Annex E

The Advertising Standards Authority (Broadcast) Limited

Report and Financial Statements

31 December 2009

Registered No. 5130991

Council members and directors
Lord Smith of Finsbury (Chairman)
Mr J L S Best
Ms L A Bolch
Ms E Fagan
Ms A M Goodman
Mr R D Harker
Professor S G J Jones
Mr J Mayhead
Mr C Philpott
Mr N N Walmsley
Mr N R Watts
Ms D S Whitworth
Ms A E Wilkes

Secretary
Mr P D Griffiths

Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers
Lloyds TSB Bank PLC
32 Oxford Street
London W1A 2LD

Solicitors
Bates Wells & Braithwaite London LLP
2-6 Cannon Street
London EC4M 6YH

Registered Office
Mid City Place
71 High Holborn
London WC1V 6QT

Report of the Council

The Council has pleasure in presenting its report and financial statements for the year ended 31 December 2009.

Council members and directors

The Council members who served during the year were as follows:

Lord Smith of Finsbury (Chairman)
Mr J L S Best*
Ms L A Bolch
Baroness Coussins (retired 3 April 2009)
Ms E Fagan*
Ms A M Goodman
Mr R D Harker
Professor S G J Jones
Mr J Mayhead * (appointed 1 August 2009)
Ms S E Murray * (retired 31 July 2009)
Mr C Philpott
Mr N N Walmsley*
Mr N R Watts
Ms D S Whitworth
Mr A E Wilkes (elected 3 April 2009)

* Advertising members are denoted by an asterisk. In accordance with the Articles of Association, Baroness Coussins and Ms S Murray retired by rotation.

Principal activity

The principal activity of the Authority is to promote and enforce the highest standards of advertising in all broadcast media throughout the United Kingdom.

Financial statements

The results for the year and the state of the Authority's affairs are set out in the attached financial statements.

The Authority is a company limited by guarantee and has no share capital. The Authority is precluded by its memorandum from making any distribution to its members.

Review of activities

The costs of the Authority continue to be closely monitored by its management.

Key risks and performance indicators

As part of its annual planning process management produces a Plan and Budget for the following year. This Annual Plan also identifies the Key Risks to the company and the Key Performance Indicators that will be used to assess the company's performance. A systematic risk analysis is undertaken which identifies risk against political, economic, societal, technological, legal and environmental factors (PESTLE). From this analysis Key Risks are identified and rated by importance and likelihood, and action is agreed to mitigate such eventuality.

The most significant risks were that the ASA could not 'welcome' future-proofing proposals; that a severe economic downturn would hit levy income; and that politicians would turn against self-regulation over alcohol, gambling and/or food. Other significant risks included the loss of key senior staff; a tight pay round would cause friction and staff turnover would rise; Copy Advice would be unable to keep up with the demand from new customers; the Codes Review milestones were missed; increasingly IT-dependent operation were hit by poor systems performance; disruptions were caused by terrorist incident; on-line advertisers would decline to

Report of the Council

contribute to the asbof levy; an overspend against budget; being too slow to act on high profile food, alcohol or gambling ads, the EU would impose further regulation in the name of public health; OFT priorities meant it would not support ASA referrals; a breach of data protection rules; the AVMS settlement would impose unduly burdensome obligations; and losing at Judicial review;

As it turned out, work on future-proofing the system by extending its on-line remit progressed satisfactorily, if slowly; the severe economic downturn had a major impact on levy income with significant cuts in spending being made to accommodate it; and the reputation of self-regulation of advertising remained generally high, notwithstanding criticism from specific lobbies. The departure of one or two of the four senior members of staff was unexpected but its impact was mitigated by budget cuts and projects being frozen; the tight pay round, whilst unwelcome, did not cause an increase in staff turnover; Copy Advice was able to keep up with demand; the Code Review milestones were met; IT systems performed well; there was no disruption from terrorist incident, and only minor disruption from a fire at Mid City Place; on-line advertisers agreed to help fund an extended digital remit through a levy on paid search ads served through agencies; spending was contained well within budget; we met our KPIs; further regulation from the EU did not materialise; the OFT has been broadly supportive on referrals; there was no breach of data protection regulations; consultations on AVMS developments continue; and we have not been found against at Judicial Review.

Similarly, key performance indicators are set for the resolution of complaints against non broadcast advertising; these are target working days for the completion of different categories of investigation. They are monitored during the year and the outcomes published quarterly on the website and annually in the company's Annual Report.

Audit Committee

The Audit Committee comprises a chairman, at least three other directors and the Company Secretary. The Committee meets not less than twice a year with the ASA Chairman and Director General in attendance and, once per year, the auditors also attend. The Committee reviews the draft financial statements and post-audit findings before their presentation to the Board. The Committee examines the company's revenues and costs and advises on areas such as business performance and risk management. It also monitors the company's internal controls and financial reporting. Any significant findings or identified weaknesses are closely examined so that appropriate action can be taken, monitored and reported to the Board. The Audit Committee advises the Board on the appointment of external auditors.

