REGISTERED NUMBER: 1993425

McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

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McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED

DIRECTORS' AND ADVISORS FOR THE YEAR ENDED 31 DECEMBER 2008

DIRECTORS

MJ Jackson
SA Little

COMPANY SECRETARY

HL Nicholson

REGISTERED OFFICE

Bonis Hall
Prestbury
Macclesfield
Cheshire
SK10 4EF

Registered in England No: 1993425

REGISTERED AUDITORS

PricewaterhouseCoopers LLP
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M2 3PW

BANKERS

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PO Box 17328
11-15 Monument Street
London
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McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

The directors present their report and the audited financial statements of the company for the year ended 31 December 2008.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

McCann Erickson Communications House Limited ("MECH") provides full service advertising and marketing services in the United Kingdom.

The trading results for the year ended 31 December 2008 are shown in the attached profit and loss account and show a pre-tax profit of £4.7m (2007 - £5.4m) and turnover of £91.2m (2007 - £100.4m). The company has cash reserves at the year end of £24.3m (2007 £18.2m) and net assets of £28.0m 2007 (£23.4m).

Focusing on Continuing Operations and reflecting the impact of a number of one off items, our adjusted revenue and operating profit is as follows:

	2008 £'000	2007 £'000
Revenue	22,468	23,431
Exceptional items *	(777)	(1,732)
Adjusted revenue	21,691	21,699
Operating profit	3,494	4,189
Exceptional items *	(777)	(1,702)
Adjusted operating profit	2,717	2,487

* Release of prior year provisions (see note 3 of financial statements)

As shown above on a like for like basis, the Agency managed to hold revenue despite the difficult economic conditions that prevailed in the latter part of the year. In part, this was due to the Agency's success in new business, largely reflecting the Agency's ability to meet the needs of clients through its integrated offering. However, as part of this offering and in line with business strategy the Agency also posted significant growth in its digital business. Several key digital hirings were made in the year which helped drive this growth in revenue as well as in new skills and it was pleasing to report the Agency's increased growth in social media. Operationally, the business continued to increase its cost effectiveness to clients and and as a result, adjusted operating profits grew 9%.

Creatively, the Agency maintained a significant profile in regional, national and international competitions. Awards won were in a surprisingly diverse number of categories, reflecting the industry's increasingly multi-channel nature.

FUTURE OUTLOOK AND STRATEGY

The current year has started well with strong growth continuing in its digital business and as part of this growth and overall strategy to be 'future ready', the Agency was delighted to open its new innovation hub, 'McCann Metro' in the centre of Manchester in the early part of 2009.

We can also now formally announce that McCann Worldgroup is the official Marketing Services Provider for the London 2012 Olympic and Paralympic Games. Being part of McCann Worldgroup, working on the Games is undeniably an enormous privilege and rarely has an opportunity created so much excitement in the agency.

Despite the difficult economic environment, the Agency is well positioned to continue to outperform in the markets in which we operate and we remain confident that 2009 will be another successful year for the business.

The Agency is committed to continuing to increase its digital penetration and therefore, the Agency will continue to focus on enhancing its digital skills and incorporating these skills into its integrated remit via a focused programme of training & development. In addition, digital recruitment is also an important part of our strategy. A number of key digital hirings have been made in the year and we expect to continue to strengthen this area going forward. As part of this strategy, the Agency is committed to continually reviewing its operations to deliver cost effectiveness to clients and ensure continued growth of operating margins.

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.
The highlight of this strategy has been our links with Manchester Metropolitan University which has seen two of our in-house learning and development programmes accredited by MMU. This programme partnership in 2008 has seen our first cohort of students graduate with a Post Graduate Certificate in Integrated Marketing Communications - a first not only for the Agency, but for the industry.

Career management is very much the 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

	2008	2007
Revenue growth Growth in revenues from continuing operations, adjusted for one off and exceptional items	0.0%	7.0%
Operating Margin (%) ratio of operating profit to gross income expressed as a percentage and excluding exceptional and one-off items	12.5%	11.5%

PRINCIPAL RISKS AND UNCERTAINTIES

McCann Erickson Communications House Limited is a wholly owned subsidiary of Interpublic, Inc. The principal risks and uncertainties of Interpublic, Inc. are discussed in that company's annual report which does not form part of this report. The principal risks facing our company relate to attracting and retaining major clients in the face of the continued competition in the marketplace and ensuring we continue to develop our people and talent.

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.

CORPORATE SOCIAL RESPONSIBILITY

The Agency is committed to its CSR policy, which reflects and complements its core business goals. The Agency is therefore focused on maximising benefits to all stakeholders by identifying where social and commercial interests intersect, harnessing creativity and innovation to create social and brand value.

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 the risks to be minmal and that the costs of managing any 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.

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.

