

FINANCIAL STATEMENTS 2005



WORLD

ESOMAR

RESEARCH

MANAGEMENT REPORT

2005 MANAGEMENT REVIEW

Year end 2005 saw a small surplus, compared to a small forecasted loss compared to 2004 which saw a significantly higher result.

Revenues increased 12% to €6.4 million. However, due to substantial investments in key development projects the operating result was significantly lower than 2004. This was anticipated in the budget.

The gross surplus made on Professional Standards and Membership decreased slightly. Membership numbers increased from 3,924 at the beginning to 3,981 by the end of the year.

2005 Key Global Industry Initiatives embraced in the ESOMAR World Industry Network (WIN) platform included the further development of the Responsible Research Regulation project to coordinate the strengthening of national self-regulation. This project is based on the production of an international template with clear rules to safeguard the quality and ethics of research. In addition, the Developing Talent project focused on enhancing the skills, know-how and expertise of future market research professionals.

Gross surplus on Professional Development activities was slightly lower than budget and substantially lower than 2004. The annual Congress held in Cannes (France) attracted over a thousand attendees and saw the launch of the new ESOMAR corporate identity. Conferences that contributed to the surplus were Panel Research (Budapest, Hungary), Asia Pacific (Tokyo, Japan), Qualitative Research (Barcelona, Spain)

and the Worldwide Audience Measurement Conference (Montreal, Canada). Investments were made in conferences related to Age Matters, Financial Services (both in London, UK) and the Global Forum (New York, USA).

Publishing activities include the monthly magazine Research World and sales of conference CD-ROMs and books. In 2005, further investments were made to improve the editorial content and design of Research World, to reflect the new corporate identity. As a result of increased advertising revenues the net loss was slightly lower than 2004. During the fourth quarter a pilot was launched for a subscription model for Research World to enlarge readership.

Overhead costs were significantly above budget and higher than 2004. This was due to an increase in employee numbers and substantial investments in the development and launch of a new corporate identity, website, and CRM system.

FINANCIAL POSITION

The debtors' position at the end of 2005 was significantly higher than the previous year. The main reason for this was the timing of the Billing Cycle 2006 (one month later), and creation of an online payment process as an element in the new CRM and website. This resulted in an increased debtors position and less cash at year end. For more details please see the cash flow statement and the notes to the balance sheet.

Securities and bank deposits decreased slightly. The performance of the portfolio of securities was positively influenced by developments in the financial markets in

2005. This performance was satisfactory although it was below the benchmark. The positive impact of this on asset management was primarily used for financing the investments made during the year (please see the cash flow statement). During the fourth quarter of 2005 the portfolio was transferred from Lombard Odier Darier Hentsch (Nederland) N.V. to ABN AMRO Asset Management Netherlands) B.V. 2006 Membership and Directory fees were invoiced in November and December 2005 and almost 80% of these receivables had been collected by February 2006. The 2006 Membership fee of EUR 300, as determined by Council, became effective as of 1 January 2006.

OUTLOOK 2006

The positive development of the global Market Research industry is expected to continue to grow at over 5% in mature markets with double digit acceleration in developing markets. Currently the top 25 firms represent 62% of all Market Research industry expenditure. Consolidation of the industry will continue, giving increasing power to fewer companies.

The industry landscape is shifting, following high speed economic growth in developing countries, new online technologies, emergence of new frontiers, and the changing role of market researchers. In this context, and supported by a slight improvement in the global economy, ESOMAR will need to meet and overcome new challenges to reinforce its role as guardian and promoter of the Global Research Industry.

2006 key areas of focus and investment for ESOMAR will be:

- development of new products and services
- investment in focused marketing efforts linked to new best business practice
- improvement of customer relationships through an enhanced website and CRM system
- promotion of the Market Research industry to a wider audience - reaching out to the general public, educators, politicians, legislators and the media
- improved generation of industry statistics to provide accurate figures and anticipate global trends earlier
- investment in ESOMAR staff training in the areas of innovation, customer service and communication
- reinforcing ESOMAR's role as guardian of the industry in terms of professional standards and self regulation.

We are confident that our key activities will generate more revenues and that 2006 will establish sustainable growth as budgeted and set out in the 2006-2008 Business Plan.

Amsterdam, 24 February 2006
The Board of Management,

Véronique Jeannin
Director General

Wilfred van der Lee
Director Finance & Services

Abbreviated consolidated balance sheet as at 31 December 2005

	31 DECEMBER 2005		31 DECEMBER 2004	
(in thousands of euros)				
NON CURRENT ASSETS				
<i>Intangible fixed assets</i>		293		-
<i>Property, plant and equipment</i>		123		81
<i>Financial assets</i>		6,195		6,298
TOTAL NON CURRENT ASSETS		6,611		6,379
CURRENT ASSETS				
<i>Receivables</i>				
Debtors	1,858		617	
Income tax receivables	162		-	
Prepaid expenses and other receivables	368		377	
		2,388		994
<i>Cash</i>				
Cash at bank and in hand		543		1,538
TOTAL CURRENT ASSETS		2,931		2,532
CURRENT LIABILITIES				
<i>Payables and accrued expenses</i>		857		520
Income tax liabilities		-		8
Deferred income		2,724		2,484
		3,581		3,012
TOTAL ASSETS LESS CURRENT LIABILITIES		5,961		5,899
FINANCED BY:				
Accumulated funds		5,961		5,899

