REGISTERED NUMBER 1993425

McCANN MANCHESTER LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

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McCANN MANCHESTER LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2011

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McCANN MANCHESTER LIMITED

DIRECTORS' AND ADVISORS FOR THE YEAR ENDED 31 DECEMBER 2011

DIRECTORS

MJ Jackson
SA Little
E Birchall

COMPANY SECRETARY

L Bean

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 2011

The directors present their report and the audited financial statements of the company for the year ended 31 December 2011

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 2011 are shown in the attached profit and loss account and show a loss on ordinary activities before taxation of £2 0m (2010 profit £2 5m) and turnover of £80 4m (2010 £76 5m)
The company has cash reserves at the year end of £9 8m (2010 £9 4m) and net assets of £37 0m (2010 £33 9m)

The company, along with 12 other participating employers, has an obligation to fund the outstanding deficit on the Interpublic Pension Plan In December 2011 a one-off additional contribution of £25m was made to fund this deficit The company's allocated share of this additional funding contribution was £5 0m which was settled by the issuance of shares of 2,797 shares of £1,876 each The amounts owed to and by McCann-Erickson Network Limited have been net settled through an intercompany offset agreements For additional details refer to Note 13 and Note 16

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

	2011 £'000	2010 £'000
Revenue	19 467	20,173
Exceptional items *	(1,099)	(337)
Adjusted revenue	18,368	19,836
Operating (loss)/profit	(2,279)	2,285
Exceptional items *	(1,099)	(337)
One off additional pension deficit contribution	5 008	-
Adjusted operating profit	1,630	1,948

* Release of prior year provisions (see note 4 of financial statements)

	2011	2010
Adjusted Operating Margin (%) (ratio of operating profit to revenue expressed as a percentage and excluding exceptional and one-off items)	9%	10%

The company was impacted in the year by the loss of Seton Scholl London International Group plc (SSL) following its acquisition by Reckitt Benckiser However this was largely mitigated by a solid performance delivered via both organic active growth and new client wins Through management of the cost base the company was able to maintain a similar operating margin

We have continued to focus on delivering the most effective results for our clients through our integrated offering and remained committed to growing and developing the digital offering Further progress was made in this area with the consolidation and total integration of the company's digital business, relocating the digital talent from a central Manchester location into the Bonis Hall campus

As testimony to the company's dedication in delivering Creative Excellence, the company received both national and international recognition for the popular Aldi "Like Brands" campaign, winning a Gold and two Silvers at the Creative Circle awards as well as gold awards from Epica and Grocer and a silver from Campaign Big in the relevant categories This success culminated in the winning of Britain's favourite TV commercial for 2011
At the Roses the company also achieved a silver award in the Ambient Media / Stunts category for the work done for Posh Jewels and two bronze awards were received for the Cross Country "Cheapskate Mate" campaign

Despite the continuing economic challenges within which we operate 2011 was a key year in terms of talent attraction, retention and development within the company One of the most successful elements has been the introduction of the McCann Apprentice scheme, a flagship level 3 apprenticeship programme developed in conjunction with a learning partner Other key initiatives include a comprehensive programme of learning lunches and master classes, designed specifically by the company for the company

Key performance indicators measuring the success of our talent initiatives include the retention of the IPA Gold Standard for Continuous Professional Development for the fourth year, receiving the accolade of Britain's Top Employer for the third year - including second place in our respective category and finally receiving a certificate of commendation from the TJ Awards for best commercial initiative in recognition of the apprentice programme

FUTURE OUTLOOK AND STRATEGY

The current year has started well with continued organic growth and kicking off projects with a number of new clients secured at the back end of 2011 The company continues to focus on growing the digital business and enhancing the competitiveness of our production offering
Yet again this year will be challenging due to a continuation of weak market conditions and slow economic growth but the company remains in a strong position to continue to outperform in the markets in which we operate

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 are currently directors are shown on page 1 All directors served throughout the year except for the director listed below

E Birchall	Date of appointment	24 August 2012

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

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 cash flow 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 2011 (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

INDEPENDENT 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

MJ Jackson
Director
24 August 2012

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 2011 which compnse 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 In addition we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 2011 and of its loss 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

Randal Casson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
24 August 2012

McCANN MANCHESTER LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 Before Exceptional Items £'000	2011 Exceptional Items (note 4) £'000	2011 Total £'000	2010 Before Exceptional Items £'000	2010 Exceptional Items (note 4) £'000	2010 Total £'000
TURNOVER	2	80,365	-	80,365	76,502	-	76,502
COST OF SALES		(61,997)	1,099	(60,898)	(56 666)	337	(56,329)
REVENUE		18,368	1,099	19,467	19,836	337	20,173
Administrative expenses		(16,738)	-	(16,738)	(17 888)	-	(17,888)
One off additional pension deficit contribution	16	(5,008)	-	(5,008)	-	-	-
OPERATING PROFIT/(LOSS)		(3,378)	1,099	(2,279)	1,948	337	2 285
Interest receivable and similar income	3			276			166
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4			(2,003)			2 451
TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES	7			(141)			382
RETAINED (LOSS)/PROFIT FOR THE YEAR	14			(2,144)			2 833

