

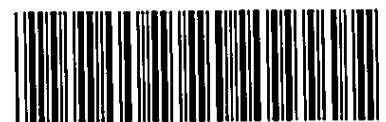
LUDGATE COMMUNICATIONS LIMITED

DIRECTORS' REPORT AND ACCOUNTS

YEAR ENDED 31 DECEMBER 2006

Registered number 2529743

TUESDAY



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# LUDGATE COMMUNICATIONS LIMITED

## **Directors' report for the year ended 31 December 2006**

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

### **Principal activities**

The company is engaged in property management

### **Review of business and future developments**

The company will continue to fulfil its current role as a property management company

### **Results and dividends**

The company's loss for the financial year amounted to £455,000 (2005 £862,000) No dividends were declared or paid during the year (2005 nil)

### **Directors and their interests**

The directors who held office during the year are given below

K Greene

P Perry

Neither of the directors have discloseable interests in this company, in the immediate parent company, in the ultimate holding company or in any related companies under the Companies Act 1985 Schedule 7 2A

### **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 7 under Note 1 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2006 and that applicable accounting standards have been followed.

# LUDGATE COMMUNICATIONS LIMITED

**Directors' report for the year ended 31 December 2006** *(continued)*

## **Statement of directors' responsibilities** *(continued)*

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.

## **Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

## **Provision of information to auditors**

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Relevant information is defined as "information" needed by the company's auditors in connection with preparing their report".

Each director has taken all the steps (such as making enquires of other directors and the auditors and any other steps required by the director's duty to exercise due care, skill and diligence) that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the Board



K Greene

**Director**

84 Eccleston Square  
London, SW1V 1PX

23 August 2007

## Independent auditors' report to the members of Ludgate Communications Limited

We have audited the financial statements of Ludgate Communications Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 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 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 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 2006 and of its loss for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985
- the information given in the Director's Report is consistent with the financial statements

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP

*29 August 2007*

Chartered Accountants and Registered  
Auditors

1 Embankment Place  
London WC2N 6RH

# LUDGATE COMMUNICATIONS LIMITED

## Profit and loss account for the year ended 31 December 2006

	Note	2006 £'000	Restated 2005 £'000
<b>Turnover</b>		<b>173</b>	<b>243</b>
Cost of sales		(412)	(948)
<b>Gross loss</b>		<b>(239)</b>	<b>(705)</b>
Operating expenses		(48)	(27)
<b>Operating loss</b>	3	<b>(287)</b>	<b>(732)</b>
Interest payable and similar charges	4	(175)	(130)
<b>Loss on ordinary activities before taxation</b>		<b>(462)</b>	<b>(862)</b>
Tax on loss on ordinary activities	5	7	-
<b>Loss for the financial year</b>		<b>(455)</b>	<b>(862)</b>

All amounts relate to continuing activities

There are no material differences between the loss on ordinary activities before taxation and the loss for the year stated above and their historical cost equivalents

There are no recognised gains or losses other than those included in the profit and loss account above

# LUDGATE COMMUNICATIONS LIMITED

## Balance Sheet as at 31 December 2006

	Note	2006 £'000	2005 £'000
<b>Current assets</b>			
Debtors	6	370	476
		370	476
<b>Creditors – Amounts falling due within one year</b>	7	(4,643)	(3,526)
<b>Net current liabilities</b>		(4,273)	(3,050)
<b>Total assets less current liabilities</b>		(4,273)	(3,050)
<b>Provision for liabilities and charges</b>	8	(279)	(1,047)
<b>Net liabilities</b>		(4,552)	(4,097)
<b>Capital and reserves</b>			
Called up share capital	9	-	-
Share premium account	10	580	580
Profit and loss reserve	10	(5,132)	(4,677)
<b>Total equity shareholders' deficit</b>	11	(4,552)	(4,097)

The financial statements on pages 4 to 12 were approved by the board of directors on 23 August 2007 and were signed on its behalf by



K Greene  
Director

# LUDGATE COMMUNICATIONS LIMITED

## Notes to the financial statements for the year ended 31 December 2006

### 1 Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards. The principal accounting policies are set out below.

#### (a) Parent support

It is the current intention of the ultimate parent undertaking, The Interpublic Group of Companies Inc, to continue to finance the company to enable it to meet its liabilities as they fall due. The directors believe that it is therefore appropriate to prepare the accounts on a going concern basis.

#### (b) Turnover

Turnover represents rental and service charge income receivable net of VAT. Revenues are recognised when the service is rendered and the outcome of the transaction can be estimated reliably.

#### (c) Foreign currencies

Foreign currency transactions are recorded in the local currency at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at year end exchange rates and resulting exchange differences are dealt with through the profit and loss account.

#### (d) Taxation

Current tax, including 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.

#### (e) Deferred taxation

Deferred taxation 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.

# LUDGATE COMMUNICATIONS LIMITED

## Notes to the financial statements for the year ended 31 December 2006 (*continued*)

### 1 Accounting policies (*continued*)

#### (e) Deferred taxation (*continued*)

A net 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 from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the average tax rates and laws 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 substantively enacted by the balance sheet date. Deferred tax assets and liabilities recognised have not been discounted.

#### (f) Onerous lease provision

Where the group has leased property which is surplus to current requirements and is unable to reassign the benefits of the lease, a provision is made for the net present value of the future cash flows relating to the property. Future income is only incorporated in the cash flows to the extent that it is virtually certain.

#### (g) Changes in accounting policies

The company has adopted FRS 20, 'Share-based Payment'. The adoption of this standard represents a change in accounting policy but does not affect the results for the current period or require restatement of the comparatives.

