

Company Registration No. 2158210

**United London Communications
Limited
Report and Financial Statements**

31 December 2006

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United London Communications Limited

Report and financial statements 2006

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United London Communications Limited

Report and financial statements 2006

Officers and professional advisers

Directors

L Mellman

A Berlin

R P Campbell (appointed 06/02/2006, resigned 30/04/07)

J M Kelly (appointed 06/02/2006, resigned 30/04/07)

A Goddard (appointed 06/02/2006)

Secretary

A Goddard (appointed 06/02/06)

Registered Office

121-141 Westbourne Terrace

London

W2 6JR

Solicitors

Hammonds

7 Devonshire Square

Cutlers Gardens

London

EC2M 4YH

Auditors

Deloitte & Touche LLP

Chartered Accountants

London

United London Communications Limited

Directors' report (continued)

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

Principal Activity

The principal activity of the company is the provision of services as a marketing communications company, however, due to intense market competition the company ceased trading in 2007

Principal risks and uncertainties

The company competes for clients in a highly competitive industry which may reduce market share and decrease profits and is dependent on its employees

Results and dividends

The profit and loss account is set out on page 7 and shows a loss on ordinary activities after taxation for the year of £2,502,008 (2005 loss on ordinary activities – £589,313)

No dividends were paid to shareholders during the year (2005 – £nil)

Review and future developments

The directors consider the results for the year to be a fair reflection of the company's services in the field of marketing communications. The directors consider that the underlying business is no longer sustainable in the current competitive market and in April 2007 decided to close the business and cease trading

Financial risk management

The most important components of financial risk are interest rate risk, currency risk, liquidity, cash flow risk and price risk. Due to the nature of the company's business and the assets and liabilities contained within the company's balance sheet the only financial risks the directors consider relevant to this company are credit risk and liquidity risk. These risks are mitigated by the credit control procedures in place and the fact that the company participates in group banking arrangements with its parent, WPP Group plc, and has access to a group cash management facility

Political and charitable donations

No political donations were made during the year (2005 £nil). No charitable donations were made during the year (2005 £nil).

Change of name

HHCL United Limited changed its name to United London Communications Limited on 15 February 2006

Changes in ownership

On 16 February 2006 WPP Group (UK) Limited instructed United London Communications Limited to issue new shares and awarded 24% of the new issued share capital to J M Kelly and R P Campbell, who were appointed directors on 6 February 2006

United London Communications Limited

Directors' report (continued)

Post balance sheet event

The directors have decided that due to the intense competitive environment and a reduced client base, the company will cease trading in 2007 and is not a going concern

Directors

The current directors of the company are shown on page 1

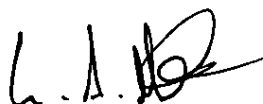
Auditors

Each of the directors at the date of approval of this report confirms that

- (1) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- (2) the directors have taken all the steps that ought to have been taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

A resolution to re-appoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting

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



L Mellman

Director

2007

United London Communications Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and 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 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 that 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 United London Communications Limited

We have audited the financial statements of United London Communications Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet, reconciliation of movement in shareholders' deficit, cash flow statement, reconciliation of net cash flow to movement in net funds and the related notes 1 to 17. 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 judgments 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 United London Communications 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 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the directors' report is consistent with 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

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

25 October 2007

United London Communications Limited

Profit and loss account Year ended 31 December 2006

	Notes	2006 £	2005 £
Turnover	1,2	10,979,829	16,392,827
Cost of sales		(6,289,657)	(8,101,090)
Gross profit		4,690,172	8,291,737
Administrative expenses		(7,074,191)	(8,906,976)
Operating loss	3	(2,384,019)	(615,239)
Interest receivable	5	45,072	32,506
Loss on ordinary activities before taxation		(2,338,947)	(582,733)
Tax charge on loss on ordinary activities	6	(163,061)	(6,580)
Loss for the financial year retained		(2,502,008)	(589,313)

There were no recognised gains or losses, except as disclosed in the profit and loss account, for the current or preceding year. Accordingly no separate statement of total recognised gains and losses has been prepared.

Turnover and operating losses relate to continuing operations.