FINANCIAL RISK MANAGEMENT (CONTINUED)

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

HNichol

HL Nicholson
Secretary
11 August 2009

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 2008 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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 2008 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
11 August 2009

McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 Before Exceptional Items £'000	2008 Exceptional Items (note 3) £'000	2008 Total £'000	2007 Before Exceptional Items £'000	2007 Exceptional Items (note 3) £'000	2007 Total £'000
TURNOVER	2	91,161	-	91,161	100,357	-	100,357
COST OF SALES		(69,470)	777	(68,693)	(78,658)	1,732	(76,926)
REVENUE		21,691	777	22,468	21,699	1,732	23,431
Administrative expenses		(18,974)	-	(18,974)	(19,272)	(30)	(19,242)
OPERATING PROFIT		2,717	777	3,494	2,487	1,702	4,189
Interest receivable and similar income	3			1,235			1,174
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3			4,729			5,363
TAX ON PROFIT ON ORDINARY ACTIVITIES	6			(162)			1,531
RETAINED PROFIT FOR THE YEAR	13			4,567			6,894

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

There are no other gains and losses in the year other than the profit as stated above.

All amounts above relate to continuing operations.

McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2008

	Notes	2008 £'000	2007 £'000
FIXED ASSETS			
Tangible assets	7	**9,016**	9,442
CURRENT ASSETS			
Work in progress		**1,168**	1,350
Debtors	8	**13,084**	17,551
Cash at bank and in hand		**24,333**	18,161
		38,585	37,062
CREDITORS: Amounts falling due within one year	9	**(17,432)**	(20,125)
NET CURRENT ASSETS		**21,153**	16,937
TOTAL ASSETS LESS CURRENT LIABILITIES		**30,169**	26,379
PROVISIONS FOR LIABILITIES AND CHARGES	11	**(2,190)**	(2,967)
		27,979	23,412
CAPITAL AND RESERVES			
Called up share capital	12	**20**	20
Profit and loss account	13	**27,959**	23,392
SHAREHOLDERS' FUNDS	14	**27,979**	23,412

MJ Jackson

MJ Jackson
Director

The financial statements were approved by the Board of Directors on 11 August 2009

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

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. All accounting policies have been consistently applied throughout the year.

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.

McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

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 at 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	2008	2007
	£'000	£'000
United Kingdom	91,161	100,357

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:

		2008	2007
		£'000	£'000
Interest receivable from overnight deposits		(1,235)	(1,174)
Auditors' remuneration for audit services		58	43
Auditors' remuneration for audit related services		81	59
Depreciation - owned assets		597	682
Operating lease rentals	- office & office related	103	136
	- cars	73	93
Exceptional item	- Release of provisions and charges	(777)	(1,732)
	- Direct costs associated with releases	-	30

The exceptional items relate to the release of provisions for potential liabilities in respect of media and production credits. The movements reflect the continuing review we are undertaking to resolve these issues and represents liabilities which management believe are no longer due.

4 EMPLOYEES

	2008	2007
	£'000	£'000
Staff costs, including directors' emoluments:		
Wages and salaries	10,603	10,192
Social security costs	1,176	1,162
Share based payments (note 10)	47	38
Other pension costs (note 15)	1,784	1,648
	13,610	13,040
	Number	Number
The average number of employees during the year was:	266	262

5 DIRECTORS' EMOLUMENTS

Directors' emoluments excluding pension contributions, all of which were in respect of services as directors for the year, amounted to £553,000 (2007 - £540,000).
Retirement benefits are accruing to 2 (2007: 2) directors under a defined benefit scheme.
Awards are receivable by 2 (2007:2) directors in the form of share based incentive schemes.

Remuneration in respect of the highest paid director was as follows:

	2008	2007
	£'000	£'000
Remuneration (excluding pension)	308	290
Payments made in respect of Share Based Incentives	49	51
Accrued pension at 31 December in respect of defined benefit scheme	73	69

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The charge for taxation which has been provided at 28.5% (2007 - 30%) is based on the results for the year and comprised:

		2008	2007
		£'000	£'000
UK corporation tax	- Current year	-	-
	- Adjustments in respect of prior periods	(165)	(1,484)
Total Current Tax		(165)	(1,484)
Deferred Taxation:			
Origination and reversal of timing differences		325	(19)
Adjustments in respect of prior periods		2	(28)
Total deferred tax		327	(47)
Tax charge/(credit) on profit on ordinary activities		162	(1,531)

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The standard rate of corporation tax in the UK is 28% from 1 April 2008 (2007: 30%). The current tax charge is lower than 28.5% (2007: lower than 30%) for the reasons set out below:

	2008	2007
	£'000	£'000
Profit on ordinary activities before tax	**4,729**	5,363
Profit on ordinary activities multiplied by standard rate in the UK 28.5% (2007 : 30%)	**1,348**	1,609
Effects of:		
Expenses not deductible for tax purposes	**80**	103
Accelerated capital allowances and other timing differences	**(303)**	138
Short term timing differences	**(28)**	(45)
Group Relief for nil consideration	**(1,097)**	(1,805)
Adjustments to tax charge in respect of previous period	**(165)**	(1,484)
Current tax credit for the period	**(165)**	(1,484)