All results derive from continuing operations

There is no material difference between the (loss)/profit on ordinary activities before taxation and the retained (loss)/profit for the current year and prior financial 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 2011

	Notes	2011 £'000	2010 £'000
FIXED ASSETS			
Tangible assets	8	8,075	8,404
CURRENT ASSETS			
Work in progress		2,224	1,140
Debtors	9		
- Due within one year		20,867	14,788
- Due after more than one year		17,543	17,543
Cash at bank and in hand		9,815	9,416
		50,449	42,887
CREDITORS Amounts falling due within one year	10	(20,911)	(15,658)
NET CURRENT ASSETS		29,538	27,229
TOTAL ASSETS LESS CURRENT LIABILITIES		37,613	35,633
PROVISIONS FOR LIABILITIES	12	(582)	(1,706)
NET ASSETS		37,031	33,927
CAPITAL AND RESERVES			
Called up share capital	13	23	20
Share premium account	14	5,245	-
Profit and loss account	14	31,763	33,907
TOTAL SHAREHOLDERS' FUNDS	15	37,031	33,927

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 24 August 2012 and were signed on its behalf by

MJ Jackson

MJ Jackson
Director
McCann Manchester Limited
Registered Company Number 1993425

McCANN MANCHESTER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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 16
For Defined Contribution schemes, the amount charged to the profit and loss account in respect of pension costs is the contribution payable in the year Differences between contributions payable in the year and contributions actually paid are shown as accruals in the balance sheet

Tangible assets and depreciation

Tangible fixed 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 recognised if the directors believe it is more likely than not that the asset will be utilised
A net deferred tax assets is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that, under group tax arrangements, there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted

Deferred Income

Where payments are received from clients in advance of services provided, the amounts are recorded as deferred income and included as part of Creditors due within one year

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 Cash settled share based payments 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
Equity settled share based payments are measured at fair value at the date of grant The fair value determined at the grant date is expensed on straight line basis over the vesting period, based on the estimated number of shares that are expected to vest

In accordance with FRS20, the charge arising for share based payments is recognised in the profit and loss account of the company which employs those to whom the share based awards are granted The credit entry is reported within 'Accruals and Deferred income'

2 TURNOVER

Geographical Analysis	2011 £'000	2010 £'000
United Kingdom	80,365	76,502
Less cost of sales	(60,898)	(56,329)
Revenue	19,467	20,173

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

3 INTEREST RECEIVABLE

	2011 £'000	2010 £'000
Interest receivable from overnight deposits	84	141
Interest receivable from fellow subsidiaries	192	25
	276	166

4 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

		2011 £'000	2010 £'000
Auditors' remuneration for audit services		49	55
Auditors' remuneration for audit related services		46	35
Depreciation - owned assets		480	476
Operating lease rentals	- office & office related	137	176
	- cars	37	40
One off additional pension deficit contribution (note 16)		6,008	-
Exceptional item	- release of provisions (note 12)	(1,099)	(337)

The exceptional credit relates 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

5 EMPLOYEES

	2011 £'000	2010 £'000
Staff costs, including directors' emoluments		
Wages and salaries	8,697	9,489
Social security costs	1,011	1,013
Share based payments	165	74
Other pension costs (note 16)	6,775	1,913
	16,648	12,489

	Number	Number
The average number of employees during the year was	220	237

6 DIRECTORS' EMOLUMENTS

Directors' emoluments excluding pension contributions, all of which were in respect of services as directors for the year, amounted to £642,000 (2010 - £564,000)
Retirement benefits are accruing to 2 (2010 2) directors under a defined benefit scheme
Awards are receivable by 2 (2010 2) directors in the form of share based incentive schemes

Remuneration in respect of the highest paid director was as follows

	2011 £'000	2010 £'000
Remuneration (excluding pension)	346	346
Payments made in respect of Share Based Incentives	54	24
Accrued pension at 31 December in respect of defined benefit scheme	88	84

7 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

The charge/(credit) for taxation which has been provided at 26 5% (2010 28%) is based on the results for the year and comprised

		2011 £'000	2010 £'000
UK corporation tax	- Current year	-	-
	- Adjustments in respect of prior years	(5)	-
Total Current Tax		(5)	-
Deferred Taxation			
Origination and reversal of timing differences		263	(229)
Adjustments in respect of prior years		(117)	(153)
Total deferred tax		146	(382)
Tax charge/(credit) on (loss)/profit on ordinary activities		141	(382)

