REGISTERED NUMBER 1993425

McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

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DIRECTORS' REPORT AND FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2006

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McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED

DIRECTORS' AND ADVISORS FOR THE YEAR ENDED 31 DECEMBER 2006

DIRECTORS

MJ Jackson	
SA Little	
NP Backhouse	resigned 3rd April 2006
RJ Barnes	resigned 3rd April 2006
SF Buchanan	resigned 3rd April 2006
FW Petite	resigned 3rd April 2006

COMPANY SECRETARY

TMJ Williams

REGISTERED OFFICE

Bonis Hall
Prestbury
Macclesfield
Cheshire
SK10 4EF

Registered in England No 1993425

REGISTERED AUDITORS

PricewaterhouseCoopers LLP
Manchester

BANKERS

Lloyds TSB Bank PLC
PO Box 17328
11-15 Monument Street
London
EC3V 9JA

McCANN ERICKSON COMMUNICATIONS HOUSE 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

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

McCann Erickson Communications House Limited provides full service advertising and marketing services in the United Kingdom

The trading results for the year ended 31 December 2006 are shown in the attached profit and loss account and show a pre-tax profit of £2 4m (2005 - £3 0m) and sales of £105 7m (2005 - £98 1m) The company has cash reserves at the year end of £13 5m (2005 £14 5m) and net assets of £16 7m 2005 (£14 2m)

Focussing on Continuing Operations (excluding a division in Leeds that was disposed of during the year), and reflecting the impact of a number of one off items, our adjusted operating profit is as follows

	2006 £'000	2005 £'000
Operating profit from continuing operations	**1,558**	**2,595**
Impact of full year of pension rate increase*	277	-
Release of prior year provisions	-	(426)
Impact of FRS 20 on operating profits	99	41
Management charges received in 2006 relating to 2005	210	(210)
Adjusted operating profit	**2,144**	**2,000**

* 2006 saw the first full year charge of the increase in the funding rate for the Interpublic Inc pension scheme, which rose from 14 8% to 40%

As shown above on a like for like basis, the company achieved a growth in adjusted operating profits of 7% reflecting another successful year for the business In particular the company's move back into the healthcare sector, aided by the recruitment of David Donaghue as Head of Healthcare, has been very successful, as has the growth of the company's digital business

In terms of work completed and awards, regionally, the agency was creatively dominant at the Campaign Fresh Awards, with no fewer than 5 Gold and 7 Silvers Nationally, the agency won a Silver at Campaign Press for an infamous 'to be sure, to be sure' advertisement for Durex condoms Internationally the agency featured in D&AD with a project for the BBC as well as a Finalist certificate at Cannes and a Bronze Medal at the New York Festival Our Media business, Universal McCann was Highly Commended in the Media Agency of the Year category at the Campaign Fresh awards

FUTURE OUTLOOK

We will continue to strengthen our offering, particularly in the area of digital work and despite the continuing competitive marketplace we remain confident that prospects for growth are encouraging

STRATEGY

The business is focused on increasing revenue through organic growth as well as new client growth As mentioned above we expect to see increased digital penetration being a key part of this growth The company continues to adopt an opportunistic approach to cost as part of the ongoing strategy to grow operating margin

A critical success factor in achieving our projected growth is our people The agency has a focussed people strategy, the ultimate aim of which is to operate a proactive talent management programme with a range of initiatives and attraction techniques to ensure that we employ not only the best in class in all marketing disciplines, but also provide an ongoing pipeline of talent for the future Career management is very much a joint responsibility within the agency with all employees having the opportunity to develop both personally and professionally from a wide range of initiatives discussed and agreed during interim and annual performance reviews

KEY PERFORMANCE INDICATORS

	2006	2005
Revenue growth Growth in revenues from continuing operations, adjusted for one off and exceptional items	8 0%	5 1%
Operating Margin (%) ratio of operating profit to gross income expressed as a percentage and excluding exceptional and one-off items	10 6%	10 6%

PRINCIPLE RISKS AND UNCERTAINTIES

McCann Erickson Communications House Limited is a wholly owned subsidiary of Interpublic, Inc The principle risks and uncertainties of Interpublic, Inc, are discussed in that company's annual report which does not form part of this report The principle risks facing our company relate to the retention of key staff and the potential loss of a major client in the face of the continued competition in the marketplace