United London Communications Limited

Reconciliation of movements in shareholders' (deficit)/funds Year ended 31 December 2006

	Note	2006 £	2005 £
Loss for the financial year		(2,502,008)	(589,313)
Net decrease in shareholders' funds		(2,502,008)	(589,313)
Opening shareholders' (deficit) / funds		(123,449)	465,864
Ordinary shares issued	11	16,049	-
Closing shareholders' deficit		(2,609,408)	(123,449)

United London Communications Limited

Balance sheet 31 December 2006

	Notes	2006 £	2005 £
Fixed assets			
Intangible assets	7	-	20,603
Tangible assets	8	39,256	85,622
		<u>39,256</u>	<u>106,225</u>
Current assets			
Work-in-progress		593,406	287,064
Debtors	9	1,130,171	3,194,636
Cash at bank and in hand		309,159	1,963,344
		<u>2,032,736</u>	<u>5,445,044</u>
Creditors: amounts falling due within one year	10	<u>(4,681,400)</u>	<u>(5,674,718)</u>
Net current liabilities		<u>(2,648,664)</u>	<u>(229,674)</u>
Net liabilities		<u>(2,609,408)</u>	<u>(123,449)</u>
Capital and reserves			
Called up share capital	11	66,872	50,823
Share premium account	12	4,165	4,165
Profit and loss account	12	<u>(2,680,445)</u>	<u>(178,437)</u>
Shareholders' deficit		<u>(2,609,408)</u>	<u>(123,449)</u>

These financial statements were approved by the Board of Directors on *22 October* 2007

Signed on behalf of the Board of Directors



L Mellman

Director

United London Communications Limited

Cash flow statement

Year ended 31 December 2006

	Note	2006 £	2005 £
Net cash outflow from operating activities	13	(1,720,641)	(694,133)
Returns on investments and servicing of finance			
Interest received		45,072	32,506
Taxation			
Tax receipts		9,663	(266,108)
Capital expenditure			
Payments to acquire tangible fixed assets		(32,293)	(62,882)
Payments received on disposals		27,965	-
Equity dividends paid		-	-
Net cash outflow before financing		(1,670,234)	(990,617)
Financing			
Issue of ordinary share capital		16,049	-
Decrease in cash in the period		(1,654,185)	(990,617)

Reconciliation of net cash flow to movement in net funds for the period ended 31 December 2006

	2006 £	2005 £
Decrease in cash in the period	(1,654,185)	(990,617)
Movement in net funds in the period	(1,654,185)	(990,617)
Net funds at beginning of period	1,963,344	2,953,961
Net funds at end of period	309,159	1,963,344

United London Communications Limited

Notes to the accounts

Year ended 31 December 2006

1. Accounting policies

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of preparation

As explained in note 17, the company intends to cease trading in 2007. 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 concept.

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.

Commission income and fees are recognised at the time that they are billable under the contract with the client.

Cost of sales

Cost of sales represents direct advertising production costs.

Depreciation

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:

Short leasehold	-	over five years
Fixtures	-	over three years
Furniture	-	over three years
Equipment	-	over three years
Software	-	over three years

Taxation

Current 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.

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for an impairment in value.

Pension costs

The pension cost is the amount of contributions payable by the company to the personal pension schemes of certain employees during the accounting period.

United London Communications Limited

Notes to the accounts

Year ended 31 December 2006

1. Accounting policies (continued)

Leased assets

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

2 Turnover

The turnover is attributable to the principal activity of the company and is analysed by geographical market as follows

	2006 £	2005 £
United Kingdom	10,735,455	15,369,815
Russia	204,528	838,706
Belgium	3,420	113,414
USA	24,900	31,083
Italy	11,526	23,681
Germany	-	15,000
Ireland	-	765
France	-	363
	<u>10,979,829</u>	<u>16,392,827</u>

3 Operating loss

	2006 £	2005 £
Operating loss is stated after charging		
Depreciation on owned assets	71,297	186,022
Auditors' remuneration - audit services	14,500	11,000
Redundancies	479,779	102,594
Other operating lease rentals	<u>353,778</u>	<u>351,825</u>

United London Communications Limited

Notes to the accounts Year ended 31 December 2006

4. Information regarding directors and employees

	2006 £	2005 £
Directors' remuneration:		
Aggregate directors' emoluments	362,608	433,108
Pension contributions in respect of money purchase schemes	-	66,391
	<u>362,068</u>	<u>499,499</u>
Emoluments paid to the highest paid director:		
Remuneration	181,304	283,490
Pension contributions	-	53,756
	<u>181,304</u>	<u>337,246</u>

The number of directors included in the money purchase pension scheme during 2006 was nil (2005 – two)

The above amounts do not include any gains made on the exercise of share options. The number of directors who exercised share options in the period was one (2005 – one). There were no long-term incentive schemes.

