Company Registration No. 02538908

THE PRESS COMPLAINTS COMMISSION LIMITED

Report and Financial Statements

31 December 2005

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THE PRESS COMPLAINTS COMMISSION LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

CONTENTS

THE PRESS COMPLAINTS COMMISSION LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Sir Christopher Meyer KCMG (Chairman)
Matti Alderson
Roger Alton
Paul Dacre
Jane Ennis
Spencer Feeney
Vivien Hepworth
Peter Hill
Paul Horrocks
Ian Nichol
Adam Phillips
Eve Salomon
Dianne Thompson CBE
Derek Tucker
Bishop John Waine 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

Sheridans
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 2005.

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 deficit of £24,853 (2004 - surplus £82,599) for the year.

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

TRADING REVIEW

As a conciliator of complaints, the Commission had a record year in 2005. The total number of complaints that were successfully resolved to the express satisfaction of the complainant rose by 41% to 348. This was 76% of all cases where there may have been a breach of one of the 16 clauses of the Code. In a further 22% of cases, PCC staff negotiated offers from the publication that, while not acceptable to the complainant, were judged by the board of the Commission to represent appropriate remedial action under the terms of the Code. In just 2% of possible breaches of the Code did editors not offer an acceptable remedial response to a complaint; these cases were all upheld. All newspapers and magazines which were criticised complied with the Code's requirement to publish the Commission's findings in full and with due prominence.

The Commission had a good record at obtaining prominent corrections and apologies to stories that breached the Code. In total - including those publications which have a corrections column - the resolution appeared on the same page, further forward or in the corrections column in 81% of cases.

The total number of complaints received was 3,654 - by a small number the highest in the Commission's history. This global figure, however, includes a large number which fell outside the remit of the Commission, were made by third parties not directly connected with an article, or otherwise could not be considered. In 2005, 67.5% of complaints specified under the Code concerned the accuracy of articles, around 20% related to issues of privacy, 10% to discrimination and the remainder to newsgathering issues.

As ever, the Commission had an extensive external relations programme which involved Open Days in Belfast and Newcastle, dozens of training lectures and seminars for students, meetings with interested parties about the Code's relevance to them, and attending numerous conferences, including the 7th annual meeting of the Alliance of Independent Press Councils of Europe. Full details are set out in the Commission's annual report. In addition, one innovation in 2005 was a series of training seminars for working journalists.

The Commission continued to be wholly 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 2005 there were 17 members (2004 - 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)	
Matti Alderson	
Roger Alton	
Professor The Lord Chan MBE	(deceased 21 January 2006)
Edmund Curran	(resigned 30 April 2006)
Paul Dacre	
Jane Ennis	
Mary Francis	(resigned 28 February 2006)
Dr Arthur Hearnden OBE	(resigned 30 June 2005)
Vivien Hepworth	
Peter Hill	
Paul Horrocks	
Charles McGhee	(resigned 31 December 2005)
Adam Phillips	
Eve Salomon	
Dianne Thompson CBE	
Bishop John Waine KCVO	
Rear Admiral Nick Wilkinson CB	(appointed 1 July 2005)

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.

The following were appointed as directors after the year end as follows:

Derek Tucker	(appointed 1 January 2006)
Ian Nichol	(appointed 1 March 2006)
Spencer Feeney	(appointed 1 May 2006)

AUDITORS

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

C.R. Meyer Sir Christopher Meyer KCMG 14.06.06

Matti Alderson 14.06.06

Directors M Alderson

THE PRESS COMPLAINTS COMMISSION LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

United Kingdom 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 Generally Accepted Accounting Practice of the state of affairs of the company and of the surplus or deficit 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; 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 2005 which comprise the income and expenditure account, the balance sheet and the related notes 1 to 14. 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 for the above year 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its deficit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

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

23 June 2006

THE PRESS COMPLAINTS COMMISSION LIMITED

INCOME AND EXPENDITURE ACCOUNT
Year ended 31 December 2005

	Note	2005 £	2004 £
INCOME	4	1,657,400	1,655,005
Administrative expenses		(1,682,792)	(1,546,983)
OPERATING (DEFICIT) SURPLUS	5	(25,392)	108,022
Interest receivable		2,155	1,111
Interest payable	8	(33)	(1,442)
(DEFICIT) SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		(23,270)	107,691
Tax on (deficit) surplus on ordinary activities	9	(1,583)	(25,092)
(DEFICIT) SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION		(24,853)	82,599
Retained deficit brought forward		(63,385)	(145,984)
Retained deficit carried forward		(88,238)	(63,385)

All amounts derive from continuing operations.

