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**Company Registration No. 03982851**

**VCCP Digital Limited**

**Report and Financial Statements**

**31 December 2008**

# **VCCP Digital Limited**

## **Report and Financial Statements 2008**

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# **VCCP Digital Limited**

## **Report and Financial Statements 2008**

### **Officers and Professional Advisers**

#### **Directors**

R E Davison  
F M Sharp

#### **Secretary**

R E Davison

#### **Registered Office**

14 Curzon Street  
London  
W1J 5HN

#### **Bankers**

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

#### **Solicitors**

Slaughter and May  
1 Bunhill Road  
London  
EC1Y 8YY

#### **Auditors**

Deloitte LLP  
Chartered Accountants  
London

# VCCP Digital Limited

## Directors' report

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2008. This directors' 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 and future prospects

The principal activity of the company is that of digital marketing. The directors do not anticipate any major changes in the foreseeable future.

### Results and dividends

The profit and loss account is set out on page 7 and shows a profit for the year after tax of £384,992 (2007: £145,394). A dividend of £300,000 has been paid in 2008 (2007: £35,000).

### Directors

The directors serving during the year are shown on page 1.

### Directors' and officers' liability

Directors' and officers' liability insurance has been purchased by the company during the year.

### 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 year 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 is reviewed and agreed by the parent undertaking, Chime Communications plc ('Chime').

*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 draw downs 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 20 August 2008 Chime agreed to committed facilities of £30 million until June 2013. Chime also has an uncommitted facility available of £2 million, which is reviewed on a rolling basis.

*Client retention:* The company competes for clients in a highly competitive industry. The company manages this risk by providing added value services to its clients and by maintaining strong client relationships.

*Employee retention:* In order to attract and retain talented staff we continue to operate our Executive Share Option and Savings-Related Share Option Schemes.

*Fair values of financial assets and financial liabilities:* At 31 December 2008 there was no material difference between the fair value of financial assets and financial liabilities and their book value.

# VCCP Digital Limited

## Directors' report (continued)

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 31 December 2008 as a proportion of the amounts invoiced by suppliers during the year, was 35 days (2007 60 days) in aggregate.

### Going Concern

The accounts have been prepared on a going concern basis see note 1.

### Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information 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.

On 1 December 2008, Deloitte & Touche LLP changed its name to Deloitte LLP. Deloitte 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



FM Sharp

Director

15 / 7 / 2009

# **VCCP Digital Limited**

## **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws 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 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; 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 VCCP Digital Limited**

We have audited the financial statements of VCCP Digital Limited for the year ended 31 December 2008 which comprise the profit and loss account, the reconciliation of movements in shareholders' funds, the balance sheet and the related notes 1 to 15. 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 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 VCCP Digital 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 2008 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.

*Deloitte LLP*

**Deloitte LLP**  
Chartered Accountants and Registered Auditors  
London, United Kingdom

*15 July 2009*



## VCCP Digital Limited

### Profit and loss account Year ended 31 December 2008

	Notes	2008 £	2007 £
<b>Turnover</b>	1,2	4,363,552	2,250,761
Cost of sales		<u>(1,732,353)</u>	<u>(305,714)</u>
Gross profit		2,631,199	1,945,047
Administrative expenses		<u>(2,089,479)</u>	<u>(1,724,439)</u>
<b>Operating profit</b>	4	541,720	220,608
Tax charge on profit on ordinary activities	5	<u>(156,728)</u>	<u>(75,214)</u>
<b>Profit on ordinary activities after taxation</b>		<u><u>384,992</u></u>	<u><u>145,394</u></u>

Turnover and operating profit relate to continuing operations.

There were no recognised gains or losses except as disclosed in the profit and loss account in either the current year or the preceding year.