DIRECTORS

The directors who served during the year and those who are currently directors are shown on page 1 No directors have held any shares or rights to shares in the company at any time during the year

At no time during the year has any director had a material interest in a contract with the company, in relation to the business of the company or the individual

EMPLOYMENT OF DISABLED PERSONS

Due consideration is given to applications for employment of disabled persons having regard to the particular aptitudes and abilities of the applicants concerned Arrangements are made, wherever possible, for the retraining of employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities The company provides for the adequate training, career development, and promotion of disabled persons

EMPLOYEE INVOLVEMENT

Employees are informed regularly about aspects of the business and its progress which the company considers relevant to them, including communications through management channels or in writing as appropriate

The company involves employees in matters of concern to their jobs and work situation and endeavours to maintain a sense of identity with the company's aims and objectives The effectiveness of employee communication is regularly reviewed by the directors and improvements implemented as required A newsletter is also published on a bi-monthly basis providing information on a wide range of subjects and we maintain a staff Intranet site

FINANCIAL RISK MANAGEMENT

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board The policies set by the board of directors are implemented by the company's finance department The department monitors circumstances to determine where it would be appropriate to use financial instruments to manage financial risks

Price risk

The company is exposed to vendor price risk as a result of its operations However, the directors consider that the costs of managing exposure to vendor price risk exceed any potential benefits The directors will continue to monitor the appropriateness of this policy The company has no exposure to equity securities price risk as it holds no listed or other equity investments

Credit risk

The company has implemented policies that require appropriate credit checks on potential clients before services are provided and where possible insures trade receivables

FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk
The company has no debt finance

Interest rate cash flow risk
The company has interest bearing asset including cash balances, all of which earn interest at variable rates The company places cash on short term deposit depending on the availability of funds

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The 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 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 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

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

The directors are responsible for the maintenance and integrity of the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware,
- the director has taken all the steps that he ought to have taken 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

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the annual general meeting

By order of the Board

TMJ Williams
Secretary
19 December 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED

We have audited the financial statements of McCann Erickson Communications House 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 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 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

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 profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester

21 December 2007

McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 Total £'000	as restated 2005 Total £'000
TURNOVER	2		
Existing operations		**104,822**	95,627
Discontinued operations		**890**	2,433
		105,712	98,060
COST OF SALES			
Existing operations		**(84,498)**	(76,375)
Discontinued operations		**(197)**	(161)
		(84,695)	(76,536)
REVENUE			
Existing operations		**20,324**	19,252
Discontinued operations		**693**	2,272
		21,017	21,524
Administrative expenses		**(19,403)**	(19,215)
OPERATING PROFIT			
Existing operations		**1,558**	2,595
Discontinued operations		**56**	(286)
		1,614	2,309
Interest receivable and similar income	3	**755**	728
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	**2,369**	3,037
TAX ON PROFIT ON ORDINARY ACTIVITIES	6	**(30)**	540
RETAINED PROFIT FOR THE YEAR	13	**2,339**	3,577

The attached accounting policies and notes form a part of these financial statements

McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 Total £'000	as restated 2005 Total £'000
Profit for the financial year		**2,339**	**3,577**
Total recognised gains and losses relating to the year		2,339	3,577
Prior year adjustment (see note 1)		**(22)**	
Total gains and losses recognised since last financial statements		2,317	

McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2006

	Notes	2006	as restated 2005
		£'000	£'000
FIXED ASSETS			
Tangible assets	7	**9,866**	10,106
CURRENT ASSETS			
Work in progress		**894**	1,218
Debtors	8	**22,099**	15,718
Cash at bank and in hand		**13,485**	14,466
		36,478	31,402
CREDITORS Amounts falling due within one year	9	**(25,541)**	(23,044)
NET CURRENT ASSETS		**10,937**	8,358
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,803**	18,464
PROVISIONS FOR LIABILITIES AND CHARGES	11	**(4,285)**	(4,285)
		16,518	14,179
CAPITAL AND RESERVES			
Called up share capital	12	**20**	20
Profit and loss account	13	**16,498**	14,159
SHAREHOLDERS' FUNDS Equity interest	14	**16,518**	14,179

MJ Jackson
Director

The financial statements were approved by the Board of Directors on 19 December 2007

