

REGISTERED NUMBER 1993425

**McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2007**

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**McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2007**

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**MCCANN ERICKSON COMMUNICATIONS HOUSE LIMITED**

**DIRECTORS' AND ADVISORS FOR THE YEAR ENDED 31 DECEMBER 2007**

**DIRECTORS**

MJ Jackson  
SA Little

**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 2007**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2007

#### **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 2007 are shown in the attached profit and loss account and show a pre-tax profit of £5.4m (2006 - £2.4m) and sales of £100.3m (2006 - £105.7m). The company has cash reserves at the year end of £18.2m (2006 £13.5m) and net assets of £23.4m (2006 £16.5m).

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

	2007 £'000	2006 £'000
Operating profit from continuing operations	4,189	1,558
Exceptional item*	(1,702)	-
Prior year management charges	-	210
<b>Adjusted operating profit</b>	<b>2,487</b>	<b>1,768</b>

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

As shown above on a like for like basis, the company achieved a growth in adjusted operating profits of 41% driven mainly by a growth in continuing revenues of £1.3m, or 7%. With tight control of our operating costs we have been able to see this increase in revenues flowing through to operating profits.

The agency's creative standing was reflected in the fact that it supplied no less than three judges for the creative Gold Standard, D&AD, this year. Overall, MECH was prominent in seven competitions, including The New York Festivals (Silver Medal), Cannes (Finalist) and The Roses (six, various). The healthcare sector was well represented in 2008 too, with a Gold and Silver at the Over The Counter awards and more Silvers (3) than any other agency at the recent IPA Awards in London. We are currently shortlisted in three categories in Campaign Magazine's inaugural Big Awards. The agency's efforts to fully integrate digital continue to bear fruit with no less than nine awards won this year for web-based content.

#### **FUTURE OUTLOOK**

We will continue to strengthen our integrated offering, particularly in the area of digital 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 significant part of this growth and equally therefore, a key focus will be to fully incorporate digital skills into our integrated remit via a focused programme of training & development. In addition, digital recruitment will also be an important part of our strategy and a number of key digital hirings have already been made this year which we expect to continue going forward. As part of this strategy, the company 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 Summer School programme where undergraduates and graduates competed for one of 16 places to spend two weeks living and breathing integrated marketing communications with a week of masterclasses followed by a week preparing to present a campaign pitch to a real client. 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.

## **McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

#### **KEY PERFORMANCE INDICATORS**

	<b>2007</b>	<b>2006</b>
<b>Revenue growth</b>	<b>7.0%</b>	<b>8.0%</b>
Growth in revenues from continuing operations, adjusted for one off and exceptional items		
<b>Operating Margin (%)</b>	<b>11.5%</b>	<b>10.6%</b>
ratio of operating profit to gross income expressed as a percentage and excluding exceptional and one-off items		

#### **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.

#### **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 minimal 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.

## **McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

#### **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.

**McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED**

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

**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

A handwritten signature in black ink, appearing to be 'TMJ Williams', with a long horizontal stroke extending to the right.

TMJ Williams  
Secretary  
15 September 2008

**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 2007 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 2007 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

*19 September 2008*



**McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007**

	Notes	2007 Before Exceptional Items £'000	2007 Exceptional Items (note 3) £'000	2007 Total £'000	2006 Total £'000
<b>TURNOVER</b>	2				
Continuing operations		100,357	-	100,357	104,822
Discontinued operations		-	-	-	890
		<u>100,357</u>	<u>-</u>	<u>100,357</u>	<u>105,712</u>
<b>COST OF SALES</b>					
Continuing operations		(78,658)	1,732	(76,926)	(84,498)
Discontinued operations		-	-	-	(197)
		<u>(78,658)</u>	<u>1,732</u>	<u>(76,926)</u>	<u>(84,695)</u>
<b>REVENUE</b>					
Continuing operations		21,699	1,732	23,431	20,324
Discontinued operations		-	-	-	693
		<u>21,699</u>	<u>1,732</u>	<u>23,431</u>	<u>21,017</u>
Administrative expenses		(19,272)	(30)	(19,242)	(19,403)
<b>OPERATING PROFIT</b>					
Continuing operations		2,487	1,702	4,189	1,558
Discontinued operations		-	-	-	56
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
				4,189	1,614
Interest receivable and similar income	3			<u>1,174</u>	<u>755</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3			5,363	2,369
<b>TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	6			<u>1,531</u>	<u>(30)</u>
<b>RETAINED PROFIT FOR THE YEAR</b>	13			<u>6,894</u>	<u>2,339</u>