## VCCP Digital Limited

### Reconciliation of movements in shareholders' funds Year ended 31 December 2008

	2008 £	2007 £
Profit for the financial year after taxation	384,992	145,394
Dividends paid	(300,000)	(35,000)
Credit/(charge) in relation to share based payments	2,238	(1,519)
<b>Net increase in shareholders' funds</b>	<b>87,230</b>	<b>108,875</b>
Opening shareholders' funds/(deficit)	36,019	(72,856)
<b>Closing shareholders' funds</b>	<b>123,249</b>	<b>36,019</b>

# VCCP Digital Limited

## Balance sheet 31 December 2008

	Notes	£	2008 £	£	2007 £
<b>Fixed assets</b>					
Tangible assets	6		53,390		47,664
<b>Current assets</b>					
Work in progress		43,517		13,483	
Debtors	7	1,329,746		952,402	
		1,373,263		965,885	
<b>Creditors: amounts falling due within one year</b>	8	(1,303,404)		(977,530)	
<b>Net current assets/(liabilities)</b>			69,859		(11,645)
<b>Net assets</b>			123,249		36,019
<b>Capital and reserves</b>					
Called up share capital	9		2		2
Share based payment reserve	10, 15		2,309		71
Profit and loss account	10		120,938		35,946
<b>Shareholders' funds</b>			123,249		36,019

These financial statements were approved by the Board of Directors on 15/7/2009.

Signed on behalf of the Board of Directors

*FM Sharp*

FM Sharp  
Director

15/7/2009

# VCCP Digital Limited

## Notes to the financial statements Year ended 31 December 2008

### 1. Accounting policies

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

The company has taken advantage of the exemption contained in FRS 29 "Financial Instruments: Disclosures" and has not produced any disclosures required by that standard, as full FRS 29 disclosures are available in the Chime Communications Plc Annual Report for the year ended 31 December 2008.

#### 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. All turnover relates to the principal activity of the company, advertising agents, which takes place principally in the United Kingdom.

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

#### Tangible fixed assets

Tangible fixed assets are stated at cost less provision for impairment. Depreciation is provided in equal instalments over the estimated useful lives of the assets and is calculated on the cost of the assets using the following annual rates:

Fixtures, fittings, tools 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 works supplied from outside the group awaiting billing to clients at the year end.

#### Pension costs

The company makes contributions to the group's 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 year.

#### 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 by 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.

# VCCP Digital Limited

## Notes to the financial statements Year ended 31 December 2008

### 1. Accounting policies (continued)

#### Cash flow statement

The company's cash flows are included in the consolidated group cash flow statement of Chime Communications plc, the company's ultimate parent undertaking, whose consolidated financial statements are publicly available. Consequently, the company is exempt under the terms of Financial Reporting Standard No. 1 (revised) from publishing a cash flow statement.

#### Share-based payments

The company has applied the requirements of FRS 20 Share-based Payments. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The parent company, Chime Communications Plc ("Chime"), issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured for all schemes with market-based conditions by use of the Monte Carlo model. For all other schemes, fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments.

Chime also provides employees with the ability to purchase the group's ordinary shares at 80% of the current market value. The company records an expense, based on its estimate of the 20% discount related to shares expected to vest on a straight-line basis over the vesting period.

#### Going concern

The Directors have prepared cash flow forecasts which indicate that the company has adequate resources to continue in operational existence for the foreseeable future taking into account a letter supplied by its parent company confirming that they will not require repayment of intercompany balances for a period of 12 months unless the company has sufficient funds to do so. In preparing these forecasts the directors have taken into account the following key factors:

- The possible impact of the continued economic downturn on the company's business,
- Key client account renewals
- The level of committed and variable costs
- Current new business targets compared to levels achieved in previous years

The Directors have concluded, based on the cash flow forecasts, that it is appropriate to prepare the accounts on a going concern basis

# VCCP Digital Limited

## Notes to the financial statements Year ended 31 December 2008

### 2. Business and geographical segments

In the opinion of the directors all turnover is derived from a single class of business. The following table provides an analysis of the company's turnover by geographical market, based on the billing location of the client:

	Revenue by geographical market	
	2008	2007
	£	£
United Kingdom	4,358,327	2,244,737
Europe, Middle East and Africa	5,225	6,024
	<u>4,363,552</u>	<u>2,250,761</u>

### 3. Directors' emoluments and employee remuneration

The emoluments of the directors were borne by another group company.

