

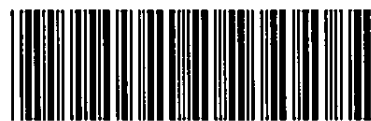
REGISTERED NUMBER 1993425

McCANN MANCHESTER LIMITED
(FORMERLY McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2009

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**McCANN MANCHESTER LIMITED
(FORMERLY McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED)**

DIRECTORS' REPORT AND FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2009

TABLE OF CONTENTS

	Page
Directors and Advisors for the Year Ended 31 December 2009	1
Directors' Report for the Year Ended 31 December 2009	2
Independent Auditors' Report to the members of McCann Manchester Limited	6
Profit and Loss Account for the Year Ended 31 December 2009	7
Balance Sheet as at 31 December 2009	8
Notes to the Financial Statements for the Year Ended 31 December 2009	9

**McCANN MANCHESTER LIMITED
(FORMERLY McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED)**

DIRECTORS' AND ADVISORS FOR THE YEAR ENDED 31 DECEMBER 2009

DIRECTORS

MJ Jackson
SA Little

COMPANY SECRETARY

HL Nicholson

REGISTERED OFFICE

Bonis Hall
Prestbury
Macclesfield
Cheshire
SK10 4EF

Registered in England No 1993425

REGISTERED AUDITORS

PricewaterhouseCoopers LLP
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
(FORMERLY McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

The directors present their report and the audited financial statements of the company for the year ended 31 December 2009

On 22 October 2009 the company changed its name from McCann Erickson Communications House Limited to McCann Manchester Limited

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 2009 are shown in the attached profit and loss account and show a pre-tax profit of £3.2m (2008 - £4.7m) and turnover of £76.8m (2008 - £91.2m). The company has cash reserves at the year end of £26.9m (2008 £24.3m) and net assets of £31.1m (2008 £28m).

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:

	2009 £'000	2008 £'000
Revenue	21,231	22,468
Exceptional items *	(147)	(777)
Adjusted revenue	21,084	21,691
Operating profit	2,893	3,494
Exceptional items *	(147)	(777)
Adjusted operating profit	2,746	2,717

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

	2009	2008
Adjusted Operating Margin (%)	13.0%	12.5%
(ratio of operating profit to gross income expressed as a percentage and excluding exceptional and one-off items)		

As shown above, after adjusting for exceptional items, the Agency performed extremely well given the difficult economic conditions that prevailed in the year. In the main, this was due to the Agency's ability to meet the needs of clients through its integrated offering. As part of this offering and in line with business strategy the Agency continued with significant growth in its digital business and the Agency was pleased to be able to open a new digital innovation hub, 'Metro' in the centre of Manchester. Operationally, the business continued to increase its cost efficiency and effectiveness to clients and as a result, operating profits were marginally ahead of last year (after adjusting for exceptional items).

The year was marked creatively by the growing importance of social marketing, unconventional media being particularly successful in competition. One particular piece of work, a simple nightclub hand stamp that wouldn't rub off – warning of the long lasting effects of alcohol on drivers – won awards wherever it was entered. Similarly, a 'Lose Weight, Feel Great' campaign for NHS Trusts, won four awards at the prestigious IPA Best of Health Awards. Significant digital success was earned for the first time by the McCann Manchester PR team, who won the 'CIPR Excellence Award for Best Digital Campaign in the UK'. The PR Oscars, no less. This featured an interesting combination of Durex Play 'O' orgasm gel and the members of the band, Take That! Regionally, the agency received seven awards at The Roses for a variety of mixed media, while in New York, McCann Manchester collected two Finalist Certificates at the New York Festivals for an anti-speeding radio campaign.

Our people continue to be critical to the Agency, particularly in light of the economic challenges faced this year. Despite these challenges, the Agency retained the IPA Gold standard for continuing professional development, demonstrating the Agency's investment in the learning and development of its people.

The People strategy evolved to meet the challenges faced, particularly in terms of retention. Key achievements include the continued success of the partnership with Manchester Metropolitan University, with the second cohort of students graduating with a Postgraduate Certificate in Integrated Marketing Communications in July. We remain the only Agency doing this in our industry. The creation and roll out of an Agency Mentoring Programme has enabled individuals from all disciplines to seek guidance on their personal and professional development, underlining the view that career management is very much a joint responsibility.

McCANN MANCHESTER LIMITED
(FORMERLY McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

FUTURE OUTLOOK AND STRATEGY

The current year has started well with strong growth continuing in its digital business. A key factor in this growth was the appointment of McCann Worldgroup as the official Marketing Services Provider for the London 2012 Olympic and Paralympic Games (LOCOG). Being part of McCann Worldgroup, McCann Manchester has a key role, specifically in digital projects and as a result, the Agency has also been able to pitch for other LOCOG projects, with considerable success with another LOCOG partner and the creation of a unique online community-based game where, through sports challenges, young people are rewarded for their participation in sport through online badges, social recognition and the chance to meet sport celebrities. Given economic and market conditions, the full current year will remain challenging. However, the Agency is well positioned to continue to outperform in the markets in which we operate and we remain confident that 2010 will be another successful year for the business.