Auditors

A resolution to reappoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

Report of the Council

Council members' and directors' statement as to disclosure of information to auditors

The council members and directors who were members of the Council at the time of approving the Report of the Council are listed on page 1. Having made enquiries of fellow council members and directors and of the company's auditors, each of these council members and directors confirms that:

- To the best of each council member's and director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- Each council member and director has taken all the steps a council member and a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

By order of the Council

Philip Griffiths
Secretary

Statement of council members' and directors' responsibilities

The council members and directors are responsible for preparing 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 council members and directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 council members and 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

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ERNST & YOUNG

Independent auditor's report

to the members of The Advertising Standards Authority (Broadcast) Limited

We have audited the company's financial statements for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Council members' and Directors' Responsibilities Statement set out on page 5, the council members and directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended;
- have been properly prepared In accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Council for the financial year for which the financial statements are prepared is consistent with the financial statements.

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ERNST & YOUNG

Independent auditors' report

to the members of The Advertising Standards Authority (Broadcast) Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of council members' and directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Gordon Cullen (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London

Date

Profit and loss account

for the year ended 31 December 2009

	Notes	2009 £	2008 £
Income	2	2,785,000	2,936,000
Costs			
Staff costs	3	(1,670,986)	(1,717,481)
Other operating charges		(929,721)	(1,056,634)
		(2,600,707)	(2,774,115)
Operating profit	4	184,293	161,885
Bank interest receivable		6,007	26,077
Profit on ordinary activities before taxation		190,300	187,962
Tax on profit on ordinary activities	5	(41,037)	(39,376)
Profit on ordinary activities after taxation		149,263	148,586

Statement of total recognised gains and losses

for the year ended 31 December 2009

There are no recognised gains or losses other than the profit attributable to the company of £149,263 for the year ended 31 December 2009 (2008 - £148,586).

Balance sheet

at 31 December 2009

	Notes	2009 £	2008 £
Fixed assets			
Tangible assets	6	99,996	119,155
Current assets			
Debtors	7	61,904	94,104
Cash at bank and in hand		302,211	266,461
		364,115	360,565
Creditors: amounts falling due within one year	8	(518,675)	(683,547)
Net current liabilities		(154,560)	(322,982)
Total assets less current liabilities		(54,564)	(203,827)
Creditors: amounts falling due after more than one year		-	-
Net liabilities		(54,564)	(203,827)
Capital and reserves			
Profit and loss account		149,263	148,586
Retained earnings		(203,827)	(352,413)
		(54,564)	(203,827)

Lord Smith of Finsbury
Chairman of the Board

Member of the Council

P Griffiths
Secretary

Notes to the financial statements

at 31 December 2009

1. Accounting policies

Accounting convention and basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

The company is financed by The Broadcast Advertising Standards Board of Finance Limited and therefore the directors consider it appropriate to prepare the financial statements on the going concern basis. Cash received from The Broadcast Advertising Standards Board of Finance Limited is credited to the profit and loss account during the accounting period in which it is received.

All expenditure is dealt with on an accruals basis.

Depreciation

Depreciation is provided on all fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life as follows:

Leasehold improvements	– over the remaining term of the lease (which expires in 2014)
Computer equipment	– 4 years
Motor vehicles	– 4 years
Office furniture and equipment	– 4 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits in the foreseeable future from which the reversal of the underlying timing differences can be deducted. Deferred tax is not recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being recognised only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is measured on a non-discounted basis.

Notes to the financial statements

at 31 December 2009

1. **Accounting Policies (continued)**

Leases

Rentals paid under operating leases are charged to income over the lease term.

Pensions

The company utilises a defined contribution pension scheme. Contributions to the defined contribution scheme are charged to the profit and loss account as they become payable.

2. Income

Income represents cash received from The Broadcast Advertising Standards Board of Finance Limited.

3. Staff costs

	2009	2008
	£	£
Wages and salaries	1,447,666	1,469,976
Social security costs	151,347	156,738
Other direct staff costs	71,973	90,767
	1,670,986	1,717,481

The monthly average number of employees during the year was 102 (2008 – 103).

The total emoluments and fees paid to the Council members, including the Chairman, were £183,505 (2008 – £173,400). The emoluments (including benefits) in respect of the Chairman, being the highest paid director, were £62,118 (2008 – £61,490) and £649 (2008 – £590) to pension schemes. Council members were remunerated at £15,000 per annum, as in 2005, 2006, 2007 and 2008.

The emoluments of the Chairman and Council members represent an equal share between the Advertising Standards Authority Limited and the Advertising Standards Authority (Broadcast) Limited.