	2008	2007
	£	£
Employee costs were as follows:		
Wages and salaries	1,543,935	1,135,532
Social security costs	152,524	98,108
Other pension costs	18,913	10,920
	<u>1,715,372</u>	<u>1,244,560</u>

The average weekly number of employees during the year was 31 (2007: 22). All were employed in an advertising & marketing role in the current year & prior year.

## VCCP Digital Limited

### Notes to the financial statements Year ended 31 December 2008

#### 4. Operating profit

	2008 £	2007 £
Operating profit is stated after charging:		
Depreciation of owned tangible fixed assets	22,283	18,909
Fees payable to the company's auditors for the audit of the annual accounts	5,350	5,845

#### 5. Tax charge on profit on ordinary activities

	2008 £	2007 £
Current taxation:		
UK corporation tax at 28.5% (2007: 30%)	142,050	49,290
Adjustment in respect of prior periods	(554)	1,235
	141,496	50,525
Deferred Taxation:		
Timing differences, origination and reversal	15,444	17,734
Adjustment in respect of prior periods	(212)	6,955
	156,728	75,214

# VCCP Digital Limited

## Notes to the financial statements Year ended 31 December 2008

### 5. Tax charge on profit on ordinary activities (continued)

*Factors affecting tax charge for the year:*

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK of 28.5% (2007 - 30%). The differences are explained below:

	2008 %	2007 %
Standard tax rate for the year as a percentage of profits	28.5	30
Effects of:		
Expenses not deductible for tax purposes	0.5	1
Depreciation in excess of capital allowances	(2.0)	(10)
Movement in short term timing differences	(0.5)	2
Share based payments	-	(1)
Prior period adjustments	-	1
	<u>26.5</u>	<u>23</u>
Current tax rate for year as a percentage of profits		

### 6. Tangible fixed assets

	Computer equipment £
<b>Cost</b>	
At 1 January 2008	92,683
Additions	28,009
	<u>120,692</u>
At 31 December 2008	
<b>Depreciation</b>	
At 1 January 2008	(45,019)
Charge for the year	(22,283)
	<u>(67,302)</u>
At 31 December 2008	
<b>Net book value</b>	
At 31 December 2008	<u>53,390</u>
At 31 December 2007	<u>47,664</u>



# VCCP Digital Limited

## Notes to the financial statements Year ended 31 December 2008

### 7. Debtors

	2008 £	2007 £
Trade debtors	609,878	218,240
Amounts owed by group undertakings	400,868	566,455
Deferred tax asset	57,392	72,624
Other debtors	31,390	2,770
Prepayments and accrued income	230,218	92,313
	<u>1,329,746</u>	<u>952,402</u>

	2008 £	2007 £
Movement on deferred tax asset in the year:		
At 1 January 2008	72,624	97,313
Charge to profit and loss account	(15,232)	(24,689)
At 31 December 2008	<u>57,392</u>	<u>72,624</u>

	2008 £	2007 £
<i>Analysis of deferred tax asset</i>		
Capital allowances in excess of depreciation	57,229	68,768
Short term timing differences	-	3,816
Share-based payments	163	40
At 31 December	<u>57,392</u>	<u>72,624</u>

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

	2008 £	2007 £
Bank overdraft	263,214	285,689
Trade creditors	112,828	26,840
Amounts owed to group undertakings	306,761	293,876
Corporation tax	142,050	49,290
Other creditors	131,295	60,199
Accruals and deferred income	347,256	261,636
	<u>1,303,404</u>	<u>977,530</u>

# VCCP Digital Limited

## Notes to the financial statements Year ended 31 December 2008

### 9. Called up share capital

	2008 £	2007 £
<b>Authorised:</b>		
100 ordinary shares of £1 each	100	100
<b>Allotted, called up and fully paid:</b>		
2 ordinary shares of £1 each	2	2

### 10. Statement of movement on reserves

	Share based payment reserve £	Profit and loss account £
Balance at 1 January 2008	71	35,946
Profit for the year	-	384,992
Dividends paid	-	(300,000)
Credit in relation to share based payments	2,238	-
Balance at 31 December 2008	2,309	120,938

### 11. Pension scheme

The company operates a 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 2008 amounted to £18,913 (2007: £71,395). In addition, contributions of £18,913 (2007: £71,395) were made to the personal pension schemes of employees.

