REGISTERED NUMBER 1993425

McCANN MANCHESTER LIMITED

DIRECTORS REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2012

McCANN MANCHESTER LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

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McCANN MANCHESTER LIMITED

DIRECTORS AND ADVISORS FOR THE YEAR ENDED 31 DECEMBER 2012

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 Statutory 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 2012

The directors present their report and the audited financial statements of the company for the year ended 31 December 2012

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 2012 are shown in the attached profit and loss account The directors do not recommend a dividend payment for 2012 (2011 nil) leaving a profit on ordinary activities before taxation of £3 784k (2011 loss £2,003k) and turnover of £96 141k (2011 £80 365k) The company has cash reserves at the year end of £9 615k (2011 £9 815k) and net assets of £40 975k (2011 £37 031k)

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

	2012 £'000	2011 £ 000
Revenue	**20,119**	19 467
Exceptional items *	(559)	(1,099)
Adjusted revenue	19,560	18 368
Operating profit/(loss)	3,498	(2 279)
Exceptional items *	(559)	(1 099)
One off additional pension deficit contribution	-	5,008
Adjusted operating profit	2,939	1 630

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

	2012	2011
Adjusted Operating Margin (%) (ratio of operating profit to revenue expressed as a percentage and excluding exceptional and one-off items)	15%	9%

In 2012 the company delivered very strong organic growth performance on existing clients particularly within the retail and pharmaceutical industries The continuing focus on growing and developing our digital offering is, in part a reflection of this organic growth as the company's digital business goes from strength to strength The acquisition of Manchester and London based Lakestar Media Limited by the McCann network In June 2012 has further consolidated the company's digital offering with well over a third of the revenues in 2012 deriving from the company's digital products and services

The company also successfully pitched for and won clients that further strengthen our retail B2B distribution and sports offerings and capabilities

This company always strives creatively but 2012 was the year that new levels of achievement were attained In November it was announced that McCann Manchester Limited were the best agency in the McCann network beating London, New York Mumbai and 120 other McCann offices Perhaps more importantly, our peers in the industry put our non-London Post Code aside and awarded McCann Manchester Limited three Gold Arrows at the British Television awards Gold at The Creative Circle Gold at EPICA Gold at Eurobest Gold at the IPA Effectiveness Awards Grand Prix at the Roses Awards and Silver medals in double figures including Best TV Campaign for the 2nd year running at The Campaign Big Awards We are consistently in the most recalled ads sections of Media Watch always being there with a far lower spend than the names in the top bracket The creative department size has increased particularly in the TV section and there is a closer relationship on the planning side Healthcare is seeing a creative renaissance and the digital output continues to make a significant contribution to the agency's profile

During 2012 we continued with a significant focus on our most valuable asset our people 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 supported over 6000 development hours with a number of successful initiatives delivered including internally designed Masterclasses and Learning lunches Our focus on attracting diverse new talent to the business gained momentum with the launch of our award winning apprenticeship programme with Macclesfield College This was complemented with McCann Manchester Limited supporting 62 work placements resulting in ten permanent opportunities

Our people initiatives continue to position us as a pioneer within the industry and we are delighted to have received recognition of our talent strategy and apprenticeship programme at the Training Journal awards We were also delighted to receive accreditation from the CRF institute as one of Britain s Top Employers for the fourth year running

FUTURE OUTLOOK AND STRATEGY

Despite the company being impacted in 2013 by the loss of a McCann Worldgroup client the current year has started well with strong and continued organic growth and projects from new clients secured at the back end of 2012 and early 2013 The company continues to focus on developing the digital offering and ensuring the quality and competitiveness of its creative and production offerings The company is also focused on broadening the integrated offering by strengthening the Content and Motion departments and the skill base will need to be expanded to do this

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 of the company who were in office during the year and up to the date of signing the financial statements 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

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

Directors' third party indemnity provisions

During the year and up to the date of approval of the financial statements, qualifying indemnity insurance was provided to the directors No claim was made under this provision

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 price risk 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

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012 (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

E Birchall
Director
12th July 2013

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 2012 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 Statement of Directors Responsibilities 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 2012 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

