

01372305

MCCANN-ERICKSON ADVERTISING LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 1994



The directors present their report and the audited financial statements of the company for the year ended 31 December 1994.

DIRECTORS

The directors of the company at the date of this report are as follows:-

D J Warden, Chairman (appointed 5 May 1994), M W Gault, Managing Director (appointed 3 August 1994), R S Akerman, L H Ali, N Bishop (appointed 3 August 1994), K A Bolwell (appointed 7 April 1994), D S T Boscawen (appointed 12 April 1995), D T Brown (appointed 12 April 1995), M D Clark (appointed 7 April 1994), V Clarke, G Coombs, S B Cooper (appointed 3 August 1994), D Coulter (appointed 12 April 1995), S P Cronan, L C Daley, I P Davidson (appointed 3 August 1994), S C Davis, C P P Donoghue, J J Dooner Jnr. (USA) (appointed 5 May 1994), R E Duckett (appointed 12 April 1995), M J Dudgeon (appointed 3 August 1994), J Feasey (appointed 27 May 1994), K Fielding (appointed 12 April 1995), C R Flint, S L Gallacher (appointed 12 April 1995), G H Gingell, R Gostelow (appointed 12 April 1995), P F M Grant (appointed 3 August 1994), D K Green (appointed 12 April 1995), J R Green, J Hackney, D Hass (appointed 12 April 1995), R Haydon, C G Hayward, P C Hodgson, J D Howkins, N L Hunt (appointed 12 April 1995), E Jenkins, A P D Jones, R J King (appointed 28 June 1994), P R Lawrence, D L Lindsay, M P Lonsdale, T S Lovatt, T C Lucas (appointed 12 April 1995), R Mackenzie (appointed 12 April 1995), P Malani (appointed 12 April 1995), T E Martin, M J T Nelson (appointed 3 August 1994), M Perry, B A Richards (appointed 3 August 1994), S Rowcliffe, S L Russell, C A Samms, G D Sanderson (appointed 3 August 1994), I E Shepherd (appointed 12 April 1995), A P Shingleton, F J Smedley, P R Smith (appointed 12 April 1995), J Soffe (appointed 12 April 1995), D Trollope, R V Wallis, P Walker (appointed 12 April 1995), J C Welz and S A Wright.

COMPANY SECRETARY
C.P.P. Donoghue

REGISTERED OFFICE
McCann-Erickson House
36 Howland Street
London W1A 1AT

Registered in England No: 1372305

1. PRINCIPAL ACTIVITY OF THE COMPANY

The company is a major British advertising agency and is the holding company of two further agencies, H.K. McCann Limited and McCann Communications Limited. This group being part of the McCann-Erickson Worldwide Group of advertising agencies.

2. ACQUISITION OF THE BUSINESS AND NET ASSETS OF HK McCANN LIMITED

On 3 August 1994 the company acquired all the assets and liabilities of its subsidiary, H.K. McCann Limited as a going concern. The effective accounting date of this purchase being 1 January 1994. Consequently, H.K. McCann Limited's trading results have been incorporated within the profit and loss account of this company, with effect from 1 January 1994.

3. RESULTS AND DIVIDEND

The trading results of the group for the year ended 31 December 1994 are shown in the attached profit and loss account. A dividend of £342,000 has been declared (1993 - £151,000).

4. DIRECTORS

The current directors are listed above. Mr M L Yershon resigned on 26 January 1994, Mr S W Cox resigned on 20 April 1994, Mr M I Summerfield resigned on 11 May 1994, Ms R M Parr resigned on 20 May 1994 Mr M C F Freter resigned on 31 May 1994, Mr J Clark appointed on 7 April 1994 and resigned on 29 June 1994, Ms S A Jennings resigned on 9 September 1994, Mr J Cernis resigned on 23 September 1994, Mr S B Moore appointed on 7 April 1994 and resigned on 16 November 1994, Mr M Taylor appointed on 3 August 1994 and resigned on 22 November 1994, Ms M H Seal resigned on 30 November 1994, Mr R T Cabezas (USA) was appointed on 5 May 1994 and resigned on 28 February 1995, Ms M F Stow resigned on 3 March 1995 and Mr G Snowball resigned on 12 April 1995.

No directors have held any shares or rights to shares in the company at any time during the year.

5. EMPLOYEE INVOLVEMENT

Consultation with employees is constantly carried out through the Board of Directors who hold departmental meetings periodically with their staff. In addition information is provided to employees through frequent news bulletins.

6. DISABLED PERSONS

It is the group's policy to give full and fair consideration to applications for employment made by disabled persons, to continue whenever possible the employment of staff who become disabled and to provide equal opportunities for the training and career development of disabled employees.

7. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which 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 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.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.

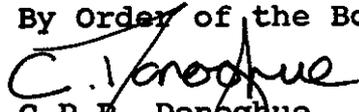
8. AUDITORS

The auditors, Price Waterhouse, have indicated their willingness to continue in office.

9. ELECTIVE RESOLUTIONS

It was resolved at the Annual General Meeting held on 12 December 1991 to dispense with laying of accounts and reports before general meetings under section 252, to dispense with the holding of Annual General Meetings under section 366A and to dispense with the appointment of auditors annually under section 386 by elective resolution in accordance with section 379A of the Companies Act 1985.

By Order of the Board.


C.P.F. Donoghue
Secretary

Date

7 July 95

AUDIT REPORT

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

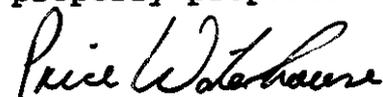
BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Chartered Accountants
and Registered Auditors
No.1 London Bridge,
London, SE1 9QL

Date 11 July 1995

MCCANN-ERICKSON ADVERTISING LIMITED
 PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED 31 DECEMBER 1994

Page 5

	Note	1994 £'000	1993 £'000
TURNOVER ON CONTINUING OPERATIONS		170,219	129,142
Cost of Sales		(143,640)	(108,649)
GROSS PROFIT		26,579	20,493
ADMINISTRATIVE EXPENSES		(25,853)	(20,202)
OPERATING PROFIT ON CONTINUING OPERATIONS		726	291
Income from shares in a group undertaking		148	151
Other interest receivable and similar income		343	278
Interest payable and similar charges		(16)	(14)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	1,201	706
Tax charge on ordinary activities	5	(485)	(301)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		716	405
Dividend		(342)	(151)
		374	254
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD		<u>1,638</u>	<u>1,384</u>
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		<u>2,012</u>	<u>1,638</u>

There are no recognised gains or losses other than the profit for the year.

Continuing operations include the results of H.K. McCann Limited, the business of which was acquired during the year. The separate disclosure of its acquisition is not practical as separate accounting records have not been maintained.

The notes on pages 7 to 14 form part of these accounts.

McCANN-ERICKSON ADVERTISING LIMITED
 COMPANY BALANCE SHEET
 AS AT 31 DECEMBER 1994

Page 6

	Note	1994 £000	1993 £000
FIXED ASSETS			
Tangible assets	6	2,018	1,512
Intangible assets	7	20	44
Investment in subsidiaries	8	524	524
CURRENT ASSETS			
Work-in-progress	1	1,984	1,238
Debtors	9	27,403	20,815
Cash at bank and in hand		<u>5,848</u> 35,235	<u>1,839</u> 23,892
CREDITORS: amounts falling due within one year	10	(34,055)	(22,461)
NET CURRENT ASSETS		<u>1,180</u>	<u>1,431</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,742	3,511
CREDITORS: amounts falling due after one year	11	(730)	(873)
		<u>3,012</u>	<u>2,638</u>
CAPITAL AND RESERVES			
Called up share capital	12	1,000	1,000
Profit and loss account		<u>2,012</u> 3,012	<u>1,638</u> 2,638

DIRECTOR


 G H GINGELL

Approved by the Board

Date 7 July 95

The notes on pages 7 to 14 form part of these accounts.

1 ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The accounts are prepared in accordance with applicable accounting standards using the historical cost convention.

REPRESENTATION OF COMPARATIVES

Consolidated accounts have not been prepared as per note 8c. Where appropriate, comparative results for 1993 have been represented to disclose the company results, as consolidated results were previously reported.

TURNOVER

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

RECOGNITION OF REVENUE

Revenue is recognised by the company when billings are made to clients.

WORK-IN-PROGRESS

Work-in-progress is stated at the lower of cost and net realisable value.

DEPRECIATION

Tangible assets are depreciated on a straight line basis over their estimated useful lives as follows:-

Leasehold improvements	: life of lease or life of asset whichever is shorter
Furniture and equipment	: four to seven years
Motor vehicles	: four years

FOREIGN CURRENCIES

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.

DEFERRED TAXATION

Provision is made for the effect of taxation deferred through income and expenditure being recognised for taxation purposes in periods different from the period in which they are recognised in the accounts, except to the extent that such timing differences are not expected to crystallise in the foreseeable future.

1 ACCOUNTING POLICIES CONTINUED

PURCHASED GOODWILL

Purchased goodwill, which represents the excess of the cost of investments in businesses acquired over the fair value of the assets acquired, is stated at cost less accumulated amortisation. Amortisation is calculated to write-off the cost of this goodwill evenly over its expected useful economic life which is estimated at 5 years.

