

REGISTERED NUMBER 1993425

McCANN MANCHESTER LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

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McCANN MANCHESTER LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2010

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McCANN MANCHESTER LIMITED

DIRECTORS' AND ADVISORS FOR THE YEAR ENDED 31 DECEMBER 2010

DIRECTORS

MJ Jackson
SA Little

COMPANY SECRETARY

HL Nicholson

REGISTERED OFFICE

Bonis Hall
Prestbury
Macclesfield
Cheshire
SK10 4EF

Registered in England No 1993425

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

BANKERS

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

McCANN MANCHESTER LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

The directors present their report and the audited financial statements of the company for the year ended 31 December 2010

BUSINESS REVIEW, PRINCIPAL ACTIVITIES AND KEY PERFORMANCE INDICATORS

McCann Manchester Limited provides full service advertising and marketing services in the United Kingdom

The trading results for the year ended 31 December 2010 are shown in the attached profit and loss account and show a pre-tax profit of £2.5m (2009: £3.2m) and turnover of £76.5m (2009: £76.8m). The company has cash reserves at the year end of £9.4m (2009: £26.9m) and net assets of £33.9m (2009: £31.1m). During the year the company issued a loan to IPG Holdings (UK) Limited of £17.5m.

Focusing on Continuing Operations and reflecting the impact of a number of one off items, our key performance indicators, being adjusted revenue, adjusted operating profit and adjusted operating margin, are as follows:

	2010 £'000	2009 £'000
Revenue	20,173	21,231
Exceptional items *	(337)	(147)
Adjusted revenue	<u>19,836</u>	<u>21,084</u>
Operating profit	2,285	2,893
Exceptional items *	(337)	(147)
Adjusted operating profit	<u>1,948</u>	<u>2,746</u>

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

	2010	2009
Adjusted Operating Margin (%)	10%	13%

(ratio of operating profit to gross income expressed as a percentage and excluding exceptional and one-off items)

The company was impacted in the year by the loss of a McCann WorldGroup global client. Despite this, the company continued to perform strongly on both existing business and new client wins, particularly in the digital space and was therefore able to mitigate this loss, despite the difficult economic conditions. However, due to the partially fixed nature of our cost base, the operating margin has been impacted by this loss, together with the effect of increased employer pension contributions.

We have continued to work closely with our clients to ensure that we are driving their brands forward and delivering effective results through our integrated offering, also recognising increased pressures on cost. We are pleased to report further growth and development in our integrated digital offering, winning a number of new clients and projects as well as receiving industry recognition for our work in this area. This includes a Highly Commended award for changing perceptions of the digital arena and leading clients into the digital space.

In 2010, the company saw a return to national and international awards for the more conventional media of press, with Silvers at the Creative Circle, Campaign Big Awards and EPICA. The dynamic Cross Country trains commercial hit the screens in 2010, with a large part of the computer animation being created in-house. Locally, McCann achieved seven awards at the Roses, perhaps the most notable examples being an extraordinary typography-inspired campaign for Leeds Counseling and some audacious recruitment activity for Aldi supermarkets. Healthcare, too, was not neglected with no less than seven certificates at the Best of Health Awards, plus a Gold Medal for Shire at the Pharmaceutical Marketing Society's gathering in London.

Equally 2010 saw a significant focus on talent management. Our bespoke 'Talent Tree' people strategy is at the core of our objective to attract, retain and develop the best possible talent. Within this we have had a number of successful initiatives run this year including our Graduate Recruitment Scheme, Learning Lunches and Post Graduate Certificate in Integrated Marketing in partnership with Manchester Metropolitan University.

Our initiatives have positioned us as a pioneer within the industry and we are delighted to have received awards recognition, once again retaining the IPA Gold standard for Continuing Professional Development. Alongside this we received formal accreditation as one of Britain's Top Employers from the CRF institute recognising the investment the company gives to its Talent.

FUTURE OUTLOOK AND STRATEGY

The current year has started well with continued growth in digital business both organically and from new business relationships. We have also secured a number of exciting new projects around our Healthcare offering which will pull on all areas of our integrated offering.

The full year will remain challenging due to continuing market and economic conditions, but the company is in a strong position to continue to outperform in the markets in which we operate.

McCANN MANCHESTER LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

FUTURE OUTLOOK AND STRATEGY (CONTINUED)

The company is committed to strengthening our digital integrated offering. As part of the strategy, the company remains committed to hiring the best in class in the industry and a number of key appointments in creative, digital and planning have already been made this year. We expect to continue to strengthen this area both through recruitment as well as a structured training and development programme.

