

Company Registration No. 4133843

Heresy Limited

Report and Financial Statements

31 December 2005



Heresy Limited

Report and financial statements 2005

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Heresy Limited

Report and financial statements 2005

Officers and professional advisers

Directors

R E Davison
F M Sharp

Secretary

R E Davison

Registered office

14 Curzon Street
London
W1J 5HN

Solicitors

Slaughter and May
1 Bunhill Road
London
EC1Y 8YY

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Heresy Limited

Directors' report

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

Activities

The principal activity of the company is the provision of services as a marketing communications company and it is the intention of the directors that it should continue to be so. The directors consider the results for the period to be a fair reflection of the company's services into the field of marketing communications. On 1 September 2005, the ultimate parent implemented a restructuring of the group's businesses. Under the reconstruction, the business and all assets and liabilities of Heresy Limited were transferred to VCCP. Accordingly, the directors have prepared the financial statements on the basis that the company is no longer a going concern (note 1).

Results and dividends

The profit and loss account is set out on page 6 and shows a loss for the year after tax of £19,468 (2004 profit of £304,147).

Directors and their interests

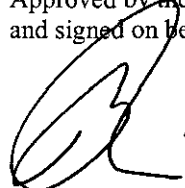
The current directors of the company, who have served throughout the year, are shown on page 1.

The interests of R E Davison and F M Sharp in Chime Communications plc are shown in the financial statements of HHCL Group Ltd and Girardot Partners Limited respectively.

Auditors

On 29 March 2001 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.

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



R E Davison
Director

31/10/ 2006

Heresy 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 to 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.

Heresy Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HERESY LIMITED

We have audited the financial statements of Heresy Limited for the year ended 31 December 2005 which comprise the profit and loss account, 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

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.

Emphasis of matter - Financial statements prepared on a basis other than that of a going concern.

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

Heresy Limited

Opinion

In our opinion:

- the company 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 its loss for the year then ended; and
- the company 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

31st October 2006

Heresy Limited

Profit and loss account Year ended 31 December 2005

	Note	2005 £	2004 £
Turnover	1	3,618,542	5,841,898
Cost of sales		(2,114,802)	(3,022,346)
Gross profit		1,503,740	2,819,552
Administrative expenses		(1,550,530)	(2,429,580)
Operating (loss)/profit		(46,790)	389,972
Tax credit/(charge) on (loss)/profit on ordinary activities	4	27,322	(85,825)
(Loss)/profit for the financial year		(19,468)	304,147
Dividends	5	-	(45,000)
Retained (loss)/profit for the financial year	11	(19,468)	259,147

There were no recognised gains or losses or movements in shareholders' funds in the current or prior year, except as disclosed in the profit and loss account.

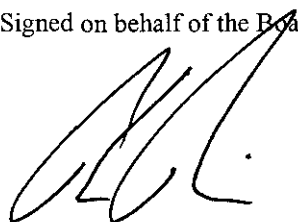
Hersey Limited

Balance sheet 31 December 2005

	Note	£	2005 £	£	2004 £
Fixed assets					
Intangible assets	7		-		55,651
Tangible assets	6		-		24,978
			-		80,629
Current assets					
Work in progress		-		1,743	
Debtors	8	1,341,472		1,870,774	
Cash at bank		1,832,633		883,627	
			3,174,105	2,756,144	
Creditors: amounts falling due within one year					
	9	(3,054,661)		(2,697,861)	
Net current assets			119,444		58,283
Total assets less current liabilities			119,444		138,912
Capital and reserves					
Called up share capital	10		2		2
Profit and loss account	11		119,442		138,910
Shareholders' funds			119,444		138,912

These financial statements were approved by the Board of Directors on 31/10/ 2006.

Signed on behalf of the Board of Directors



R E Davison

Director

Heresy Limited

Notes to the accounts Year ended 31 December 2005

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The principal accounting policies adopted which have been applied consistently through out the current and prior year are described below.