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

**McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007**

	Notes	2007 Before Exceptional Items £'000	2007 Exceptional Items (note 3) £'000	2007 Total £'000	2006 Total £'000
<b>TURNOVER</b>	2				
Continuing operations		100,357	-	100,357	104,822
Discontinued operations		-	-	-	890
		<u>100,357</u>	<u>-</u>	<u>100,357</u>	<u>105,712</u>
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		<u>(78,658)</u>	<u>1,732</u>	<u>(76,926)</u>	<u>(84,695)</u>
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<b>OPERATING PROFIT</b>					
Continuing operations		2,487	1,702	4,189	1,558
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The attached accounting policies and notes form a part of these financial statements

**McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 2007**

	<u>Notes</u>	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
<b>FIXED ASSETS</b>			
Tangible assets	7	<u>9,442</u>	<u>9,866</u>
<b>CURRENT ASSETS</b>			
Work in progress		1,350	894
Debtors	8	17,551	22,099
Cash at bank and in hand		<u>18,161</u>	<u>13,485</u>
		37,062	36,478
<b>CREDITORS Amounts falling due within one year</b>	9	<u>(20,125)</u>	<u>(25,541)</u>
<b>NET CURRENT ASSETS</b>		<u>16,937</u>	<u>10,937</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		26,379	20,803
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	11	<u>(2,967)</u>	<u>(4,285)</u>
		<u>23,412</u>	<u>16,518</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	20	20
Profit and loss account	13	<u>23,392</u>	<u>16,498</u>
<b>SHAREHOLDERS' FUNDS</b>	14	<u>23,412</u>	<u>16,518</u>



MJ Jackson  
Director

The financial statements were approved by the Board of Directors on 15 September 2008

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 2007**

**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

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 2007 (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	2007 £'000	2006 £'000
United Kingdom	<b>100,357</b>	<b>105,712</b>

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

	2007 £'000	2006 £'000
Interest receivable from overnight deposits	(1,174)	(755)
Auditors' remuneration for audit services	43	47
Auditors' remuneration for audit related services	59	64
Depreciation - owned assets	682	516
(Gain)/loss on disposal of assets	-	(41)
Operating lease rentals - office & office related	136	134
- cars	93	119
Exceptional item - Release of accruals	414	-
- Release of provisions and charges	1,318	-
- 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.

**McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

**4 EMPLOYEES**

	<u>2007</u>	<u>2006</u>
	<u>£'000</u>	<u>£'000</u>
Staff costs, including directors' emoluments		
Wages and salaries	10,192	10,314
Social security costs	1,162	1,098
Share based payments (note 10)	38	87
Other pension costs (note 15)	1,648	1,604
	<u>13,040</u>	<u>13,103</u>
	<u>Number</u>	<u>Number</u>
The average number of employees during the year was	<u>262</u>	<u>267</u>

**5 DIRECTORS' EMOLUMENTS**

Directors' emoluments excluding pension contributions, all of which were in respect of services as directors for the year (or part thereof), amounted to £540,000 (2006 - £827,000). During 2006 4 directors resigned, although continued as employees of the company. Accordingly, the relevant proportion of their salaries is included in the comparative figure covering their period of office. Retirement benefits are accruing to 2 (2006: 2) directors under a defined benefit scheme.

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

	<u>2007</u>	<u>2006</u>
	<u>£'000</u>	<u>£'000</u>
Remuneration (excluding pension)	290	268
Payments made in respect of Share Based Incentives	51	-
Accrued pension at 31 December	69	58

**6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

The charge for taxation which has been provided at 30% (2006 - 30%) is based on the results for the year and comprised:

	<u>2007</u>	<u>2006</u>
	<u>£'000</u>	<u>£'000</u>
UK corporation tax		
- Current year	-	-
- Adjustments in respect of prior periods	(1,484)	92
Total Current Tax	<u>(1,484)</u>	<u>92</u>
Deferred Taxation		
Origination and reversal of timing differences	(19)	(94)
Adjustments in respect of prior periods	(28)	32
Total deferred tax	<u>(47)</u>	<u>(62)</u>
Tax (credit)/charge on profit on ordinary activities	<u>(1,531)</u>	<u>30</u>

# McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

### 6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The standard rate of corporation tax in the UK is 30% (2006 30%) The current tax charge is lower than 30% (2006 lower) for the reasons set out below

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	5,363	2,369
Profit on ordinary activities multiplied by standard rate in the UK 30% (2006 30%)	1,609	711
Effects of		
Expenses not deductible for tax purposes	103	74
Accelerated capital allowances and other timing differences	138	108
Short term timing differences	(45)	(15)
Group Relief for nil consideration	(1,805)	(938)
Adjustments to tax charge in respect of previous period	(1,484)	92
Current tax (credit)/charge for the period	(1,484)	32