	2006 £	2005 £
Particulars of amounts paid to employees (including executive directors) are as shown below		
Wages and salaries	2,413,767	3,650,737
Social security costs	680,942	551,314
Pension costs	263,425	315,459
	<u>3,358,134</u>	<u>4,517,510</u>

The average monthly number of employees, including directors, during the year was 46 (2005 – 75)

5. Interest receivable

	2006 £	2005 £
Interest receivable	<u>45,072</u>	<u>32,506</u>

United London Communications Limited

Notes to the accounts

Year ended 31 December 2006

6. Tax charge on loss on ordinary activities

Analysis of tax charge on ordinary activities

	2006 £	2005 £
UK corporation tax at 30% (2005 – 30%)	(701,684)	(164,807)
Adjustment in respect of prior years	-	(95)
Current tax credit	(701,684)	(164,902)
Group relief	714,946	-
Deferred tax		
Depreciation in excess of capital allowances	(17,143)	-
Timing differences	(1,879)	3,245
Disallowable expenses	5,760	-
Adjustments to the estimated recoverable amounts of deferred tax assets arising in previous periods	8,221	168,839
Adjustment in respect of prior years	154,840	(602)
Current tax charge for the year	<u>163,061</u>	<u>6,580</u>

Factors affecting tax charge

	2006 %	2005 %
Standard tax rate for period as a percentage of profits	30.0	30.0
Effects of		
Expenses not deductible for tax purposes	-	(8.2)
Depreciation in excess of capital allowances	-	5.9
Movement in short term timing differences	-	0.6
Adjustment in prior years	0.7	-
Group relief	(30.6)	-
Current tax rate for period as a percentage of profits	<u>0.1</u>	<u>28.3</u>

United London Communications Limited

Notes to the accounts Year ended 31 December 2006

7 Intangible fixed assets

	Computer software £	Total £
Cost		
At 1 January 2006	87,940	87,940
Transfer to fixed assets	(87,940)	(87,940)
At 31 December 2006	-	-
Depreciation		
At 1 January 2006	67,337	67,337
Transfer to fixed asset	(67,337)	(67,337)
At 31 December 2006	-	-
Net book value		
At 31 December 2006	-	-
At 31 December 2005	20,603	20,603

8 Tangible fixed assets

	Short Leasehold £	Computer software £	Fixtures £	Furniture £	Equipment £	Total £
Cost						
At 1 January 2006	105,275	-	776,259	269,919	1,724,371	2,875,824
Additions	2,370	-	16,550	-	13,373	32,293
Disposals	(2,370)	-	(28,744)	(3,530)	-	(34,644)
Transfer	-	87,940	-	-	-	87,940
At 31 December 2006	105,275	87,940	764,065	266,389	1,737,744	2,961,413
Depreciation						
At 1 January 2006	105,275	-	764,733	265,727	1,654,467	2,790,202
Transfer	-	67,337	-	-	-	67,337
Charge for the year	524	20,305	4,510	1,386	44,572	71,297
Disposals	(524)	-	(5,178)	(977)	-	(6,679)
At 31 December 2006	105,275	87,642	764,065	266,136	1,699,039	2,922,157
Net book value						
At 31 December 2006	-	298	-	253	38,705	39,256
At 31 December 2005	-	-	11,526	4,192	69,904	85,622

United London Communications Limited

Notes to the accounts Year ended 31 December 2006

9. Debtors

	2006 £	2005 £
Trade debtors	360,739	1,804,038
Amounts owed by group companies	156,283	125,900
Other debtors	131,523	190,590
Corporation tax	30,375	194,877
Prepayments and accrued income	451,251	871,010
Deferred tax asset	-	8,221
	<u>1,130,171</u>	<u>3,194,636</u>

An analysis of the deferred tax asset is given below

Deferred tax asset movement

	2006 £	2005 £
At 1 January 2006	8,221	179,703
Charge to the profit and loss account	(8,221)	(171,482)
	<u>-</u>	<u>8,221</u>

Analysis of deferred tax asset

	2006 £	2005 £
Short-term timing differences	-	8,221
	<u>-</u>	<u>8,221</u>

Deferred tax assets of £103,819 in respect of timing differences and £6,342 in respect of short-term timing differences have not been recognised due to insufficient evidence that the assets will be recovered. The assets would be recovered if suitable profits arose in future periods.