As explained in note 14 and in the Directors' Report the company transferred its trade, assets and liabilities to a fellow subsidiary company on 1 September 2005 and has ceased trading. As required by FRS 18 Accounting Policies, the directors have prepared the financial statements on the basis that the company is no longer a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis. All assets and liabilities were transferred to the fellow subsidiary company at their book value.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents the total of amounts invoiced to clients, exclusive of value added tax, in respect of fees, commission, advertising production costs and rechargeable expenses. The turnover and pre-tax profit, all of which arises in the United Kingdom, is attributable to one activity, the provision of services as a marketing services company.

Commission income and fees are recognised over the period of the relevant assignments or agreements. Other income is recognised when earned.

Tangible fixed assets

Tangible fixed assets are stated at cost less any provision for depreciation and any impairment.

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets over their expected useful lives. It is calculated on a straight-line basis over the following number of years.

Furniture and Fixtures	-	over four years
Computer Equipment	-	over four years

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

Advanced receipts against production costs

Advanced receipts against production costs are estimated costs of production payable to suppliers, billed to clients in advance.

Heresy Limited

Notes to the accounts Year ended 31 December 2005

1. Accounting policies (continued)

Leases

Rental costs under operating leases are charged to the profit and loss account in equal amounts over the periods of the leases.

Goodwill

Goodwill arising on the acquisition of businesses has been capitalised as an intangible fixed asset. The asset does not have a defined economic life and is therefore not amortised. The carrying values will be reviewed annually for impairment and adjusted to the recoverable amount as necessary.

The financial statements depart from the specific requirements of the Companies Act 1985 to amortise goodwill over a finite period in order to give a true and fair view. In the opinion of the directors, it is not possible to determine the useful economic life of goodwill arising because of the nature of the businesses acquired and the specific circumstances of the industry within which the Group operates. Due to the infinite life of these assets, it is not possible to quantify the impact.

Cashflow statement

The Company's cashflows are included in the consolidated group cashflow 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 cashflow statement.

2. Operating (loss)/profit

	2005 £	2004 £
Operating (loss)/profit is after charging:		
Depreciation on owned assets	10,885	19,316
Auditors' remuneration— audit services	4,000	5,525

3. Information regarding directors and employees

	2005 £	2004 £
Staff costs consist of:		
Wages and salaries	864,173	1,397,282
Social security costs	91,064	161,417
Pension costs	27,409	40,695
	<u>982,646</u>	<u>1,599,394</u>

The average weekly number of employees, including directors, during the year was 15 (2004: 25).

The directors received no emoluments in respect of their services as directors of the company in either this or the preceding financial year.

Heresy Limited

Notes to the accounts Year ended 31 December 2005

4. Tax on (loss)/profit on ordinary activities

	2005 £	2004 £
<i>Analysis of tax credit/ (charge) on ordinary activities</i>		
Current taxation:		
UK corporation tax at 30% (2004: 30%)	21,004	(116,581)
Adjustment in respect of prior years	32,022	27,669
	<hr/> 53,026	<hr/> (88,912)
Deferred taxation:		
Timing differences, origination and reversal	(9,416)	(7,625)
Adjustment in respect of prior years	(16,287)	10,712
	<hr/> 27,322	<hr/> (85,825)

Factors affecting tax charge for the year:

The tax assessed for the year is higher than that resulting from applying the standard rate of corporation tax in the UK of 30% (2003 – 30%). The differences are explained below:

	2005 %	2004 %
Standard tax rate for the year as a percentage of profits	30	30
Effects of:		
Expenses not deductible for tax purposes	(5)	2
Capital allowances in excess of depreciation	20	-
Movement in short term timing differences	-	(2)
Prior period adjustments	68	(7)
	<hr/> 113	<hr/> 23

5. Dividends

	2005 £	2004 £
Final dividend paid of £nil per share (2004: £22,500 per share)	-	45,000