There were no recognised gains or losses other than the deficit for the current financial year and the surplus 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 2005

	Note	2005 £	2004 £
FIXED ASSETS			
Tangible assets	10	55,724	47,609
CURRENT ASSETS			
Debtors	11	36,092	23,667
Cash at bank and in hand		21,513	34,106
		57,605	57,773
CREDITORS: amounts falling due within one year	12	(198,449)	(164,419)
NET CURRENT LIABILITIES		(140,844)	(106,646)
TOTAL ASSETS LESS CURRENT LIABILITIES		(85,120)	(59,037)
PROVISION FOR LIABILITIES AND CHARGES	13	(3,118)	(4,348)
TOTAL NET LIABILITIES		(88,238)	(63,385)
RESERVES			
Accumulated deficit		(88,238)	(63,385)

These financial statements were approved by the Board of Directors on 14 June 2006

Signed on behalf of the Board of Directors

C.R. Meyer Sir Christopher Meyer KCMG

V.M. Hepworth

Directors V Hepworth

THE PRESS COMPLAINTS COMMISSION LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

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 2005 there were 17 members (2004 - 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

Deferred tax

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.

3. GOING CONCERN

At the balance sheet date, liabilities exceeded assets by £88,238 (2004 - £63,385).

The company meets its day-to-day working capital requirements, by continuing support from The Press Standards Board of Finance Limited (PRESSBOF) and PRESSBOF has confirmed that it is willing to support the company, for the forthcoming year.

On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from a withdrawal of support by PRESSBOF.

THE PRESS COMPLAINTS COMMISSION LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

4. INCOME

	2005 £	2004 £
Press Standards Board of Finance Limited contribution	1,657,400	1,655,005

5. OPERATING (DEFICIT) SURPLUS

	2005 £	2004 £
This is stated after charging:		
Depreciation of own assets	19,720	23,450
Hire of assets under operating leases:		
Land and buildings	62,500	62,500
Other	21,089	14,974
Auditors' remuneration:		
Audit services	10,453	9,724
Other services	2,971	2,615

6. EMPLOYEES

	2005 No.	2004 No.
The average number of employees during the year was as follows:		
Directors (of whom 7 were unpaid)	17	17
Office staff	16	16

	£	£
Staff costs (including directors) consist of:		
Wages and salaries	815,173	779,040
Social security costs	83,172	81,045
Other pension costs	28,863	25,796
	927,208	885,881

7. DIRECTORS' REMUNERATION

	2005 £	2004 £
Directors' stipends	89,972	96,615
Highest paid director	160,000	156,250
Aggregate emoluments	249,972	252,865

THE PRESS COMPLAINTS COMMISSION LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £	2004 £
Bank interest	33	1,442

9. TAX ON (DEFICIT) SURPLUS ON ORDINARY ACTIVITIES

	2005 £	2004 £
Current tax		
UK corporation tax at the rate of 19% (2004 - 19%)	2,813	27,378
Adjustment in respect of prior year	-	(431)
Current tax charge	2,813	26,947
Deferred tax		
Timing differences, origination and reversal	(1,230)	(1,855)
Deferred tax (note 13)	(1,230)	(1,855)
Total tax charge	1,583	25,092

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK: 19% (2004 - 19%).

The differences are explained below:

	2005 £	2004 £
(Deficit) surplus on ordinary activities before tax	(23,270)	107,691
Tax charge at 19% thereon	(4,421)	20,462
Effects of:		
Expenses not deductible for tax purposes	7,341	5,061
Capital allowances in deficit of depreciation	1,230	1,855
Adjustment in respect of prior year	-	(431)
Marginal relief	(1,337)	-
Current tax charge for year	2,813	26,947

THE PRESS COMPLAINTS COMMISSION LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

10. TANGIBLE FIXED ASSETS

	Leasehold improve-ments £	Computer equipment £	Office furniture and equipment £	Total £
Cost				
At 1 January 2005	-	151,296	128,962	280,258
Additions	11,006	16,829	-	27,835
At 31 December 2005	11,006	168,125	128,962	308,093
Depreciation				
At 1 January 2005	-	115,572	117,077	232,649
Charge for the year	-	17,343	2,377	19,720
At 31 December 2005	-	132,915	119,454	252,369
Net book value				
At 31 December 2005	11,006	35,210	9,508	55,724
At 31 December 2004	-	35,724	11,885	47,609

11. DEBTORS

	2005 £	2004 £
Other debtors	5,709	4,522
Prepayments and accrued income	30,383	19,145
	36,092	23,667

All amounts are due within one year.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £	2004 £
Bank overdraft	-	4,829
Trade creditors	73,435	72,475
Corporation tax	2,813	27,378
Other taxation and social security	31,639	30,589
Accruals and deferred income	90,562	29,148
	198,449	164,419

THE PRESS COMPLAINTS COMMISSION LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

13. PROVISION FOR LIABILITIES AND CHARGES

Movement on deferred taxation balance in the year.

	Deferred taxation £
At 1 January 2005	4,348
Credit to profit and loss account (note 9)	(1,230)
At 31 December 2005	3,118

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

	Provided		Unprovided	
	2005 £	2004 £	2005 £	2004 £
Capital allowances in excess of depreciation	3,118	4,348	-	-

14. OPERATING LEASE COMMITMENTS

	Land and buildings 2005 £	Other 2005 £	Land and buildings 2004 £	Other 2004 £
The following amounts fall due within one year under leases which expire:				
In less than one year	31,250	223	-	-
In two to five years	-	16,863	62,500	14,452
	31,250	17,086	62,500	14,452