and, accordingly, no statement of total recognised gains and losses is shown

THE PRESS COMPLAINTS COMMISSION LIMITED

BALANCE SHEET
31 December 2006

| | Note | 2006 £ | 2005 £ |
|---|------|-----------|-----------|
| FIXED ASSETS | | | |
| Tangible assets | 9 | 198,273 | 55,724 |
| CURRENT ASSETS | | | |
| Debtors | 10 | 56,919 | 36,092 |
| Cash at bank and in hand | | 52 | 21,513 |
| | | 56,971 | 57,605 |
| CREDITORS: amounts falling due within one year | 11 | (248,567) | (198,449) |
| NET CURRENT LIABILITIES | | (191,596) | (140,844) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 6,677 | (85,120) |
| PROVISION FOR LIABILITIES AND CHARGES | 12 | (9,159) | (3,118) |
| TOTAL NET LIABILITIES | | (2,482) | (88,238) |
| RESERVES | | | |
| Accumulated deficit | | (2,482) | (88,238) |

These financial statements were approved by the Board of Directors on 13 June 2007

Signed on behalf of the Board of Directors

Vivian Hepworth
V Hepworth
Directors
13-06-07

Christopher Meyer
Sir Christopher Meyer KCMB

THE PRESS COMPLAINTS COMMISSION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

1. INCORPORATION AND LIMITED LIABILITY

The company is incorporated under the Companies Act 1985 and limited by guarantee, the liability of each member being limited to £1. At 31 December 2006 there were 16 members (2005 - 17)

2. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Income

The income of the Commission represents contributions received from the Press Standards Board of Finance Limited.

Tangible fixed assets

Tangible fixed assets are stated at cost, less depreciation.

Depreciation is provided on a reducing balance basis so as to write off cost, less estimated residual values, of all tangible fixed assets, over their expected useful lives. It is calculated at the following rates:

| | |
|--------------------------------|----------------------------------|
| Leasehold improvements | - 10% per annum straight line |
| Computer equipment | - 33% per annum reducing balance |
| Office furniture and equipment | - 20% per annum reducing balance |

Taxation

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

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 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.

Leased assets

Annual rentals under operating leases are charged to the income and expenditure account on a straight line basis over the term of the lease.

Pension contributions

The Commission makes pension contributions to the personal pension plans of its employees. Contributions are charged to the profit and loss account as they fall due.

Cash flow statement

The company is exempt from preparing a cash flow statement as the company is exempt as a small company under section 247 of the Companies Act 1985.

THE PRESS COMPLAINTS COMMISSION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2006
3 INCOME

| | 2006 £ | 2005 £ |
|---|------------------|------------------|
| Press Standards Board of Finance Limited contribution | <u>1,943,000</u> | <u>1,657,400</u> |

4. OPERATING SURPLUS (DEFICIT)

| | 2006 £ | 2005 £ |
|---------------------------------------|---------------|---------------|
| This is stated after charging: | | |
| Depreciation of own assets | 46,745 | 19,720 |
| Hire of assets under operating leases | | |
| Land and buildings | 123,453 | 62,500 |
| Other | 19,280 | 21,089 |
| Auditors' remuneration | | |
| Audit services | <u>11,809</u> | <u>10,453</u> |

5. EMPLOYEES

| | 2006 No. | 2005 No |
|--|------------------|----------------|
| The average number of employees during the year was as follows | | |
| Directors (of whom 7 were unpaid) | 16 | 17 |
| Office staff | <u>17</u> | <u>16</u> |
| | £ | £ |
| Staff costs (including directors) consist of | | |
| Wages and salaries | 876,236 | 815,173 |
| Social security costs | 96,675 | 83,172 |
| Other pension costs | 35,799 | 28,863 |
| | <u>1,008,710</u> | <u>927,208</u> |

6. DIRECTORS' REMUNERATION

| | 2006 £ | 2005 £ |
|-----------------------|----------------|----------------|
| Directors' stipends | 99,672 | 89,972 |
| Highest paid director | <u>175,000</u> | <u>160,000</u> |
| Aggregate emoluments | <u>274,672</u> | <u>249,972</u> |

THE PRESS COMPLAINTS COMMISSION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2006

7. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2006 £ | 2005 £ |
|---------------|-----------|-----------|
| Bank interest | 431 | 33 |