Abbreviated consolidated income statement for the year 2005

NOTE	2005		2004	
(in thousands of euros)				
PROFESSIONAL STANDARDS & MEMBERSHIP				
Membership and entrance fees	1,254		1,224	
Membership expenditure	(324)		(331)	
		930		893
Directory entries	1,203		1,162	
Directory expenditure	(386)		(377)	
		817		785
Other corporate and representation expenditure (1)		(895)		(771)
		852		907
PROFESSIONAL DEVELOPMENT				
Congress and conferences revenue	3,232		2,736	
Congress and conferences expenditure	(2,946)		(2,225)	
		286		511
Education revenue	195		197	
Education expenditure	(116)		(154)	
		79		43
Publishing revenue	519		377	
Publishing expenditure	(664)		(529)	
		(145)		(152)
		220		402
GENERAL EXPENDITURE				
Overhead salaries and social charges (2)	(340)		(206)	
Secretariat expenses (3)	(646)		(522)	
Other expenses (4)	(557)		(470)	
Depreciation property, plant & equipment	(83)		(62)	
		(1,626)		(1,260)
OPERATING RESULT		(554)		49
FINANCIAL INCOME NET		545		416
NET RESULT BEFORE TAX		(9)		465
Income tax		71		(97)
NET RESULT (TO ACCUMULATED FUNDS)		62		368

Abbreviated consolidated statement of recognized income and expense

	2005	2004
(in thousands of euros)		
Net result directly recognized in accumulated funds Net result for the period	- 62	- 368
TOTAL RECOGNIZED FOR THE PERIOD	62	368
ATTRIBUTABLE TO THE MEMBERS OF THE SOCIETY	62	368

Abbreviated consolidated cash flow statement for the year 2005

	2005	2004
(in thousands of euros)		
OPERATING RESULT	(554)	49
Amortisation of intangible assets	59	-
Depreciation property, plant and equipment	83	62
Income tax	71	(97)
Exchange differences	(1)	(6)
	(342)	8
Changes in working capital:		
• Debtors	(1,241)	-
• Prepaid expenses and other receivables	9	99
• Payables and accrued expenses	337	(219)
• Income tax assets/liabilities	(170)	(98)
• Deferred income	239	(32)
NET CASH PROVIDED BY OPERATIONS	(1,168)	(242)
Investments in intangible fixed assets	(352)	-
Investments in tangible fixed assets	(125)	(54)
Interest and dividends received	204	206
Divestments in financial fixed assets	650	277
Reinvestments in financial fixed assets	(204)	(455)
NET CASH FROM/(USED) IN INVESTING ACTIVITIES	173	(26)
NET MOVEMENT IN CASH	(995)	(268)
Cash at bank and in hand: 1 January	1,538	1,806
Cash at bank and in hand: 31 December	543	1,538

Notes to the abbreviated consolidated financial statements for the year 2005

GENERAL

ESOMAR is the world organisation for enabling better research into markets, consumers and societies.

With 4,000 members in 100 countries, ESOMAR's aim is to promote the value of market and opinion research in illuminating real issues and bringing about effective decision-making.

To facilitate this ongoing dialogue, ESOMAR creates and manages a comprehensive programme of industry-specific and thematic-conferences, publications and communications, as well as actively advocating self-regulation and the worldwide code of practice.

ESOMAR was founded in 1948 as the European Society for Opinion and Marketing Research ('the Society'). The registered office of the Society is in Lausanne, Switzerland and was incorporated under art. 60 of Code Civil Suisse, in the Canton de Vaud, no. 133. Operations are managed from the office which is located at Vondelstraat 172, Amsterdam, the Netherlands. The Society has a 100% subsidiary: ESOMAR B.V. which is registered in the Netherlands.

SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The abbreviated financial statements are presented in euro, rounded to the nearest thousand. They are prepared on the historical cost basis except the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments and assets held for trading.

Basis of consolidation

The consolidated financial statements include the accounts of the Society and its subsidiary ESOMAR B.V ("the group"), using the full consolidation method. Intercompany income and expenses, accounts and profits and losses are eliminated on

consolidation.

REPORTING CURRENCY

The presentation currency of the Society is the euro, since this is the most used currency for its activities.

Foreign currency transactions

The balance sheet items in foreign currencies are translated at the exchange rate prevailing on balance sheet date. The transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. The resulting exchange differences are recorded in the income statement.

Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation and impairment losses. Amortization is charged to the income statement on a straight-line basis over the estimated useful life of the assets.

Property, plant and equipment

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the assets.

Financial assets

Securities are stated at fair value. The gain and losses on revaluation to fair value is recognized in the income statement.

Receivables

Debtors are valued at cost less a provision for bad debts where appropriate.

Cash

Cash at bank and in hand comprises cash balances and short term deposits.