The company continues to review its operations to ensure that it delivers cost effectiveness to clients and growth of operating margins.

PRINCIPAL RISKS AND UNCERTAINTIES

McCann Manchester 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 retain, as well as 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 company is committed to its CSR policy, which reflects and complements its core business goals. The company 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. Regular company updates to all staff are held and we have just launched our new and more interactive 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.

Liquidity risk

The company has no debt finance.

Interest rate cash flow risk

The company has interest bearing assets 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.

McCANN MANCHESTER LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each director in office at the date the Directors' Report is approved

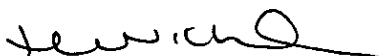
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware,
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

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



HL Nicholson
Secretary
19 August 2011

MCCANN MANCHESTER LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MCCANN MANCHESTER LIMITED

We have audited the financial statements of McCann Manchester Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Randal Casson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
19 August 2011

McCANN MANCHESTER LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 Before Exceptional Items £'000	2010 Exceptional Items (note 3) £'000	2010 Total £'000	2009 Before Exceptional Items £'000	2009 Exceptional Items (note 3) £'000	2009 Total £'000
TURNOVER	2	76,502	-	76,502	76,807	-	76,807
COST OF SALES		<u>(56,666)</u>	<u>337</u>	<u>(56,329)</u>	<u>(55,723)</u>	<u>147</u>	<u>(55,576)</u>
REVENUE		19,836	337	20,173	21,084	147	21,231
Administrative expenses		<u>(17,888)</u>	<u>-</u>	<u>(17,888)</u>	<u>(18,338)</u>	<u>-</u>	<u>(18,338)</u>
OPERATING PROFIT		<u>1,948</u>	<u>337</u>	<u>2,285</u>	<u>2,746</u>	<u>147</u>	<u>2,893</u>
Interest receivable and similar income	3			<u>166</u>			<u>293</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3			2,451			3,186
TAX ON PROFIT ON ORDINARY ACTIVITIES	6			<u>382</u>			<u>(71)</u>
RETAINED PROFIT FOR THE YEAR	13			<u>2,833</u>			<u>3,115</u>

All results derive from continuing operations

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the current year and prior year stated above and their historical cost equivalents

The company has no recognised gains and losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented

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

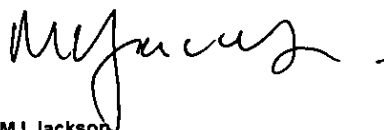
McCANN MANCHESTER LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2010

	<u>Notes</u>	<u>2010</u> £'000	<u>2009</u> £'000
FIXED ASSETS			
Tangible assets	7	<u>8,404</u>	<u>8,744</u>
CURRENT ASSETS			
Work in progress		1,140	1,276
Debtors	8	14,788	15,420
- Due within one year		17,543	-
- Due after more than one year		<u>9,416</u>	<u>26,871</u>
Cash at bank and in hand		42,887	43,567
CREDITORS Amounts falling due within one year	9	<u>(15,658)</u>	<u>(19,174)</u>
NET CURRENT ASSETS		<u>27,229</u>	<u>24,393</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		35,633	33,137
PROVISIONS FOR LIABILITIES AND CHARGES	11	<u>(1,706)</u>	<u>(2,043)</u>
		<u>33,927</u>	<u>31,094</u>
CAPITAL AND RESERVES			
Called up share capital	12	20	20
Profit and loss account	13	<u>33,907</u>	<u>31,074</u>
SHAREHOLDERS' FUNDS	14	<u>33,927</u>	<u>31,094</u>

The notes on pages 8 to 16 form part of the financial statements

The financial statements on pages 6 to 16 were approved by the Board of Directors on 19 August 2011 and were signed on its behalf by



MJ Jackson
Director
McCann Manchester Limited
Registered Company Number 1993425

McCANN MANCHESTER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1 ACCOUNTING POLICIES

Basis of accounting

These 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 2006. The principal accounting policies which have been applied on a consistent basis, are set out below.

The company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of Interpublic Limited which prepares consolidated financial statements which are publicly available. The company is also, on this basis, exempt from the requirements of FRS1 (revised 1996) to prepare a cash flow statement.

The directors have taken advantage of the exemption in FRS8 from disclosing transactions with related parties that are part of the Interpublic Group of Companies Inc. There are no other related party transactions.

Turnover

Turnover represents amounts receivable from clients exclusive of value added tax, in respect of billings for media advertising, production work and fees for services provided during the year. This includes the billings for 'pass through' expenses which are incurred where we act as agents on behalf of clients, and which are then deducted under the heading 'cost of sales' to arrive at revenue.