4. Operating Profit

This is stated after charging:

	2009	2008
	£	£
Emoluments of Council members:		
Emoluments, attendance allowances and travelling expenses	121,387	120,190
Auditors' remuneration – audit	4,300	4,300
– non-audit	4,850	3,000
Depreciation	69,109	70,056
Operating lease rentals– land and building	157,000	157,000

Notes to the financial statements

at 31 December 2009

5. Tax

(a) Tax on profit on ordinary activities

	2009 £	2008 £
Current tax:		
UK corporation tax	1,261	5,411
Adjustments in respect of previous periods	-	-
	1,261	5,411
Deferred tax:		
Origination and reversal of timing differences (note 5(c))	39,776	32,774
Effect of changes in tax rate on opening liability	-	1,191
Total tax charge for the year	41,037	39,376

(b) Factors affecting the current tax charge for the year

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 21.00% (2008 – 20.75%). The differences are reconciled below:

	2009 £	2008 £
Profit on ordinary activities before tax	190,300	187,962
Profit on ordinary activities multiplied by UK standard rate of corporation tax of 21.00% (2008 – 20.75%)	39,963	39,002
Effect of:		
Expenses not deductible for tax purposes	2,267	-
Utilisation of brought forward losses	(48,687)	(32,822)
Depreciation in excess of capital allowances	7,718	(769)
Adjustments in respect of previous periods	-	-
Change in tax rate	-	-
Current tax charge for the year	1,261	5,411

Notes to the financial statements

at 31 December 2009

5. Tax (continued)

(c) Deferred tax

The deferred tax included in debtors (note 7) in the balance sheet is as follows:

	2009	2008
	£	£
Originating and reversal of timing differences	26,238	66,014

	2009
	£
At 1 January 2009	66,014
Deferred tax debit in profit and loss account	(39,775)
Adjustments in respect of prior years	(1)
At 31 December 2009	26,238

6. Fixed assets

	Leasehold improvements	Office equipment	Computers	Cars	Total
	£	£	£	£	£
Cost at 1 January 2009	1,030	31,916	215,278	32,443	280,667
Additions	-	-	49,432	9,574	59,006
Disposals	-	-		(32,443)	(32,443)
At 31 December 2009	1,030	31,916	264,710	9,574	307,230
Depreciation:					
At 1 January 2009	295	25,988	120,840	14,389	161,512
Charge for the year	147	3,158	54,412	11,392	69,109
Disposals	-	-	-	(23,387)	(23,387)
At 31 December 2009	442	29,146	175,252	2,394	207,234
Net book value:					
At 1 January 2009	735	5,928	94,438	18,054	119,155
At 31 December 2009	588	2,770	89,458	7,180	99,996

Notes to the financial statements

at 31 December 2009

7. Debtors

	2009	2008
	£	£
Prepayments	35,666	28,090
Deferred tax asset	26,238	66,014
	61,904	94,104

8. Creditors: amounts falling due within one year

	2009	2008
	£	£
Deferred rent	-	40,376
Payable to Advertising Standards Authority Ltd	385,837	517,960
Accruals and other creditors	131,666	119,800
Corporation tax	1,172	5,411
	518,675	683,547

9. Pension schemes

The pension costs for the company during the year were £71,973 (2008 – £90,768).

The company utilises a defined contribution scheme - a Self Invested Personal Pension (SIPP) - with Legal & General (from 6 April 2008). The company matches staff contributions up to 5% of pensionable salary for staff (15% for senior management). Members' contributions are variable.

10. Other financial commitments

The company has annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2009	Land and buildings 2008
	£	£
Operating leases which expire:		
In more than five years.	157,000	157,000

11. Related parties transaction

During the year, the company was charged £937,055 (2008 – £1,081,206) by the Advertising Standards Authority Limited for shared costs which were apportioned on staff headcount and workload. At the balance sheet date the amount in credit to ASA was £385,837 (2008 – owed £517,960).

Detailed profit and loss account (Unaudited and not for publication)

for the year ended 31 December 2009

	2009 £	2008 £
Income		
Cash received from The Broadcast Advertising Standards Board of Finance Limited	2,785,000	2,936,000
Expenses		
Salaries and direct staff costs	(1,670,986)	(1,717,482)
Other staff costs	(32,829)	(97,187)
Rent and accommodation costs	(299,652)	(245,556)
Travel, subsistence and entertaining	(14,759)	(12,275)
Consultancy and professional fees	(181,072)	(199,954)
CRM costs	(51,536)	(68,763)
Depreciation	(69,109)	(70,056)
Telephone, postage, printing, stationery and other general expenses	(170,235)	(212,033)
Advertising and promotion	(110,529)	(150,809)
	(2,600,707)	(2,774,115)
Operating Profit	184,293	161,885
Interest receivable	6,007	26,077
Profit on ordinary activities before taxation	190,300	187,962
Tax on profit on ordinary activities	(41,037)	(39,376)
Profit on ordinary activities after taxation	149,263	148,586