Fiona Kelsey

Fiona Kelsey (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
12th July 2013

McCANN MANCHESTER LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 Before Exceptional Items £'000	2012 Exceptional Items (note 4) £'000	2012 Total £'000	2011 Before Exceptional Items £'000	2011 Exceptional Items (note 4) £'000	2011 Total £'000
TURNOVER	2	96,141	-	96,141	80,365	-	80 365
COST OF SALES		(76,581)	559	(76,022)	(61 997)	1,099	(60 898)
REVENUE		19,560	559	20,119	18,368	1 099	19,467
Administrative expenses		(16,621)	-	(16,621)	(16 738)	-	(16 738)
One off additional pension deficit contribution			-	-	(5 008)	-	(5,008)
OPERATING PROFIT/(LOSS)		2,939	559	3,498	(3 378)	1 099	(2 279)
Interest receivable and similar income	3			286			276
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	4			3,784			(2 003)
TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	7			160			(141)
RETAINED PROFIT(LOSS) FOR THE YEAR	14			3,944			(2 144)

All results derive from continuing operations

There is no material difference between the profit/(loss) on ordinary activities before taxation and the retained profit/(loss) 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 2012

	Notes	2012 £'000	2011 £ 000
FIXED ASSETS			
Tangible assets	8	7,848	8 075
CURRENT ASSETS			
Work in progress		3,522	2 224
Debtors	9		
- Amounts falling due within one year		24,554	20 867
- Amounts falling due after more than one year		17,543	17 543
Cash at bank and in hand		9,615	9 815
		55,234	50 449
CREDITORS Amounts falling due within one year	10	(22,084)	(20 911)
NET CURRENT ASSETS		33,150	29 538
TOTAL ASSETS LESS CURRENT LIABILITIES		40,998	37 613
PROVISIONS FOR LIABILITIES	12	(23)	(582)
NET ASSETS		40,975	37 031
CAPITAL AND RESERVES			
Called up share capital	13	23	23
Share premium account	14	5,245	5 245
Profit and loss account	14	35,707	31 763
TOTAL SHAREHOLDERS' FUNDS	15	40,975	37 031

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 12th July 2013 and were signed on its behalf by

E Birchall
Director
McCann Manchester Limited
Registered Company Number 1993425

McCANN MANCHESTER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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 83%
Furniture & fittings office & computer 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

Incentive compensation plans

Compensation costs related to share-based transactions including employee stock options are recognised in the Financial Statements based on fair value Stock based compensation expense is generally recognised over the requisite service period based on the estimated grant-date fair value Cash settled share based payments are measured at fair value at the balance sheet date and are included in creditors

The movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account with a corresponding entry in creditors

Cash awards are generally granted on an annual basis and have a service period vesting condition and generally vest in three years Cash awards do not fall within the scope of the share based payments as they are not paid in equity and the value of the award is not correlated with the Interpublic Group of Companies Inc 's share price The present value of the amount expected to vest for cash awards and performance cash awards over the vesting period is amortised using the straight-line method in the profit and loss account

2 TURNOVER

Geographical Analysis	2012	2011
	£ 000	£ 000
United Kingdom	96,141	80 365
Less cost of sales	(76,022)	(60 898)
Revenue	20,119	19 467

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

3 INTEREST RECEIVABLE AND SIMILAR INTEREST INCOME

	2012	2011
	£'000	£ 000
Interest receivable from overnight deposits	113	84
Interest receivable from fellow subsidiaries	173	192
	286	276

4 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2012	2011
	£'000	£'000
Auditors' remuneration for audit and audit related services	75	95
Depreciation - owned assets	465	480
Operating lease rentals office & office related	120	137
- cars	32	37
One off additional pension deficit contribution (note 16)	-	5 008
Exceptional item - release of provisions (note 12)	(559)	(1 099)

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

	2012	2011
	£ 000	£ 000
Staff costs including directors emoluments		
Wages and salaries	9,134	8 697
Social security costs	1,099	1 011
Share based payments	152	165
Other pension costs (note 16)	538	6 775
	10,923	16 648
	Number	Number
The average monthly number of employees during the year was	233	220