Revenue

The company 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 MANCHESTER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (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 operated 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	2010	2009
	£'000	£'000
United Kingdom	76,502	76,807
Less cost of sales	(56,329)	(55,576)
Revenue	20,173	21,231

All revenue arose from a single class of business. The cost of sales disclosed above relates principally to UK turnover.

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2010	2009
	£'000	£'000
Interest receivable from overnight deposits	(141)	(293)
Interest receivable from fellow subsidiaries	(25)	-
Auditors' remuneration for audit services	55	58
Auditors' remuneration for audit related services	35	35
Depreciation - owned assets	476	478
Operating lease rentals - office & office related	176	163
- cars	40	51
Exceptional item - Release of provisions and charges (note 11)	(337)	(147)

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

	2010	2009
	£'000	£'000
Staff costs, including directors' emoluments		
Wages and salaries	9,489	10,687
Social security costs	1,013	1,136
Share based payments (note 10)	74	104
Other pension costs (note 15)	1,913	1,691
	12,489	13,618
	Number	Number
The average number of employees during the year was	237	255

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

5 DIRECTORS' EMOLUMENTS

Directors' emoluments excluding pension contributions, all of which were in respect of services as directors for the year, amounted to £564,000 (2009 - £570,000)
Retirement benefits are accruing to 2 (2009 2) directors under a defined benefit scheme
Awards are receivable by 2 (2009 2) directors in the form of share based incentive schemes

Remuneration in respect of the highest paid director was as follows

	2010 £'000	2009 £'000
Remuneration (excluding pension)	346	322
Payments made in respect of Share Based Incentives	24	40
Accrued pension at 31 December in respect of defined benefit scheme	84	79

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The (credit) / charge for taxation which has been provided at 28% (2009 28%) is based on the results for the year and comprised

	2010 £'000	2009 £'000
UK corporation tax	-	-
- Current year	-	-
- Adjustments in respect of prior periods	-	(95)
Total Current Tax	-	(95)
Deferred Taxation		
Origination and reversal of timing differences	(229)	220
Adjustments in respect of prior periods	(153)	(54)
Total deferred tax	(382)	166
Tax charge on profit on ordinary activities	(382)	71

The standard effective rate of corporation tax in the UK is 28% for the year ended 31 December 2010 (2009 29%)
The current tax charge is lower than 28% (2009 lower than 28%) for the reasons set out below

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	2,451	3,186
Profit on ordinary activities multiplied by standard rate in the UK 28% (2009 28%)	686	892
Effects of		
Expenses not deductible for tax purposes	74	74
Accelerated capital allowances and other timing differences	(323)	(243)
Short term timing differences	15	23
Group Relief for nil consideration	(452)	(746)
Adjustments to tax charge in respect of previous period	-	(95)
Current tax credit for the period	-	(95)

Factors affecting current and future tax charges

During the year, as a result of the change in UK main corporation tax rate from 28% to 27% that was substantively enacted on 20 July 2010 and that will be effective from 1 April 2011, the relevant deferred tax balances have been re-measured

Further reductions in the UK corporation tax rate were announced in the June 2010 Budget. The changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 24% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements

McCANN MANCHESTER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

7 TANGIBLE ASSETS

	Land & Buildings £'000	Furniture & fittings £'000	Office & computer equipment £'000	Total £'000
COST				
At 1 January 2010	10,023	376	1,438	11,837
Additions	-	24	112	136
Disposals	-	(2)	(245)	(247)
At 31 December 2010	10,023	398	1,305	11,726
DEPRECIATION				
At 1 January 2010	1,760	215	1,118	3,093
Charge for the year	273	50	153	476
Disposals	-	(2)	(245)	(247)
At 31 December 2010	2,033	263	1,026	3,322
NET BOOK VALUE				
At 31 December 2010	<u>7,990</u>	<u>135</u>	<u>279</u>	<u>8,404</u>
At 31 December 2009	<u>8,263</u>	<u>161</u>	<u>320</u>	<u>8,744</u>

8 DEBTORS

Amounts falling due within one year

	2010 £'000	2009 £'000
Trade debtors	12,116	13,583
Amounts owed by other group undertakings	1,297	876
Prepayments and accrued income	459	427
Deferred tax asset	916	534
	<u>14,788</u>	<u>15,420</u>

The deferred tax asset comprises

	2010 £'000	2009 £'000
Accelerated Capital Allowances	818	435
Short Term Timing Differences	98	99
	<u>916</u>	<u>534</u>