INVESTMENTS

Investments in subsidiary companies are shown at cost.

LEASE PAYMENTS

Payments made under operating leases are charged to the profit and loss account as incurred.

PENSION SCHEME ARRANGEMENTS

Contributions to The Interpublic Pension Plan are assessed by a qualified actuary on the cost of providing pensions across all participating Interpublic Group Companies. Contributions are charged to the profit and loss account in the period in respect of which they become payable.

2	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1994 £000	1993 £000
	Profit on ordinary activities before taxation is stated after charging/(crediting) :		
	Auditors' remuneration	48	45
	Depreciation	588	475
	Amortisation of goodwill	24	(13)
	Interest receivable from group undertakings	(144)	(157)
	Operating lease payments: buildings	1,615	1,615
	: motor vehicles	598	518
	: other	264	325
	Exchange Loss	52	98
3	EMPLOYEES	1994 £000	1993 £000
	Staff costs:		
	Wages and salaries	12,850	9,813
	Social security costs	1,147	870
	Other pension costs	485	527
	Severance payments	1,109	253
		<u>15,591</u>	<u>11,463</u>
		Number	Number
	The average number of employees during the year was:	357	280

4	DIRECTORS' EMOLUMENTS	1994	1993
		£000	£000
	Directors' emoluments comprise:		
	Directors' emoluments (including pension contributions)	<u>4,153</u>	<u>3,575</u>
	Directors' emoluments include the emoluments (excluding pension contributions) of the highest paid director	<u> -</u>	<u>304</u>
	the Chairman who in 1994 was also the highest paid director	<u>373</u>	<u> -</u>

The emoluments of the directors (excluding pension contributions) for the year were in the following ranges:

	Number	Number
Nil - £ 5,000	3	2
£ 5,001 - £ 10,000	-	3
£ 15,001 - £ 20,000	1	1
£ 20,001 - £ 25,000	2	-
£ 25,001 - £ 30,000	2	1
£ 30,001 - £ 35,000	7	2
£ 35,001 - £ 40,000	-	4
£ 40,001 - £ 45,000	5	2
£ 45,001 - £ 50,000	5	4
£ 50,001 - £ 55,000	7	4
£ 55,001 - £ 60,000	2	3
£ 60,001 - £ 65,000	5	3
£ 65,001 - £ 70,000	6	4
£ 70,001 - £ 75,000	3	5
£ 75,001 - £ 80,000	2	2
£ 80,001 - £ 85,000	4	1
£ 85,001 - £ 90,000	2	-
£ 90,001 - £ 95,000	-	1
£ 95,001 - £100,000	1	1
£100,001 - £105,000	1	1
£105,001 - £110,000	-	1
£110,001 - £115,000	1	-
£120,001 - £125,000	-	2
£130,001 - £135,000	1	-
£175,001 - £180,000	-	1
£225,001 - £230,000	-	1
£255,001 - £260,000	1	-
£300,001 - £305,000	-	1
£370,001 - £375,000	1	-

Severance payments include compensation amounts of £657,000 (1993 - £137,000) which were paid to 9 (1993 - 5) directors who resigned during the year.

An interest free loan was granted during the year to David Warden. The maximum loan, and the amount outstanding at the year end was U.S. \$30,000.

5	TAX ON PROFIT ON ORDINARY ACTIVITIES	1994	1993
		£000	£000
	The charge for the year is based on the results for the year and is comprised as follows:		
	UK Corporation Tax:		
	Current	405	324
	Deferred	68	(23)
	Prior Year:		
	Current	<u>12</u>	<u>-</u>
		<u>485</u>	<u>301</u>

Corporation tax has been provided at a rate of 33% (1993 - 33%)

6.	TANGIBLE ASSETTS	Leasehold Improve- ments	Furniture Equipment and Motor Vehicles	Total
	Cost	£000	£000	£000
	At 1 January 1994	159	5,091	5,250
	Additions	-	986	986
	Disposals	-	(15)	(15)
	Transferred from subsidiary	-	298	298
	At 31 December 1994	<u>159</u>	<u>6,360</u>	<u>6,519</u>
	Depreciation			
	At 1 January 1994	138	3,600	3,738
	Charge for the year	14	574	588
	Disposals	-	(15)	(15)
	Transferred from subsidiary	-	190	190
	At 31 December 1994	<u>152</u>	<u>4,349</u>	<u>4,501</u>
	Net book value			
	At 31 December 1994	<u>7</u>	<u>2,011</u>	<u>2,018</u>
	At 31 December 1993	<u>21</u>	<u>1,491</u>	<u>1,512</u>