### 12. 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.

### 13. Controlling party

The company's ultimate parent undertaking and its ultimate controlling party is Chime Communications plc which is incorporated in Great Britain and registered in England and Wales. 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 VCCP Limited incorporated in Great Britain. Chime Communications plc is the parent undertaking of the smallest and largest group to consolidate these financial statements.

### 14. 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 other group companies qualifying as related parties.

# VCCP Digital Limited

## Notes to the financial statements Year ended 31 December 2008

### 15. Share based payments

#### Equity-settled share plans

The company operates three share plans, an executive share option scheme, an employee savings related scheme and, a deferred share scheme

The exercise price of the options granted under the executive share option scheme is equal to the market value of the company's shares at the time when the options are granted. The vesting period is generally three years but if they are special options they are five years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the group before the options vest. All executive options granted from November 1997 (other than special executive options) are subject to performance criteria as set out in the report to the shareholders on directors' remuneration.

The exercise price of the options granted under the employee savings related scheme is 80% of the market value at the date of offer. The vesting period is five years, if the options remain unexercised six months after this date, the options expire. Furthermore, the options are forfeited if the employee leaves the group before the options vest.

Under the deferred share scheme, restricted shares are awarded to employees at nil cost to the employee. The vesting period is three years from the date of award. If the employee leaves the group before vesting then the restricted shares are forfeit. The employee receives the dividend on the shares during the vesting period.

#### Share Options

	2008		2007 restated	
	Options	Weighted average exercise price (in £)	Options	Weighted average exercise price (in £)
Outstanding at beginning of year	3,845	1.675	19,845	1.440
Granted during the year	8,680	1.125	-	-
Transfer from other group company	-	-	-	-
Lapsed during the year	-	-	(16,000)	1.380
Exercised during the year	-	-	-	-
Outstanding at the end of the year	12,525	1.294	3,845	1.675
Exercisable at the end of the year	-	-	-	-

The options outstanding at 31 December 2008 had a weighted average exercise price of £1.294 (2007 - £1.675), and a weighted average remaining contractual life of 1,572 days (2007 - 1,431 days). In 2008 options were granted on 18 May. The aggregate of the estimated fair values of the options granted on that date is £2,128.

# VCCP Digital Limited

## Notes to the financial statements Year ended 31 December 2008

### 15. Share based payments (continued)

#### Equity-settled share plans (continued)

The fair value was calculated using the Black-Scholes model (2007 – Black-Scholes and Monte Carlo).

In valuing the options, the following assumptions were used:

	2008	2007
Weighted average share price	£1.400	-
Weighted average exercise price	£1.125	-
Expected volatility	33.58%	-
Expected life – executive scheme	-	-
Expected life – savings related scheme	5 years	-
Risk-free rate	5.00%	-
Dividend yield	2.50%	-

Expected volatility was determined by calculating the historical volatility of the group's share price over the previous two years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

#### *Deferred Shares*

	2008 Deferred Shares	2007 Deferred Shares
Outstanding at beginning of year	-	-
Awarded during the year	5,806	-
Outstanding at the end of the year	5,806	-

The restricted shares were awarded on 28 May 2008, the share price at the date of award was £1.257 (2007 - £nil). The remaining contractual life is 878 days (2007 – nil days). The estimated fair values of the restricted shares awarded is £6,070 (2007 - £nil).

The fair value was calculated with reference to the share price at the date of award.

The company recognised total expenses of £2,238 and £1,519 related to equity-settled share-based payment transactions in 2008 and 2007 respectively.

Comparatives have been restated to take account of the 1 for 5 share consolidation carried out by Chime Communications Plc on 14 May 2008.