Heresy Limited

Notes to the accounts Year ended 31 December 2005

6. Tangible fixed assets

	Furniture and fixtures £	Computer equipment £	Total £
Cost			
At 1 January 2005	34,987	178,479	213,466
Additions	-	26,607	26,607
Disposals	(33,181)	(48,908)	(82,089)
Transfers to group companies	(1,806)	(156,178)	(157,984)
	<hr/>	<hr/>	<hr/>
At 31 December 2005	-	-	-
Depreciation			
At 1 January 2005	(34,549)	(153,939)	(188,488)
Charge for the year	(102)	(10,783)	(10,885)
Disposals	33,180	48,908	82,088
Transfers to group companies	1,471	115,814	117,285
	<hr/>	<hr/>	<hr/>
At 31 December 2005	-	-	-
Net book value			
At 31 December 2005	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2004	438	25,540	24,978
	<hr/>	<hr/>	<hr/>

7. Intangible assets

	Goodwill £
As at 1 January 2005	55,651
Disposal	(55,651)
	<hr/>
	-
	<hr/>

Heresy Limited

Notes to the accounts Year ended 31 December 2005

8. Debtors

	2005 £	2004 £
Trade debtors	579,439	817,382
Amounts owed by fellow group undertakings	759,576	972,345
Other debtors	1,857	2,782
Prepayments and accrued income	-	12,942
Deferred tax asset	600	65,319
	<u>1,341,472</u>	<u>1,870,774</u>

An analysis of the deferred tax asset is given below:

	2005 £	2004 £
<i>Deferred tax asset movement</i>		
At 1 January	65,321	17,117
(Charge) / Credit to profit and loss account	(25,703)	3,087
Amounts arising on disposal of business	(39,018)	-
Amounts arising on acquisition of business	-	45,117
At 31 December	<u>600</u>	<u>65,321</u>

The amount of £nil (2004: £45,117) arising from acquisition of business relates to transfers from Roose and Partners Limited as a result of a group reconstruction that was effected on 1 January 2004.

	2005 £	2004 £
<i>Analysis of deferred tax asset</i>		
Capital allowances in excess of depreciation	-	48,434
Short term timing differences	600	16,887
	<u>600</u>	<u>65,321</u>

Heresy Limited

Notes to the accounts Year ended 31 December 2005

9. Creditors: amounts falling due within one year

	2005 £	2004 £
Trade creditors	47,947	525,619
Amounts owed to group undertakings	2,732,624	1,490,112
Corporation tax	195	148,602
Creditors for taxation and social security	17,656	42,424
Other creditors	84,759	130,664
Advance receipts against production costs	161,686	121,119
Accruals and deferred income	9,794	239,321
	<u>3,054,661</u>	<u>2,697,861</u>

10. Called up share capital

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

11. Reserves

	£
At 1 January 2005	138,910
Loss for the year	<u>(19,468)</u>
At 31 December 2005	<u>119,442</u>

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. 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.

Heresy Limited

Notes to the accounts

Year ended 31 December 2005

14. Ultimate parent company

At 31 December 2005 the company's ultimate parent undertaking and controlling party was Chime Communications plc, which is incorporated in Great Britain. Chime Communications plc is the parent undertaking of the smallest and largest group to consolidate these financial statements.

Copies of the consolidated financial statements of Chime Communications plc are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

On 1 September 2005, the ultimate parent implemented a restructuring of the group's businesses. Under the reconstruction, the business and all assets and liabilities of Heresy Limited were transferred to VCCP.

15. Group reconstruction

On 1 September 2005, the ultimate parent implemented a restructuring of the group's businesses. Under the reconstruction, the business and all assets and liabilities of Heresy Limited were transferred to VCCP Limited as follows.

	£
Tangible assets	22,638
Investments	55,651
	<hr/>
Net assets disposed	78,289
	<hr/>

The consideration payable in respect of the above transfers was equal to the net book values and is included under amounts owed to group companies (note 9).