United London Communications Limited

Notes to the accounts Year ended 31 December 2006

10. Creditors: amounts falling due within one year

	2006 £	2005 £
Trade creditors	748,366	1,194,743
Amounts owed to group companies	394,462	918,365
Creditors for taxation and social security	88,577	379,524
Other creditors	36,019	84,051
Accruals and deferred income	3,413,976	3,098,035
	<u>4,681,400</u>	<u>5,674,718</u>

11. Called up share capital

	2006 £	2005 £
Authorised, allotted, called up and fully paid		
Balance at 1 January 2006	50,823	50,823
Ordinary shares issued	16,049	-
	<u>66,872</u>	<u>50,823</u>
Balance at 31 December 2006		

On 6 February 2006, the authorised and issued share capital of the Company was increased by 1,604,936 ordinary shares of 1p each. The authorised share capital is now £66,872.

12. Reserves

	Share premium £	Profit and loss account £	Total £
At 1 January 2006	4,165	(178,437)	(174,272)
Loss for the year	-	(2,502,008)	(2,502,008)
	<u>4,165</u>	<u>(2,680,445)</u>	<u>(2,676,280)</u>
At 31 December 2006			

United London Communications Limited

Notes to the accounts Year ended 31 December 2006

13. Cash flow statement

(i) Reconciliation of operating profit to net cash inflow from operating activities

	2006 £	2005 £
Operating loss	(2,384,019)	(615,239)
Depreciation of tangible fixed assets	71,297	186,022
(Increase)/decrease in work-in-progress	(306,342)	725,108
Decrease in debtors	1,891,741	155,544
Decrease in creditors	(993,318)	(1,145,568)
Net cash outflow from operating activities	<u>(1,720,641)</u>	<u>(694,133)</u>

(ii) Analysis of net debt

	At 1 January 2006 £	Cash flow £	At 31 December 2006 £
Cash at bank	1,963,344	(1,654,185)	309,159
Total	<u>1,963,344</u>	<u>(1,654,185)</u>	<u>309,159</u>

(iii) Reconciliation of net cashflow to movement in net debt

	2006 £	2005 £
Increase in cash in the year	1,963,344	2,953,961
Net cash/(debt) at 1 January	<u>(1,654,185)</u>	<u>(990,617)</u>
Net cash at 31 December	<u>309,159</u>	<u>1,963,344</u>

United London Communications Limited

Notes to the accounts

Year ended 31 December 2006

14. Financial commitments

As at 31 December 2006, the group had annual commitments under non-cancellable operating leases as set out below

	2006		2005	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	-	-	13,846
Within one to two years	-	-	-	-
Within two to five years	-	4,297	-	2,892
After five years	334,095	-	334,095	-
	<u>334,095</u>	<u>4,297</u>	<u>334,095</u>	<u>16,738</u>

15 Related party transactions

	2006 £	2005 £
Sales in the ordinary course of business to Chime group companies	-	20,325
Sales in the ordinary course of business to WPP group companies	902,373	615,496
Purchases in the ordinary course of business from Chime group companies	-	90,420
Purchases in the ordinary course of business from WPP group companies	<u>941,048</u>	<u>682,397</u>
Amounts owed to related parties at 31 December 2006		
Amounts owed to WPP group companies (note 10)	(394,462)	(918,365)
Amounts owed from WPP group companies (note 9)	156,283	149,399
Amounts owed from Chime group companies	<u>-</u>	<u>39,157</u>

16. Ultimate parent company

On 6 February 2003 the company's then parent undertaking Chime Communications Plc ("Chime") disposed of 49% of its holding in the company to WPP Group (UK) Limited ("WPP"). Chime had an option to sell the remaining interest in the company to WPP after 1 January 2004. Under the terms of the Shareholders' Agreements between Chime and WPP in respect of their joint ownership, Chime would retain a majority interest in the company but WPP would have day-to-day management control, subject to certain matters which would be subject to unanimous shareholder consent.

At 31 December 2005 Chime Communications Plc exercised its option to sell its remaining interest to WPP Group (UK) Limited.

The ultimate parent company and the controlling party of United London Communications Limited is now WPP Group PLC, which is incorporated in Great Britain. The consolidated accounts of WPP Group Plc are available from 27 Farm Street, London, W1X 6RD.

17. Post balance sheet event

In April 2007, WPP announced that the agency will cease to trade. The directors do not expect the company to trade in the future.