7 TANGIBLE ASSETS

	Land & Buildings	Furniture & fittings	Office & computer equipment	Total
	£'000	£'000	£'000	£'000
COST				
At 1 January 2008	9,987	327	1,563	11,877
Additions	-	26	170	196
Disposals	-	(2)	(342)	(344)
At 31 December 2008	9,987	351	1,391	11,729
DEPRECIATION				
At 1 January 2008	1,216	125	1,094	2,435
Charge for the year	268	45	284	597
Disposals	-	(2)	(317)	(319)
At 31 December 2008	1,484	168	1,061	2,713
NET BOOK VALUE				
At 31 December 2008	**8,503**	**183**	**330**	**9,016**
At 31 December 2007	8,771	202	469	9,442

8 DEBTORS

Amounts falling due within one year:

	2008	2007
	£'000	£'000
Trade debtors	**11,290**	15,045
Amounts owed by other group undertakings	**805**	1,112
Prepayments and accrued income	**289**	336
Corporation tax	**-**	31
Deferred tax asset	**700**	1,027
	13,084	17,551

In respect of amounts owed by other group undertakings, these amounts are not interest bearing and are repayable on demand.

8 DEBTORS (CONTINUED)

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

Deferred Tax asset	2008 £'000	2007 £'000
Accelerated Capital Allowances	677	987
Short Term Timing Differences	23	40
	700	1,027
Asset at start of the year	1,027	979
- prior year adjustment	(2)	29
- current	(325)	19
	700	1,027

During the year, as a result of the change in the UK Corporation Tax rates from 30% to 28% which will be effective from 1 April 2008, deferred tax balances have been remeasured. Deferred tax expected to reverse in the year to 31 December 2008 has been measured using the effective rate for the period of 28% (2007 : 28.5%)

9 CREDITORS: Amounts falling due within one year

	2008 £'000	2007 £'000
Trade creditors	10,970	11,706
Amounts owed to other group undertakings	1,197	1,818
Corporation tax	188	-
Other taxation and social security	1,782	2,366
Other creditors	59	146
Accruals and deferred income	3,236	4,089
	17,432	20,125

In respect of amounts owed to other group undertakings, these amounts are not interest bearing and are repayable on demand.

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:

	2008 Number	2008 Price*	2007 Number	2007 Price*
Outstanding as at 1 January	43,308	£4.0800	47,632	£6.2400
Granted during the period	15,131	£5.0200	10,255	£5.9150
Cancelled during the period	(4,940)	£4.7000	-	-
Paid during the period	(11,938)	£5.0200	(14,579)	£5.9000
Outstanding/share price as at 31 December	41,561	£2.7400	43,308	£4.0800

* The price represents the share price of Interpublic, Inc. shares at the date of each event.

11 PROVISIONS FOR LIABILITIES AND CHARGES

The movement over the year is analysed as:	**Media and Production Credits £'000**
Balance at 1 January 2008	**2,967**
Movements during the year	**(777)**
Balance at 31 December 2008	**2,190**

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. The movements this year reflect the continuing review we are undertaking to resolve these issues and represents liabilities which management believe are no longer due.

12 SHARE CAPITAL

	2008 £'000	2007 £'000
Authorised, allotted and fully paid 20,000 ordinary shares of £1 each	**20**	20

13 PROFIT AND LOSS ACCOUNT

	£'000
Balance at 31 December 2007	**23,392**
Retained profit for the year	**4,567**
Balance at 31 December 2008	**27,959**

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £'000	2007 £'000
Profit for the financial year	**4,567**	6,894
Net addition to shareholders' funds	**4,567**	6,894
Opening shareholders' funds	**23,412**	16,518
Shareholders' funds at 31 December	**27,979**	23,412

15 PENSION COSTS

Defined contribution scheme

The Company participates in a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost represents contributions payable by the Company to the fund and amounted to £197,000 (2007 - £82,000).

Defined benefit scheme

The Company, along with other companies in the Interpublic Group, also participates 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 accounts 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:

Discount rate: 5.2%
Rate of price Inflation: 3.0%
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 pay 17.8% of pensionable earnings for the period 1 July 2007 to 30 June 2010 and 19% of pensionable earnings for the period 1 July 2010 to 30 June 2012. In respect of the shortfall in funding in accordance with the recovery plan dated 4 June 2007, the employers will additionally contribute to the Plan amounts such that at any point in time the cumulative amount of these contributions (from all participating employers) from 1 July 2007 is no less than £353,500 per month been paid. Such contributions are due for the period of 5 years from 1 July 2007 to 30 June 2012.

Active members contribute to the Plan at the rate of 9% of pensionable earnings.

A funding review was carried out as at 1 April 2008. This showed that the deficit was estimated to be £52.3million.

The cost of contributions to the Plan by the Company amounted to £1,587,000 during the year (2007: £1,521,000).

16 LEASING OBLIGATIONS

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

	2008 Buildings £'000	2008 Other £'000	2007 Buildings £'000	2007 Other £'000
Within one year	-	10	-	37
Between one and five years	53	121	53	114
	53	131	53	151

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 and smallest 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.