7 INTANGIBLE ASSETS

Total
 Purchased
 Goodwill
 £'000

Cost

At 1 January 1994
 and
 31 December 1994

111

Amortisation

At 1 January 1994
 For the year
 At 31 December 1994

67

24

91

Net Book Value at
 31 December 1994

20

Net Book Value at
 31 December 1993

44

8 INVESTMENTS IN SUBSIDIARIES

1994 1993
 £'000 £'000

a Cost

524 524

On 28 January 1993 this company acquired 100% of the share capital of H.K. McCann Limited and McCann Communications Limited from its parent company, Interpublic Limited for £524,000. Both companies are registered in England, and are advertising agencies.

b Assets/(Liabilities) Acquired in 1993

	<u>H.K. McCann Limited</u>		<u>McCann Communications Limited</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
	£'000	£'000	£'000	£'000
Tangible Fixed Assets	77	77	74	74
Net Current Assets	533	533	(262)	(262)
Creditors: Amounts falling due after one year	-	-	(50)	(50)
Net Assets Acquired	<u>610</u>	<u>610</u>	<u>(238)</u>	<u>(238)</u>

c Group accounts have not been prepared as the Company is itself a wholly owned subsidiary of a company incorporated in the European Community.

9	DEBTORS	1994 £'000	1993 £'000
	Trade debtors	18,075	11,186
	Amounts owed by group undertakings	5,230	5,189
	Other debtors (note 13)	3,282	3,195
	Dividend	-	151
	Prepayments and accrued income	<u>816</u>	<u>1,094</u>
		<u>27,403</u>	<u>20,815</u>
10	CREDITORS: amounts falling within one year	1994 £'000	1993 £'000
	Trade creditors	22,083	13,500
	Amounts owed to group undertakings	3,371	1,901
	Other creditors	2,901	3,116
	Corporation tax payable	419	341
	Other taxes and social security	1,887	1,454
	Dividend	342	151
	Accruals and deferred income	<u>3,052</u>	<u>1,998</u>
		<u>34,055</u>	<u>22,461</u>
11	CREDITORS: amounts falling after one year	1994 £'000	1993 £'000
	Amounts owed to a group undertaking	595	94
	Accruals and deferred income	<u>135</u>	<u>779</u>
		<u>730</u>	<u>873</u>
12	CALLED UP SHARE CAPITAL		
	Authorised, issued and fully paid 1,000,000 ordinary shares of £1 each, (1993 - 1,000,000 ordinary shares of £1 each).		
13	DEFERRED TAXATION	1994 £'000	1993 £'000
	Included in other debtors:		
	Accelerated capital allowances	(33)	(51)
	Dilapidations provision	24	90
	Other provisions	50	66
	Interest	<u>(6)</u>	<u>(2)</u>
		<u>35</u>	<u>103</u>

Deferred tax has been fully provided for at a rate of 33% (1993 - 33%)

14 LEASING COMMITMENTS

The future annual payments to which the group is committed as at 31 December 1994 under operating lease payments are as follows:

	1994 £'000	1993 £'000
Buildings		
Lease expiring - within one year	-	-
- one to five years	-	-
- after five years	1,615	1,615
Other		
Lease expiring - in under one year	69	48
- one to five years	578	363
- after five years	-	-
	<u>2,262</u>	<u>2,026</u>

15 PENSION COMMITMENTS

The group participates in a defined benefit pension scheme, The Interpublic Pension Plan.

The contributions are determined on the basis of valuations performed every three years by a qualified actuary. The most recent valuation was at 1 April 1994. Details of this valuation are contained in the financial statements of Interpublic Limited.

From 1 January 1993 the Company contributed to the plan on the basis of 10% and during 1994 contributed at an average rate of 7.8% of applicable salaries.

16 CONTINGENT LIABILITIES

The company has a contingent liability in respect of a guarantee regarding the borrowings of a fellow subsidiary company, the maximum amount of this guarantee is £1,000,000. At 31 December 1994 the amount outstanding under this guarantee was £nil. In turn the company's borrowings are supported up to a maximum of £750,000 by its ultimate holding company.

17 ULTIMATE HOLDING COMPANY

The ultimate holding company is The Interpublic Group of Companies Inc. which is incorporated in the United States of America. Copies of the group accounts of The Interpublic Group of Companies Inc. may be obtained from The Interpublic Group of Companies Inc., 1271 Avenue of Americas, New York, New York 10020. Interpublic Limited, a company registered in England, is the parent undertaking of the smallest group to consolidate the accounts of this Company. Copies of these accounts can be obtained from Interpublic Limited, 4 Golden Square, London W1R 3AE.