The attached accounting policies and notes form a part of these financial statements

McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

1 ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention, in accordance with applicable accounting standards in the UK and the Companies Act 1985

Prior year adjustment

As a result of the company adopting FRS 20 - Share Based Payments, there has been a prior year adjustment in relation to restricted stock units awarded to executives that vested prior to 1 January 2006 The effect of this adjustment is to reduce the profit for the financial year by £99,000 (2005 £41,000) and to recognise £143,000 (2005 - £56,000) within Other Creditors

Turnover

Turnover represents amounts receivable from clients exclusive of value added tax, in respect of billings for media advertising, production work and fees provided during the year

Revenue

The Agency recognises revenue based on the contractual relationship with its clients and the proportion of work done, or when the contractual obligation is fully discharged

Operating leases

Operating lease rentals are charged to the profit and loss account in the year in which they fall due

Pension scheme arrangements

The company is an adhered member of the Interpublic Pension Plan, a defined benefit scheme Pension costs are accounted for in accordance with FRS17 on the basis of contributions paid to the Interpublic Pension Plan Details of the scheme are given in the Financial Statements of Interpublic Limited and is referred to in note 15

Tangible assets and depreciation

Tangible assets are stated at cost less accumulated depreciation

Depreciation is provided at such rates as will write off the cost of tangible fixed assets over their expected useful lives The annual depreciation rates used are

Buildings	2%
Fixtures, fittings and office equipment	10 - 25%

Work in progress

Work in progress comprises external charges for services incurred on behalf of clients which have still to be recharged to clients Work in progress is stated net of amounts billed to clients It is stated at the lower of cost and net realisable value

Deferred taxation

Provision is made for deferred tax liabilities and assets, using full provision accounting, otherwise known as the incremental liability method, when an event has taken place by the balance sheet date which gives rise to an increased or reduced tax liability in the future in accordance with FRS 19
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 A deferred tax asset is recognized if the directors believe it is more likely than not that the asset will be utilized

1 ACCOUNTING POLICIES(CONTINUED)

Foreign Currencies

Transactions in foreign currencies are recorded at rates ruling at the date of the transaction Monetary assets and liabilities in foreign currencies are expressed in sterling at the rates ruling at the balance sheet date Exchange differences arising on translation are reflected in the profit and loss account

Share based payments

Some employees of the company participate in a share option plan operating by Interpublic, Inc, the ultimate parent company All share based payments are cash settled and are measured at fair value the balance sheet date The fair value determined at each balance sheet date is expensed over the vesting period, based on the share price at that time

In accordance with FRS20, the charge arising for share based payments is recognised in the income statement of the company which employs those to whom the share based awards are granted The credit entry is reported within 'Other Creditors'

2 TURNOVER

Geographical Analysis	**2006**	2005
	£'000	£'000
United Kingdom	**105,712**	98,060

All turnover arose from a single class of business

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after (crediting)/charging

	2006	2005
	£'000	£'000
Interest receivable from overnight investments	**(755)**	(699)
Interest receivable from other deposits	**-**	(29)
Auditors' remuneration for audit services	**47**	55
Auditors' remuneration for audit related services	**64**	55
Depreciation - owned assets	**516**	1,046
(Gain)/loss on disposal of assets	**(41)**	1
Operating lease rentals - office & office related	**134**	126
- cars	**119**	180

4 EMPLOYEES

	2006	as restated 2005
	£'000	£'000
Staff costs, including directors' emoluments		
Wages and salaries	**10,314**	10,842
Social security costs	**1,098**	1,054
Share based payments (note 10)	**87**	36
Other pension costs (note 14)	**1,604**	1,256
	13,103	13,188
	Number	Number
The average number of employees during the year was	**267**	292

5 DIRECTORS' EMOLUMENTS

Directors' emoluments including pension contributions, all of which were in respect of services as directors for the year (or part thereof), amounted to £827,000 (2005 - as restated £1,385,000) During the year 4 directors resigned, although continued as employees of the company Accordingly, the relevant proportion of their salaries is included above covering their period of office
Retirement benefits are accruing to 2 (2005 6) directors under a defined benefit scheme

Remuneration in respect of the highest paid director was as follows	2006	As restated 2005
	£'000	£'000
Remuneration (excluding pension)	**268**	280
Share based payments	**53**	21
Accrued pension at 31 December	**58**	55