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

	2010 £'000	2009 £'000
Asset at start of the year	534	700
- prior year adjustment	153	54
- deferred tax charge in profit and loss account (note 6)	229	(220)
	<u>916</u>	<u>534</u>

Amounts falling due after one year

	2010 £'000	2009 £'000
Amounts owed by other group undertakings	<u>17,543</u>	<u>-</u>

In respect of amounts owed by other group undertakings, these amounts include a loan to IPG Holdings (UK) Limited due for repayment on 13 April 2012 with interest at a rate of 1 20% per annum until 13 April 2011 reducing to 1 05% until 13 April 2012

McCANN MANCHESTER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

9 CREDITORS Amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	9,054	9,795
Amounts owed to other group undertakings	1,383	1,846
Corporation tax	150	150
Other creditors	49	69
Other taxation and social security	2,136	1,594
Accruals and deferred income	2,886	5,720
	15,658	19,174

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

10 LONG TERM INCENTIVE PLANS

The Interpublic Group of Companies, Inc. issue stock and cash based incentive awards to our employees under a plan established by The Interpublic Group of Companies, Inc. McCann Manchester Limited along with other companies in the Interpublic group, participates in The Interpublic Group of Companies, Inc. long term incentive plans. Refer to The Interpublic Group of Companies, Inc. 2010 Form 10-K for further disclosures relating to their long term incentive plans.

Cash Settled Time Based Restricted Stock Units

Under the long term incentive plan, restricted stock units are granted to key employees and generally vest over three years. Upon completion of the vesting period, the grantee is entitled, at the discretion of The Interpublic Group of Companies, Inc.'s Compensation Committee, to receive a payment in cash based on the fair market value of the corresponding number of shares in common stock. The fair value of cash-settled awards is adjusted at the end of each quarter based on The Interpublic Group of Companies, Inc.'s share price. We amortize stock-based compensation expense related to these units over the vesting period based upon the fair value. The holder of the cash-settled awards, as described above, has no ownership interest in the underlying shares of common stock and no monetary consideration is paid by a recipient for a cash-settled award.

Cash Settled Time Based Restricted Stock Units

Movements in the number of cash settled time-based restricted stock units outstanding and their related weighted average fair value prices are as follows:

	2010 No. of restricted stock units	2010 Weighted average fair value (£)	2009 No. of restricted stock units	2009 Weighted average fair value (£)
Outstanding as at 1 January	13,285	£4 6937	19,063	£2 7350
Granted during the period	7,396	£5 6079	13,285	£2 9137
Transferred to a group company	-	-	-	-
Cancelled during the period	-	-	-	-
Released during the period	-	-	(19,063)	£3 4765
Outstanding at 31 December	20,681	£6 8499	13,285	£4 6937

Cash payments of £nil were made in 2010 (2009 £66,272) in respect of restricted stock units distributed to participants. Compensation expense in connection with the stock awards was £53,486 (2009 £44,382). Total accrued liability in relation to unvested awards as at 31 December 2010 is £65,851 (2009 £15,589).

10 LONG TERM INCENTIVE PLANS (continued)

Equity Settled Restricted Stock Units

Awards to be settled in shares are granted to certain key employees and are subject to certain restrictions and vesting requirements as determined by The Interpublic Group of Companies, Inc.'s Compensation Committee. The vesting period is generally three years. The fair value of the restricted stock awards is based on The Interpublic Group of Companies, Inc. share price on the date the award is granted. No monetary consideration is paid by a recipient for a stock-settled award and the fair value of the shares determined on the grant date is amortized over the vesting period. There were no equity settled restricted stock units awarded to McCann Manchester Limited employees prior to 2007.

The Interpublic Group of Companies, Inc. grants both time based and performance based restricted stock units to be settled in shares.

Performance-based awards have been granted subject to certain restrictions and vesting requirements as determined by The Interpublic Group of Companies, Inc.'s Compensation Committee. Performance-based awards are a form of stock-based compensation in which the number shares ultimately received by the participant depends on the Company and/or individual performance against specific performance targets.

The awards generally vest over a three-year period subject to the participant's continuing employment as well as the achievement of certain performance objectives. The final number of units and therefore shares that could ultimately be received by a participant ranges from 0% to 200% of the target amount of units originally granted. Stock-based compensation expense is amortized for the estimated number of performance-based awards that are expected to vest over the vesting period using the fair value of the shares at the end of the period.