#### (h) Prior year reclassification

The prior year Profit and Loss Account has also been restated to reclassify the unwinding of the discount on the onerous lease provision of £35,000 from 'Cost of Sales' to 'Interest expenses'. These adjustments have no effect on the reported net loss or net deficit for the prior period.

### 2 Cash flow statement and related party disclosures

The company is a wholly-owned subsidiary of The Interpublic Group of Companies Inc, incorporated in the USA, and is included in the consolidated financial statements thereof which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1. The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of The Interpublic Group of Companies Inc or investees of The Interpublic Group of Companies Inc.



# LUDGATE COMMUNICATIONS LIMITED

Notes to the financial statements for the year ended 31 December 2006 (*continued*)

## 3 Operating loss

	2006 £'000	Restated 2005 £'000
<b>Operating loss is stated after charging</b>		
Increase in vacant property provision (note 8)	239	705
Exchange (gains)/losses	(3)	2

Audit fees were borne by another group company in 2005 and 2006

No directors' emoluments were paid by the company (2005 nil)

## 4 Interest payable and similar charges

	2006 £'000	Restated 2005 £'000
Interest payable on bank loans and overdrafts	144	95
Unwinding of discount	31	35
	175	130

## 5 Taxation

	2006 £'000	2005 £'000
<b>Current tax credit</b>		
Tax on loss for the financial year	(7)	-
Tax on loss on ordinary activities	(7)	-
<b>Loss on ordinary activities before taxation</b>	462	862
Tax credit at 30% of loss on ordinary activities	(139)	(259)
Effects of		
Non-deductible expenses	6	38
Prior year adjustment	(7)	(6)
Group relief for nil consideration	133	227
<b>Current tax credit for the period</b>	(7)	-

# LUDGATE COMMUNICATIONS LIMITED

## Notes to the financial statements for the year ended 31 December 2006 *(continued)*

### 5 Taxation *(continued)*

There is a deferred tax asset of £22,577 (2005 £nil) in respect of short term timing differences that has not been recognised due to the uncertainty of future taxable profits. A reduction in tax rate to 28% was enacted after the balance sheet date. The impact of this would be to reduce the unprovided deferred tax asset to £21,072.

### 6 Debtors

	2006 £'000	2005 £'000
Trade debtors	26	114
Taxation and social security	14	55
Corporation tax receivable	185	177
Prepayments and accrued income	145	130
	<b>370</b>	<b>476</b>

### 7 Creditors – Amounts falling due within one year

	2006 £'000	2005 £'000
Bank loans and overdrafts	3,469	2,352
Trade creditors	-	55
Amounts owed to parent company	241	241
Amounts due to group undertakings	853	855
Other creditors	23	23
Accruals and deferred income	57	-
	<b>4,643</b>	<b>3,526</b>

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

# LUDGATE COMMUNICATIONS LIMITED

Notes to the financial statements for the year ended 31 December 2006 (*continued*)

## 8 Provision for liabilities and charges

	£'000
<b>Dilapidation and vacant property provisions</b>	
As at 1 January 2006	1,047
Utilised	(1,038)
Unwinding of discount	31
Increase in provision	239
At 31 December 2006	279

(i) The total undiscounted amount of estimated cash flows required to settle the obligation is £282,000 and this has been discounted using a credit adjusted risk free rate of 5.75 per cent

(ii) The provision relates to an onerous lease of the office building located at 109-113 Charterhouse Street, London. The provision includes amounts for space that management have not been able to sub-lease, as well as any loss the company incurs where space has already been sub-let, until the end of the lease in September 2007

## 9 Called up share capital

	2006 £'000	2005 £'000
<b>Authorised</b>		
1,000 ordinary shares of £1 each	1	1
<b>Allotted and fully paid</b>		
467 ordinary shares of £1 each	-	-

# LUDGATE COMMUNICATIONS LIMITED

Notes to the financial statements for the year ended 31 December 2006 *(continued)*

## 10 Reserves

	Share premium £'000	Profit and loss account £'000
As at 1 January 2006	580	(4,677)
Loss for the year	-	(455)
As at 31 December 2006	580	(5,132)

## 11 Reconciliation of movement in equity shareholders' deficit

	2006 £'000
Opening shareholders' deficit	(4,097)
Loss for the year	(455)
Closing shareholders' deficit	(4,552)

## 12 Financial Commitments

As at 31 December 2006, the company had the following annual commitments to non-cancellable operating leases

	2006 Land and buildings £'000	2005 Land and buildings £'000
Operating leases which expire		
Within one year	262	-
Between two and five years	-	350

# LUDGATE COMMUNICATIONS LIMITED

**Notes to the financial statements for the year ended 31 December 2006 *(continued)***

## **13 Contingent liabilities**

The company is a party to a composite guarantee in connection to banking and loan note facilities provided to other companies

## **14 Ultimate parent undertaking**

The immediate parent undertaking is Ludgate Group Limited, a company registered in England and Wales. Copies of the financial statements of Ludgate Group Limited are available at 84 Eccleston Square, London, SW1V 1PX.

The ultimate parent undertaking and controlling party is The Interpublic Group of Companies Inc, incorporated in the USA, which is the parent undertaking of the largest group to consolidate these financial statements. Copies of the consolidated financial statements of The Interpublic Group of Companies Inc can be obtained from the Company Secretary at 1272 Avenue of the Americas, New York 10020.

The smallest group of which the company is a member and for which group financial statements are prepared is that of Interpublic Limited, a company registered in England and Wales. Copies of the consolidated financial statements of Interpublic Limited are available at 84 Eccleston Square, London, SW1V 1PX.