8. TAX ON SURPLUS (DEFICIT) ON ORDINARY ACTIVITIES

| | 2006 £ | 2005 £ |
|--|---------------|----------------|
| Current tax | | |
| UK corporation tax at the rate of 19% (2005 - 19%) | 25,826 | 2,813 |
| Prior period adjustment | 1,858 | - |
| Current tax charge | <u>27,684</u> | <u>2,813</u> |
| Deferred tax | | |
| Timing differences, origination and reversal | 6,041 | (1,230) |
| Deferred tax (note 12) | <u>6,041</u> | <u>(1,230)</u> |
| Total tax charge | <u>33,725</u> | <u>1,583</u> |

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK 19% (2005 - 19%)

The differences are explained below

| | 2006 £ | 2005 £ |
|--|---------------|--------------|
| Surplus (deficit) on ordinary activities before tax | 119,481 | (23,270) |
| Tax charge at 19% thereon | 22,701 | (4,421) |
| Effects of | | |
| Expenses not deductible for tax purposes | 10,079 | 7,341 |
| Capital allowances in (excess) deficit of depreciation | (6,954) | 1,230 |
| Marginal relief | - | (1,337) |
| Prior period adjustment | 1,858 | - |
| Current tax charge for year | <u>27,684</u> | <u>2,813</u> |

THE PRESS COMPLAINTS COMMISSION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2006

9 TANGIBLE FIXED ASSETS

| | Leasehold improve- ments £ | Computer equipment £ | Office furniture and equipment £ | Total £ |
|-----------------------|-------------------------------------|----------------------------|--|----------------|
| Cost | | | | |
| At 1 January 2006 | 11,006 | 168,125 | 128,962 | 308,093 |
| Additions | 75,618 | 31,646 | 92,133 | 199,397 |
| Disposals | - | (76,292) | (117,073) | (193,365) |
| | <u>86,624</u> | <u>123,479</u> | <u>104,022</u> | <u>314,125</u> |
| Depreciation | | | | |
| At 1 January 2006 | - | 132,915 | 119,454 | 252,369 |
| Charge for the year | 8,662 | 18,491 | 19,592 | 46,745 |
| Disposals | - | (69,869) | (113,393) | (183,262) |
| | <u>8,662</u> | <u>81,537</u> | <u>25,653</u> | <u>115,852</u> |
| Net book value | | | | |
| At 31 December 2006 | <u>77,962</u> | <u>41,942</u> | <u>78,369</u> | <u>198,273</u> |
| At 31 December 2005 | <u>11,006</u> | <u>35,210</u> | <u>9,508</u> | <u>55,724</u> |

10 DEBTORS

| | 2006 £ | 2005 £ |
|--------------------------------|---------------|---------------|
| Other debtors | 5,386 | 5,709 |
| Prepayments and accrued income | 51,533 | 30,383 |
| | <u>56,919</u> | <u>36,092</u> |

All amounts are due within one year

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2006 £ | 2005 £ |
|------------------------------------|----------------|----------------|
| Bank overdraft | 39,173 | - |
| Trade creditors | 62,905 | 73,435 |
| Corporation tax | 25,826 | 2,813 |
| Other taxation and social security | 35,669 | 31,639 |
| Accruals and deferred income | 84,994 | 90,562 |
| | <u>248,567</u> | <u>198,449</u> |

THE PRESS COMPLAINTS COMMISSION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2006
12 PROVISION FOR LIABILITIES AND CHARGES

Movement on deferred taxation balance in the year

| | Deferred taxation £ |
|--|---------------------------|
| At 1 January 2006 | 3,118 |
| Charge to profit and loss account (note 8) | 6,041 |
| | <u>9,159</u> |
| At 31 December 2006 | <u>9,159</u> |

The amounts of deferred taxation provided and unprovided in the accounts are as follows

| | Provided | | Unprovided | |
|--|--------------|--------------|------------|-----------|
| | 2006 £ | 2005 £ | 2006 £ | 2005 £ |
| Capital allowances in excess of depreciation | <u>9,159</u> | <u>3,118</u> | <u>-</u> | <u>-</u> |

13. OPERATING LEASE COMMITMENTS

| | Land and buildings | | Land and buildings | |
|---|-----------------------|--------------------|-----------------------|--------------------|
| | 2006 £ | Other 2006 £ | 2006 £ | Other 2005 £ |
| The following amounts fall due within one year under leases which expire | | | | |
| In less than one year | - | 2,098 | 31,250 | 223 |
| In two to five years | <u>80,300</u> | <u>16,484</u> | <u>-</u> | <u>16,863</u> |
| | <u>80,300</u> | <u>18,582</u> | <u>31,250</u> | <u>17,086</u> |