### 7 TANGIBLE ASSETS

	Land & Buildings £'000	Furniture & fittings £'000	Office & computer equipment £'000	Total £'000
<b>COST</b>				
At 1 January 2007	9,981	740	1,547	12,268
Additions	20	35	203	258
Disposals	(14)	(448)	(187)	(649)
At 31 December 2007	9,987	327	1,563	11,877
<b>DEPRECIATION</b>				
At 1 January 2007	957	449	996	2,402
Charge for the year	273	124	285	682
Disposals	(14)	(448)	(187)	(649)
At 31 December 2007	1,216	125	1,094	2,435
<b>NET BOOK VALUE</b>				
At 31 December 2007	8,771	202	469	9,442
At 31 December 2006	9,024	291	551	9,866

### 8 DEBTORS

Amounts falling due within one year

	2007 £'000	2006 £'000
Trade debtors	15,045	19,229
Amounts owed by other group undertakings	1,112	1,158
Prepayments and accrued income	336	733
Corporation tax	31	-
Deferred tax asset	1,027	979
	17,551	22,099

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

# McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

### 8 DEBTORS (CONTINUED)

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

Deferred Tax asset	2007 £'000	2006 £'000
Accelerated Capital Allowances	987	910
Short Term Timing Differences	39	69
	<u>1,026</u>	<u>979</u>
Asset at start of the year	979	917
- prior year adjustment	29	(32)
- current	19	94
	<u>1,027</u>	<u>979</u>

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 (28.5%).

### 9 CREDITORS Amounts falling due within one year

	2007 £'000	2006 £'000
Trade creditors	11,706	14,065
Amounts received in advance on work in progress	1,069	1,069
Amounts owed to other group undertakings	1,818	2,122
Corporation tax	-	1,454
Other taxation and social security	2,366	2,552
Other creditors	146	197
Accruals and deferred income	3,020	4,082
	<u>20,125</u>	<u>25,541</u>

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

	2007 Number	2007 Price*	2006 Number	2006 Price*
Outstanding as at 1 January	47,632	£6.2400	31,457	£5.5632
Granted during the period	10,255	£5.9150	16,175	£4.7038
Paid during the period	(14,579)	£5.9000	-	-
Outstanding/share price as at 31 December	<u>43,308</u>	<u>£4.0800</u>	<u>47,632</u>	<u>£6.2400</u>

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



**McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

**11 PROVISIONS FOR LIABILITIES AND CHARGES**

The movement over the year is analysed as

	<b>Media and Production Credits £'000</b>
Balance at 1 January 2007	4,285
Movements during the year	(1,318)
Balance at 31 December 2007	<u>2,967</u>

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**

	<u>2007</u> £'000	<u>2006</u> £'000
Authorised, allotted and fully paid 20,000 ordinary shares of £1 each	<u>20</u>	<u>20</u>

**13 PROFIT AND LOSS ACCOUNT**

	<b>£'000</b>
Balance at 31 December 2006 as previously reported	16,498
Retained profit for the year	6,894
Balance at 31 December 2007	<u>23,392</u>

**14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<u>2007</u> £'000	<u>2006</u> £'000
Profit for the financial year	6,894	2,339
Net addition to shareholders' funds	<u>6,894</u>	<u>2,339</u>
Opening shareholders' funds as restated	<u>16,518</u>	<u>14,179</u>
Shareholders' funds at 31 December	<u>23,412</u>	<u>16,518</u>

## McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

#### 15 PENSION COSTS

##### Defined benefit scheme

The company, 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. The company, 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 current Schedule of Contributions requires 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 had £353,500 per month been paid. Such contributions are due for the period of 5 years from 1 July 2007 to 30 June 2012. The company is contributing £85,000 a month towards this total, inclusive of an allowance for expenses.

Active members contribute to the Plan at the rate of 9% of pensionable earnings for the period 1 July 2007 to 30 June 2010.

From 1 January 2006 to 30 June 2007, participating employers' contributions were 40% of pensionable earnings and active members' contributions were 6% of pensionable earnings.

An approximate funding review was carried out as at 1 April 2007. This showed that the deficit was estimated to be £21.3 million.

The total cost of contributions to the Plan by the Company amounted to £1,521,000 during the year (2006 £1,220,000). The company also contributes to the Institute of Practitioners in Advertising ("IPA") scheme, a defined contribution scheme. Total employer contributions to the IPA scheme during 2007 amounted to £82,000 (2006 £83,000).

#### 16 LEASING OBLIGATIONS

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

	2007 Buildings £'000	2007 Other £'000	2006 Buildings £'000	2006 Other £'000
Within one year	-	37	50	67
Between one and five years	53	114	-	133
	<u>53</u>	<u>151</u>	<u>50</u>	<u>200</u>

#### 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.

**McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

**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.