The standard effective rate of corporation tax in the UK is 26 5% for the year ended 31 December 2011 (2010 28%)
The current tax charge is lower than 26 5% (2010 lower than 28%) for the reasons set out below

	2011 £'000	2010 £'000
(Loss)/Profit on ordinary activities before taxation	(2,003)	2,451
(Loss)/Profit on ordinary activities multiplied by standard rate in the UK 26 5% (2010 28%)	(531)	686
Effects of		
Expenses not deductible for tax purposes	68	74
Accelerated capital allowances and other timing differences	(267)	(323)
Short term timing differences	892	15
Group Relief for nil consideration	(162)	(452)
Adjustments in respect of prior years	(5)	-
Current tax credit for the year	(5)	-

7 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES (continued)

Factors affecting current and future tax charges

A change to the UK Corporation Tax rate reducing it from 28% to 26%, was enacted in the Finance Act 2011 with a further reduction to 25% effective from 1 April 2012 In accordance with legislation included within the Finance Act 2010, the anticipated and enacted rate of tax as from 1 April 2011 had been 27%
Deferred tax expected to reverse in the year to 31 December 2012 has been measured using the effective rate for the period of 25 25% (2010 27 25%)
A further reduction of 1% in the UK Corporation Tax rate was announced in the 2012 budget statement and was substantially enacted on 26 March 2012, reducing the UK rate to 24% from 1 April 2012

There are further proposed changes to the UK Corporation Tax rate for subsequent years, reducing it by 1% per year to 22% by 1 April 2014 These changes are expected to be enacted separately each year

The above changes were not substantively enacted at the balance sheet date and therefore the effect of these changes are not included in these financial statements

The overall impact of the change in tax rate from 25% to 22% by 2014 would be the reversal of timing differences at an effective rate of 24 5% in 2012, 23 25% in 2013, 22 25% in 2014 and 22% thereafter If applied to the provided deferred tax balance at 31 December 2011, this would reduce the provided deferred tax by £99,080 (being a reduction of £60,972 recognised in 2012, £30,486 recognised in 2013 and £7,622 thereafter)

The overall effect of the changes from 25% to 22%, if applied to the unprovided deferred tax balance at 31 December 2011, would be to reduce the unprovided deferred tax by £92,934 in total (being a reduction in £61,956 in 2012 and £30,978 in 2013)

8 TANGIBLE FIXED ASSETS

	Land & Buildings	Furniture & fittings	Office & computer equipment	Total
	£'000	£'000	£'000	£'000
COST				
At 1 January 2011	10 023	398	1,305	11,726
Additions	6	15	130	151
Disposals	-	-	(94)	(94)
At 31 December 2011	10,029	413	1,341	11,783
ACCUMULATED DEPRECIATION				
At 1 January 2011	2,033	263	1,026	3,322
Charge for the year	289	43	148	480
Disposals	-	-	(94)	(94)
At 31 December 2011	2,322	306	1,080	3,708
NET BOOK VALUE				
At 31 December 2011	**7,707**	**107**	**261**	**8,075**
At 31 December 2010	7,990	135	279	8,404

9 DEBTORS

Amounts falling due within one year:

	2011	2010
	£'000	£'000
Trade debtors	18,975	12,116
Amounts owed by other group undertakings	711	1,297
Prepayments and accrued income	411	459
Deferred tax asset	770	916
	20,867	14,788

The deferred tax asset comprises	2011	2010
	£'000	£'000
Accelerated Capital Allowances	-	818
Short Term Timing Differences	770	98
	770	916

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

	2011	2010
Asset at start of the year	916	534
- prior year adjustment	117	153
- deferred tax (charge)/credit in profit and loss account (note 7)	(263)	229
	770	916

MCCANN MANCHESTER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

9 DEBTORS (continued)

Amounts falling due after one year

	2011 £'000	2010 £'000
Amounts owed by other group undertakings	**17,543**	17,543

In respect of amounts owed by other group undertakings, these amounts include a loan to IPG Holdings (UK) Limited due for repayment on 15 Apnl 2013 with interest at a rate of 1 05% per annum

10 CREDITORS Amounts falling due within one year

	2011 £'000	2010 £'000
Trade creditors	**11,100**	9,054
Amounts owed to other group undertakings	**2,265**	1,383
Corporation tax	**144**	150
Other creditors	**60**	49
Other taxation and social security	**2,421**	2,136
Accruals and deferred income	**4,921**	2,886
	20,911	15,658

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

11 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 2011 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 pnce 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