6 DIRECTORS EMOLUMENTS

Directors emoluments excluding pension contributions all of which were in respect of services as directors for the year amounted to £664 000 (2011 - £642 000)
Retirement benefits are accruing to 2 (2011 2) directors under a defined benefit scheme
Retirement benefits are accruing to 1 (2011 0) director under a defined contribution scheme
Awards are receivable by 1 (2011 2) directors in the form of share based incentive schemes

Remuneration in respect of the highest paid director was as follows

	2012	2011
	£'000	£ 000
Remuneration (excluding pension)	346	346
Payments made in respect of Share Based Incentives	92	54
Accrued pension at 31 December in respect of defined benefit scheme	92	88

7 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

The (credit)/charge for taxation which has been provided at 24 5% (2011 26 5%) is based on the results for the year and comprised

		2012	2011
		£ 000	£ 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		26	263
Adjustments in respect of prior years		(186)	(117)
Total deferred tax		(160)	146
Tax (credit)/charge on profit/(loss) on ordinary activities		(160)	141

The standard effective rate of corporation tax in the UK is 24 5% for the year ended 31 December 2012 (2011 26 5%)
The current tax charge is lower than 24 5% (2011 lower than 26 5%) for the reasons set out below

	2012	2011
	£ 000	£'000
(Loss)/Profit on ordinary activities before taxation	3,784	(2 003)
(Loss)/Profit on ordinary activities multiplied by standard rate in the UK 24 5% (2011 26 5%)	927	(531)
Effects of		
Expenses not deductible for tax purposes	69	68
Accelerated capital allowances and other timing differences	1,002	(267)
Short term timing differences	(1,260)	892
Group Relief for nil consideration	(738)	(162)
Adjustments in respect of prior years	-	(5)
Current tax credit for the year	-	(5)

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

Factors affecting current and future tax charges

A change to the UK Corporation Tax rate reducing it from 26% to 24% was enacted in the Finance Act 2012 with a further reduction to 23% effective from 1 April 2013 In accordance with legislation included within the Finance Act 2011 the anticipated and enacted rate of tax as from 1 April 2012 had been 25%
Deferred tax expected to reverse in the year to 31 December 2013 has been measured using the corporation tax rate for the period of 23 25% (2011 25 25%)

Further changes to the UK Corporation tax rates were announced in the 2012 Autumn Statement and the March 2013 Budget to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015 and are expected to be enacted in the 2013 Finance Act

As these changes were not substantively enacted at the balance sheet date they have not been included in these financial statements

The overall impact of the change in tax rate from 23% to 20% by 2015 would be the reversal of timing differences at an effective rate of 21 50% in 2014 20 25% in 2015 and 20% thereafter If applied to the provided deferred tax balance at 31 December 2012 this would reduce the provided deferred tax by £129 950 (being a reduction of £69 973 recognised in 2014 £49 981 in 2015 and £9 996 thereafter)

8 TANGIBLE FIXED ASSETS

	Land & Buildings	Furniture & fittings	Office & computer equipment	Total
	£ 000	£'000	£ 000	£ 000
COST				
At 1 January 2012	10 029	413	1 341	11 783
Additions	34	32	172	238
Disposals	(62)	(2)	(178)	(242)
At 31 December 2012	10,001	443	1,335	11,779
ACCUMULATED DEPRECIATION				
At 1 January 2012	2 322	306	1 080	3 708
Charge for the year	282	38	145	465
Disposals	(62)	(2)	(178)	(242)
At 31 December 2012	2,542	342	1,047	3,931
NET BOOK VALUE				
At 31 December 2012	7,459	101	288	7,848
At 31 December 2011	7 707	107	261	8 075

9 DEBTORS

Amounts falling due within one year

	2012	2011
	£ 000	£ 000
Trade debtors	21,614	18 975
Amounts owed by group undertakings	1,343	711
Prepayments and accrued income	667	411
Deferred tax asset	930	770
	24,554	20 867

The deferred tax asset comprises	2012	2011
	£'000	£'000
Accelerated capital allowances	-	-
Short term timing differences	930	770
	930	770

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

Asset at start of the year	770	916
- prior year adjustment	186	117
- deferred tax credit in profit and loss account (note 7)	(26)	(263)
	930	770