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The charge for taxation which has been provided at 30% (2005 - 30%) is based on the results for the year and comprised

		2006	2005
		£'000	£'000
UK corporation tax	- Current year	**-**	1,177
	- Adjustments in respect of prior periods	**92**	(1,483)
Total Current Tax		**92**	(306)
Deferred Taxation			
Origination and reversal of timing differences		**(94)**	(7)
Adjustments in respect of prior periods		**32**	(227)
Total deferred tax		**(62)**	(234)
Tax on profit on ordinary activities		**30**	(540)

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The standard rate of corporation tax in the UK is 30% The current tax charge is lower than 30% (2005 lower) for the reasons set out below

	2006 £'000	2005 £'000
Profit on ordinary activities before tax	**2,369**	3,037
Profit on ordinary activities multiplied by standard rate in the UK 30% (2005 30%)	**711**	911
Effects of		
Expenses not deductible for tax purposes	**74**	259
Accelerated capital allowances and other timing differences	**108**	188
Short term timing differences	**(15)**	(181)
Group Relief for nil consideration	**(938)**	-
Adjustments to tax charge in respect of previous period	**92**	(1,483)
Current tax charge/(credit) for the period	**32**	(306)

7 TANGIBLE ASSETS

	Land & Buildings £'000	Furniture & fittings £'000	Office & computer equipment £'000	Total £'000
COST				
At 1 January 2006	10,413	812	1,580	12,805
Additions	-	85	222	307
Disposals	(432)	(157)	(255)	(844)
At 31 December 2006	9,981	740	1,547	12,268
DEPRECIATION				
At 1 January 2006	1,226	538	935	2,699
Charge for the year	163	85	268	516
Disposals	(432)	(157)	(224)	(813)
At 31 December 2006	957	466	979	2,402
NET BOOK VALUE				
At 31 December 2006	**9,024**	**274**	**568**	9,866
At 31 December 2005	9,187	274	645	10,106

On the 31 May 2006 certain trade and assets of the business were sold to a third party, for consideration of £100,000, resulting in a profit on disposal of £41,000 Prior to disposal these assets were written down to the directors' estimate of net realisable value resulting in an impairment charge of £228,000 which was reflected in the 2005 financial statements

8 DEBTORS

Amounts falling due within one year

	2006 £'000	2005 £'000
Trade debtors	**19,229**	13,760
Amounts owed by other group undertakings	**1,158**	707
Prepayments and accrued income	**733**	334
Deferred tax asset	**979**	917
	22,099	15,718

8 DEBTORS (CONTINUED)

The movement on the company's deferred tax asset during the year was as follows

Deferred Tax asset	**2006**	2005
	£'000	£'000
Accelerated Capital Allowances	**910**	897
Short Term Timing Differences	**69**	20
	979	917
Asset at start of the year	**917**	683
- prior year adjustment	**(32)**	227
- current	**94**	7
	979	917

A reduction in tax rate to 28% was enacted after the balance sheet date The impact of this would be to reduce the provided deferred tax asset to £914,000

9 CREDITORS Amounts falling due within one year

	2006	As restated 2005
	£'000	£'000
Trade creditors	**14,065**	15,320
Amounts received in advance on work in progress	**1,069**	1,069
Amounts owed to other group undertakings	**2,122**	1,564
Corporation tax	**1,454**	1,363
Other taxation and social security	**2,552**	1,677
Other creditors	**197**	111
Accruals and deferred income	**4,082**	1,940
	25,541	23,044

10 Share based payments

The company participates in the Interpublic RSU plan for certain senior executives Awards are granted annually and vest over a three year period At the end of the vesting period the awards are settled in cash at the share price at the settlement date The fair value of the awards at the end of each year is based upon the sterling equivalent of the Interpublic, Inc share price at the balance sheet date

Awards outstanding during the year are as follows

	2006 Number	**2006 Price***	2005 Number	2005 Price*
Outstanding as at 1 January	**31,457**	**£5 5632**	14,579	£6 9735
Granted during the period	**16,175**	**£4 7038**	16,878	£6 8596
Outstanding as at 31 December	**47,632**	**£6 2400**	31,457	£5 5730

* The price represents the share price of Interpublic, Inc shares at the balance sheet date