	2011 No of restricted stock	2011 Weighted	2010 No of restricted stock	2010 Weighted
Outstanding as at 1 January	20,681	£6 8499	13,285	£4 6937
Granted during the period	-	-	7,396	£5.6079
Transferred to a group company	-	-	-	-
Cancelled during the period	-	-	-	-
Released during the period	-	-	-	-
Outstanding at 31 December	20,681	£6 3075	20,681	£6 8499

Cash payments of £nil were made in 2011 (2010 £nil) in respect of restricted stock units distributed to participants Compensation expense in connection with the stock awards was £38,352 (2010 £53,486) Total accrued liability in relation to unvested awards as at 31 December 2011 is £103,868 (2010 £65,851)

11 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 determined at the grant date

Share Settled Time Based Restricted Units

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

	2011 No of restricted stock	2011 Weighted	2010 No of restricted stock	2010 Weighted
Outstanding as at 1 January	15,131	£6 8499	25,386	£4 6937
Granted during the period	-	-	-	-
Cancelled during the period	-	-	-	-
Released during the period	(15,131)	£7 2334	(10,255)	£5 6079
Outstanding at 31 December	-	-	15,131	£6 8499

Compensation expense in connection with the restricted stock awards was £32,934 in 2011 (2010 (£21,565)) and is recorded on McCann Manchester Limited's financial statements 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

	2011 No of restricted stock	2011 Weighted	2010 No of restricted stock	2010 Weighted
Outstanding as at 1 January	6 935	£6 8499	12,276	£2 7350
Granted during the period	-	-	-	-
Cancelled during the period	-	-	-	-
Released during the period	(6,935)	£7 2334	(5,341)	£5 6079
Outstanding at 31 December	-	-	6,935	£6 8499

Compensation expense in connection with the restricted stock awards was £4,269 in 2011 (2010 (£2,133)) and is recorded on McCann Manchester Limited's financial statements 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

12 PROVISIONS FOR LIABILITIES

The movement over the year is analysed as	Media and Production Credits £'000
Balance at 1 January 2011	1,706
Credited to the profit and loss account	(1,099)
Utilisation of provision	(25)
Balance at 31 December 2011	582

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 amounts credited to the profit and loss account reflect the continuing review we are undertaking to resolve these issues and represents liabilities which management believe are no longer due

13 CALLED UP SHARE CAPITAL

	2011 £'000	2010 £'000
Authorised, allotted and fully paid 22,797 ordinary shares of £1 each (2010 20,000)	23	20

In December 2011 the Company made an exceptional contribution of £5 0m towards the defined benefit pension plan- The Interpublic Pension Plan In order to fund this contribution, the company issued 2,797 shares of £1 shares for the consideration of £5,247,860 to McCann-Erickson Network Limited The transaction was settled by means of an Intercompany offset agreement For additional details, refer to Note 16

14 PROFIT AND LOSS ACCOUNT

	Share premium account £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2011	-	33,907	33,907
Share issue	5,245	-	5,245
Loss for the financial year	-	(2,144)	(2,144)
Balance at 31 December 2011	5,245	31,763	37,008

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011 £'000	2010 £'000
(Loss)/Profit for the financial year	(2,144)	2,833
New shares issued	5,248	-
Net addition to shareholders' funds	3,104	2,833
Opening shareholders' funds	33,927	31,094
Shareholders' funds at 31 December	37,031	33,927

16 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 £154,000 (2010 - £164,000)
As at 31 December 2011 contributions of £16,148 (2010 £13,627) had not been paid over to the pension schemes

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, but with a payment holiday for the deficit funding between 1 January 2012 and 30 June 2013 Such monthly 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

In December 2011, the members entered into a pension funding arrangement in order to reduce the cash costs of funding the Interpublic Pension Plan As part of this transaction, an additional one off exceptional pension contribution of £25m was made by the member agencies to the Plan McCann Manchester Limited contributed £5 0m towards this total To fund this contribution, the company issued shares to the value of £5 2m The transaction was settled by the means of an intercompany offset agreement

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 £6,621,000 during the year (2010 £1,749,000)

17 LEASING OBLIGATIONS

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

	2011 Buildings £'000	2011 Other £'000	2010 Buildings £'000	2010 Other £'000
Within one year	56	13	-	37
Between one and five years	-	72	95	26
	56	85	95	63

18 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

19 PARENT UNDERTAKINGS

The immediate parent undertaking is McCann-Erickson Network Limited

Interpublic Limited, a company registered in England, is the parent of the smallest group of undertakings to consolidate the financial statements of this company Copies of those financial statements 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 and controlling party

20 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-Erickson Network Limited, it is exempt under section 400 of the Companies Act from the requirement to prepare group financial statements The carrying value of this investment is £100 The directors believe the carrying value of the investment is supported by their underlying net assets