9 DEBTORS (CONTINUED)

Amounts falling due after one year

	2012	2011
	£ 000	£ 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 repaid on 19 June 2013 with interest at a rate of 1 05% per annum

10 CREDITORS Amounts falling due within one year

	2012	2011
	£'000	£ 000
Trade creditors	12,312	11 100
Amounts owed to other group undertakings	2,354	2 265
Corporation tax	144	144
Other creditors	-	60
Other taxation and social security	2,704	2 421
Accruals and deferred income	4,570	4 921
	22,084	20 911

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 2012 Form 10-K for further disclosures relating to their long term incentive plans

Effect of share-based payment transactions on company s results and the financial position

	2012	2011
	£'000	£ 000
Total expense recognised for equity-settled share based transactions	-	37
Total expense recognised for stock options	-	-
Total expense recognised for cash-settled share based transactions	64	38
Total expense recognised for share based transactions	64	75
Closing liability for cash-settled share based transactions	46	104
Closing liability /other reserves for equity settled share based transactions		

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

	2012 No of restricted stock units	2012 Weighted average fair value (£)	2011 No of restricted stock units	2011 Weighted average fair value (£)
Outstanding as at 1 January	20 681	£6 31	20 681	£6 8499
Granted during the period	-	-		-
Transferred to a group company	-	-	-	
Cancelled during the period		-	-	
Released during the period	-13285	£6 96	-	
Outstanding at 31 December	7,396	£6 82	20,681	£6 3075

Cash payments of £(92 462) were made in 2012 (2011 £nil) in respect of restricted stock units distributed to participants Compensation expense in connection with the stock awards was £62 963 (2011 £38 352) Total accrued liability in relation to unvested awards as at 31 December 2012 is £46 271 (2011 £103 868)

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

	2012 No of restricted stock units	2012 Weighted average fair value (£)	2011 No of restricted stock units	2011 Weighted average fair value (£)
Outstanding as at 1 January	-	£6 88	15,131	£6 8499
Released during the period	-	£7 23	(15 131)	£7 2334
Outstanding at 31 December			-	

Compensation expense in connection with the restricted stock awards was £nil in 2012 (2011 £32 934) 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

	2012 No of restricted stock units	2012 Weighted average fair value (£)	2011 No of restricted stock units	2011 Weighted average fair value (£)
Outstanding as at 1 January	-	£6 88	6 935	£6 8499
Released during the period	-	£7 23	(6 935)	£7 2334
Outstanding at 31 December	-	-	-	-

Compensation expense in connection with the restricted stock awards was £nil in 2012 (2011 £4 269) 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

12 PROVISIONS FOR LIABILITIES

The movement over the year is analysed as	Media and Production Credits £ 000
Balance at 1 January 2012	582
Credited to the profit and loss account	(559)
Balance at 31 December 2012	23

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

	2012 £ 000	2011 £'000
Authorised allotted and fully paid 22,797 ordinary shares of £1 each (2011 22,797)	23	23

14 PROFIT AND LOSS ACCOUNT

	Share premium account £ 000	Profit and loss account £'000	Total £'000
Balance at 1 January 2012	5 245	31 763	37,008
Share issue		-	
Profit for the financial year		3,944	3,944
Balance at 31 December 2012	5,245	35,707	40,952

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	2012 £'000	2011 £ 000
Profit/(loss) for the financial year	3,944	(2 144)
New shares issued	-	5 248
Net addition to shareholders funds	3,944	3,104
Opening shareholders' funds	37,031	33 927
Shareholders' funds at 31 December	40,975	37,031

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

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 £168 000 (2011 £154 000)
As at 31 December 2012 contributions of £19 235 (2011 £16 148) 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 in accordance with FRS17

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 1 January 2012 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 £80 348 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 £369 000 during the year (2011 £6 621 000)

17 LEASING OBLIGATIONS

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

	2012	2012	2011	2011
	Buildings	Other	Buildings	Other
	£'000	£ 000	£ 000	£ 000
Within one year	-	11	56	13
Between one and five years	36	67	-	72
	36	78	56	85

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

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