11 PROVISIONS FOR LIABILITIES AND CHARGES

The movement over the year is analysed as	Media and Production Credits £'000
Balance at 1 Janaury and 31 December 2006	4,285

In 2004 the company established a provision for potential liabilities in respect of media and production credits for liabilities largely relating to 2003 and prior years There have been no movements on this provision during 2006

12 SHARE CAPITAL

	2006 £'000	2005 £'000
Authorised, allotted and fully paid 20,000 ordinary shares of £1 each	20	20

13 PROFIT AND LOSS ACCOUNT

	As restated £'000
Balance at 31 December 2005 as previously reported	14,181
Prior period adjustment (see note 10)	(22)
Balance at 31 December 2005 (as restated)	14,159
Retained profit for the year	2,339
Balance at 31 December 2006	16,498

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £'000	as restated 2005 £'000
Profit for the financial year	2,339	3,577
Net addition to shareholders' funds	2,339	3,577
Opening Shareholders' funds at 1 January as previously reported	14,179	10,624
Prior year adjustment - FRS 20	-	(22)
Opening shareholders' funds as restated	14,179	10,602
Shareholders' funds at 31 December	16,518	14,179

15 PENSION COSTS

Defined benefit scheme

McCann Erickson Communications House Limited, along with other companies in the Interpublic Group, participate in the Interpublic Pension Plan ("the Plan"), which is a defined benefit plan providing benefits based on members' service and pensionable earnings Interpublic Limited, along with other companies in the Group, is unable to identify its share of the underlying assets and liabilities in the Plan and so will account for its participation in the Plan as a defined contribution plan, with contributions payable being charged to the profit & loss account in the period to which they relate

The latest actuarial valuation of the Plan for funding purposes was carried out as at 1 April 2006 by a qualified independent actuary The financial assumptions used in the valuation were as follows

15 PENSION COSTS (CONTINUED)

Discount rate 5 2%
Rate of price Inflation 4 0%
Rate of pay increases (before promotional increases) 4 0%
Rate of pension increases 2 9% (benefits up to 30 June 2007)
Rate of pension increases 2 1% (benefits from 1 July 2007)
Rate of deferred pension increases 3 0%

As at 1 April 2006, the actuary calculated the funding deficit to be £28 4 million The actuary recommended that all participating employers contributions be increased to 38% of pensionable earnings from 1 April 2005 until 31 December 2005, and 40% of pensionable earnings from January 1 2006 with members contributing 6% of pensionable earnings

The cost of contributions to the Plan by the Company, and the charge to Profit and Loss, amounted to £1,521,000 during the year (2005 £1,220,000)

The company also makes contributions to the Institute of Practitioners in Advertising ("IPA") scheme, a defined contribution scheme Total employer contributions to the IPA scheme during 2006 amounted to £83,000 (2005 £36,000)

16 LEASING OBLIGATIONS

At the end of the year there were annual commitments under non-cancellable operating leases expiring as follows

	2006	**2006**	2005	2005
	Buildings	**Other**	Buildings	Other
	£'000	**£'000**	£'000	£'000
Within one year	**50**	**67**	-	60
Between one and five years	-	**133**	-	186
Over five years	-	-	60	-
	50	**200**	60	246

17 CONTINGENT LIABILITIES

The company is party to group banking arrangements whereby the bank has the right to offset positive cash balances against borrowings on other group companies

18 PARENT UNDERTAKINGS

The Interpublic Group of Companies Inc, 1114 Avenue of the Americas, New York, New York 10036, which is incorporated in the United States of America, is the parent undertaking and the largest group to consolidate these financial statements and is the ultimate parent company

As permitted by FRS1(revised 1996), a cash flow statement is not included in these financial statements because a consolidated cash flow statement is presented by Interpublic Limited, the ultimate United Kingdom parent undertaking The company is also exempt under the terms of FRS8 from disclosing related party transactions with entities that are part of the Interpublic Group of Companies Inc There are no other related party transactions

19 INVESTMENT IN SUBSIDIARY COMPANY

The company has one wholly owned non-trading subsidiary - Propeller Creative Services Limited However, because the company is itself a wholly owned subsidiary of McCann-Erickson Network Limited, it is exempt under section 228 of the Companies Act from the requirement to prepare group accounts The carrying value of this investment is £100