Share Settled Time Based Restricted Units

Movements in the number of awards outstanding and their related weighted average exercise prices are as follows:

	2010		2009	
	No. of restricted	Weighted	No. of restricted	Weighted
Outstanding as at 1 January	25,386	£4 6937	25,386	£2 7350
Granted during the period	-	-	-	-
Cancelled during the period	-	-	-	-
Released during the period	(10,255)	£5 6079	-	-
Outstanding at 31 December	15,131	£6 8499	25,386	£4 6937

Compensation expense in connection with the restricted stock awards was £(21,565) in 2010 (2009 £56,802) and is recorded on McCann Manchester Limited's accounts. The Interpublic Group of Companies, Inc. is responsible for issuing the shares upon settlement of the awards and therefore holds the equity balance for the equity settled awards.

Share Settled Performance Related Restricted Stock Units

Movements in the number of awards outstanding and their related weighted average exercise prices are as follows:

	2010		2009	
	No. of restricted	Weighted	No. of restricted	Weighted
Outstanding as at 1 January	12,276	£2 7350	12,276	£2 7350
Granted during the period	-	-	-	-
Cancelled during the period	-	-	-	-
Released during the period	(5,341)	£5 6079	-	-
Outstanding at 31 December	6,935	£6 8499	12,276	£4 6937

Compensation expense in connection with the restricted stock awards was £(2,133) in 2010 (2009 £5,782) and is recorded on McCann Manchester Limited's accounts. The Interpublic Group of Companies, Inc. is responsible for issuing the shares upon settlement of the awards and therefore holds the equity balance for the equity settled awards.

McCANN MANCHESTER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

11 PROVISIONS FOR LIABILITIES AND CHARGES

The movement over the year is analysed as

	Media and Production Credits £'000
Balance at 1 January 2010	2,043
Movements during the year	(337)
Balance at 31 December 2010	<u>1,706</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>2010</u> £'000	<u>2009</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

	£'000
Balance at 1 January 2010	31,074
Retained profit for the year	2,833
Balance at 31 December 2010	<u>33,907</u>

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2010</u> £'000	<u>2009</u> £'000
Profit for the financial year	2,833	3,115
Net addition to shareholders' funds	<u>2,833</u>	<u>3,115</u>
Opening shareholders' funds	<u>31,094</u>	<u>27,979</u>
Shareholders' funds at 31 December	<u>33,927</u>	<u>31,094</u>

McCANN MANCHESTER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

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 £164,000 (2009 - £181,000)

Defined benefit scheme

The Company, along with other companies in The Interpublic Group of Companies Inc. also participates in the Interpublic Pension Plan ("the Plan"), which is a defined benefit plan providing benefits based on members' service and pensionable earnings. McCann Manchester 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 31 March 2009 by a qualified independent actuary. The financial assumptions used in the valuation were as follows:

Discount rate 5.5%
Rate of price inflation 3.1%
Rate of pay increases (before promotional increases) 4.1%
Rate of pension increases 3.0% (benefits up to 30 June 2007)
Rate of pension increases 2.1% (benefits from 1 July 2007)
Rate of deferred pension increases 3.1%

As at 31 March 2009, the actuary calculated the funding deficit to be £47.6 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 30 June 2010, 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 2010 is no less than had £401,000 per month been paid. Such contributions are due for the period of 8 years from 1 July 2010 to 30 June 2018. McCann Manchester Limited is contributing £93,681 a month towards this total.

Active members contribute to the Plan at the rate of 9% of pensionable earnings for the period 1 July 2007 to 30 June 2010 and 6.3% of pensionable earnings from 1 July 2010.

The cost of contributions to the Plan by the Company amounted to £1,749,000 during the year (2009: £1,510,000).

16 LEASING OBLIGATIONS

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

	2010	2010	2009	2009
	Buildings	Other	Buildings	Other
	£'000	£'000	£'000	£'000
Within one year	-	37	-	21
Between one and five years	95	26	95	79
	<u>95</u>	<u>63</u>	<u>95</u>	<u>100</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 MANCHESTER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

18 PARENT UNDERTAKINGS

Interpublic Limited, a company registered in England, is the immediate parent undertaking and the parent of the *smallest group of undertakings to consolidate the accounts of this company*. Copies of those accounts can be obtained from the Company Secretary Interpublic Limited 84 Eccleston Square, London, SW1V 1PX

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 of the largest group to consolidate these financial statements and is the ultimate parent company

19 INVESTMENT IN SUBSIDIARY COMPANY

The company has one wholly owned non-trading subsidiary - Still - The Studio Limited. However, because the company is itself a wholly owned subsidiary of McCann-Enckson Network Limited, it is exempt under section 400 of the Companies Act from the requirement to prepare group accounts. The carrying value of this investment is £100