Impairment

The carrying amounts of the assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever

the carrying amount of an asset of its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Cash flow statement

The consolidated cash flow statement, which has been prepared according to the indirect method, shows the cash flow from operating activities, investing activities and the cash position at the beginning and at the end of the year. Cash flow from operating activities is stated as operating result adjusted for non-cash operating items and working capital movements. Cash flow from investing activities comprises investments and divestments of (in) tangible and financial assets.

Revenue

Represents the proceeds of revenues from third parties, mainly members of the Society.

- Membership fees are invoiced once a year and recognized in the income statement of the period to which they relate.

- Directory income is recognized as revenue at shipment date.

- Congress, Conferences and Education revenue is recognized in the income statement on the date when the event takes place.

- For joint events revenue and expenditure is recognized for 50% of the total revenue and expenditure.

- Publications revenue is recognized in the income statement at shipment date.

Segment reporting

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products and services

within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from those or other segments.

Expenditure

Expenditure is directly allocated to business segments where possible, salaries are allocated based on the number of staff working for specific business segments.

Defined contribution plans

Commitments for defined contribution pension plans are recognized as expenditure in the income statement as incurred.

Financial income net

Interest income is recognized in the income statement as it accrues. Dividend income is recognized in the income statement on the date the entity's right to receive payment is established. Furthermore the financial expenditure comprises interest payable and management fees for Asset Management.

Income tax

Income tax is calculated on the taxable result of the 100% subsidiary ESOMAR B.V. which is located in the Netherlands. The Dutch corporation tax rate is applicable. The charge or benefit in the income statement relates to current years taxable income.

ABBREVIATED CONSOLIDATED INCOME STATEMENT FOR THE YEAR 2005

Revenue

Total revenues increased by 12% from EUR 5.7 million in 2004 to EUR 6.4 million in 2005.

(1) Other corporate and representation expenditure

The corporate and representation expenditure can be specified as follows:

	2005	2004
(in thousands of euros)		
Governance (Council and committees)	103	122
PR & Representations *	166	148
Self-regulation	116	50
Market Research & Development projects *	94	51
Other Industry Initiatives *	217	205
Allocated salaries	199	195
	895	771

* Comparative figures 2004 have been adjusted to correspond with current-year presentation

These expenses relate to the development of projects and initiatives to protect and promote the interests of the Market Research Industry as a strategic tool for business decision making in both public and sectors alike.

Other Industry Initiatives relate for example to the ESOMAR World Industry Network (WIN) and monitoring and lobbying efforts such as The Alliance for Research

(2) Overhead salaries and social charges

The overhead salaries and social security charges can be specified as follows:

	2005	2004
(in thousands of euros)		
Salaries	1,549	1,357
Sickness benefit	(36)	(14)
	1,513	1,343
Social security charges	177	174
Pension charges	171	123
	348	297
Salary cost allocated to events, publishing and other activities	1,861	1,640
	(1,521)	(1,434)
	340	206

The total salary charges increased due to a higher number of staff on the payroll and related social security and pension charges.

The pension charges relate to a defined contribution plan. There were 28 employees at the end of 2005 (31 December 2004: 26).

(3) Secretariat expenses

The secretariat expenses can be detailed as follows:

	2005	2004
(in thousands of euros)		
General secretariat and personnel costs	168	119
Rental and lease costs	169	170
Telephone, internet and fax	44	35
Computer consultancy and licensee fee costs	172	62
Recruitment fees	49	110
Stationery	21	6
Cleaning	13	12
Electricity and gas	10	8
	646	522

The general secretariat and personnel costs increased as a result of once off costs and more staff. The computer consultancy and licensee fees increased as a result of the replacement of the Server Park plus

working stations, support with the CRM implementation and general ICT support. The recruitment fees decreased significantly as a result of a lower number of new hires starting in 2005.

(4) Other expenses

The other expenses can be specified as follows:

	2005	2004
(in thousands of euros)		
Web site, brand and advertising *	259	154
CRM	120	-
Advisory costs: tax, legal, etc.	77	117
Audit costs	47	45
Training personnel	53	59
Other	1	95
	557	470

* Comparative figures 2004 have been adjusted to correspond with current-year presentation

Web site, brand and advertising expenses 2005 include a number of projects like the redesign of the web site and a new corporate identity that was launched during Congress 2005.

The "Other" category for 2004 is related to the development of Blue Print of the organisation, procedures and ways of working.

AUDITOR'S REPORT

We have audited the abbreviated financial statements of the Society of ESOMAR, Lausanne for the year 2005. These abbreviated financial statements have been derived from the financial statements for the year 2005 of the Society of ESOMAR. In our auditor's report dated on 24 February 2006 we expressed an unqualified opinion on these financial statements. These abbreviated financial statements are the responsibility of the management of the Society. Our responsibility is to express an opinion on these abbreviated financial statements.

In our opinion, these abbreviated financial statements are consistent, in all material aspects, with the financial statements from which they have been derived. For a better understanding of the Society's financial position and results and the scope of our audit, the abbreviated financial statements should be read in conjunction with the financial statements from which the abbreviated financial statements have been derived and our auditor's report thereon.

KPMG Accountants N.V., Amstelveen, 24 February 2006

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