The Agency is committed to continuing to increasing its digitally integrated business and therefore, the Agency will continue to focus on enhancing its digital skills and incorporating these skills into its integrated remit via a focused programme of training & development. In addition, digital recruitment is also an important part of our strategy. A number of key digital hirings have been made in the year and we expect to continue to strengthen this area going forward. As part of this strategy, the Agency is also committed to continually reviewing its operations to deliver cost effectiveness to clients and ensure continued 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 Agency is committed to its CSR policy, which reflects and complements its core business goals. The Agency 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. A newsletter is also published on a bi-monthly basis providing information on a wide range of subjects and we maintain a staff intranet site.

**McCANN MANCHESTER LIMITED
(FORMERLY McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED)**

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

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
(FORMERLY McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED)**

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 (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

Each of the persons who is a director at the date of approval of this report confirms that:


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

This confirmation is given and should be interpreted in accordance with the provisions of 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
05 August 2010

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 2009 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 5 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 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 2009 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
5 August 2010

McCANN MANCHESTER LIMITED
(FORMERLY McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 Before Exceptional Items £'000	2009 Exceptional Items (note 3) £'000	2009 Total £'000	2008 Before Exceptional Items £'000	2008 Exceptional Items (note 3) £'000	2008 Total £'000
TURNOVER	2	76,807	-	76,807	91,161	-	91,161
COST OF SALES		<u>(55,723)</u>	<u>147</u>	<u>(55,576)</u>	<u>(69,470)</u>	<u>777</u>	<u>(68,693)</u>
REVENUE		21,084	147	21,231	21,691	777	22,468
Administrative expenses		<u>(18,338)</u>	<u>-</u>	<u>(18,338)</u>	<u>(18,974)</u>	<u>-</u>	<u>(18,974)</u>
OPERATING PROFIT		<u>2,746</u>	<u>147</u>	<u>2,893</u>	<u>2,717</u>	<u>777</u>	<u>3,494</u>
Interest receivable and similar income	3			<u>293</u>			<u>1,235</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3			3,186			4,729
TAX ON PROFIT ON ORDINARY ACTIVITIES	6			<u>(71)</u>			<u>(162)</u>
RETAINED PROFIT FOR THE YEAR	13			<u>3,115</u>			<u>4,567</u>

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

There are no other gains and losses in the year other than the profit as stated above

All amounts above relate to continuing operations

McCANN MANCHESTER LIMITED
(FORMERLY McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED)

BALANCE SHEET AS AT 31 DECEMBER 2009

	<u>Notes</u>	<u>2009</u> <u>£'000</u>	<u>2008</u> <u>£'000</u>
FIXED ASSETS			
Tangible assets	7	<u>8,744</u>	<u>9,016</u>
CURRENT ASSETS			
Work in progress		1,276	1,168
Debtors	8	<u>15,420</u>	<u>13,084</u>
Cash at bank and in hand		<u>26,871</u>	<u>24,333</u>
		43,567	38,585
CREDITORS Amounts falling due within one year	9	<u>(19,174)</u>	<u>(17,432)</u>
NET CURRENT ASSETS		<u>24,394</u>	<u>21,153</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		33,137	30,169
PROVISIONS FOR LIABILITIES AND CHARGES	11	<u>(2,043)</u>	<u>(2,190)</u>
		<u>31,094</u>	<u>27,979</u>
CAPITAL AND RESERVES			
Called up share capital	12	20	20
Profit and loss account	13	<u>31,074</u>	<u>27,959</u>
SHAREHOLDERS' FUNDS	14	<u>31,094</u>	<u>27,979</u>

The financial statements were approved by the Board of Directors on 05 August 2010 and were signed on its behalf by



MJ Jackson
Director
McCann Manchester Limited
Registered Company Number 1993425

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

McCANN MANCHESTER LIMITED
(FORMERLY McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1 ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention, in accordance with applicable accounting standards in the UK and the Companies Act 2006. The principal accounting policies which have been applied on a consistent basis, are set out below.

Turnover

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

Revenue

The Agency recognises revenue based on the contractual relationship with its clients and the proportion of work done, or when the contractual obligation is fully discharged.

Operating leases

Operating lease rentals are charged to the profit and loss account in the year in which they fall due.

Pension scheme arrangements

The company is an adhered member of the Interpublic Pension Plan, a defined benefit scheme. Pension costs are accounted for in accordance with FRS17 on the basis of contributions paid to the Interpublic Pension Plan. Details of the scheme are given in the Financial Statements of Interpublic Limited and is referred to in note 15.

Tangible assets and depreciation

Tangible assets are stated at cost less accumulated depreciation.

Depreciation is provided at such rates as will write off the cost of tangible fixed assets over their expected useful lives. The annual depreciation rates used are:

Buildings	2%
Fixtures, fittings and office equipment	10 - 25%

Work in progress

Work in progress comprises external charges for services incurred on behalf of clients which have still to be recharged to clients. Work in progress is stated net of amounts billed to clients. It is stated at the lower of cost and net realisable value.

Deferred taxation

Provision is made for deferred tax liabilities and assets, using full provision accounting, otherwise known as the incremental liability method, when an event has taken place by the balance sheet date which gives rise to an increased or reduced tax liability in the future in accordance with FRS 19.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis. A deferred tax asset is recognized if the directors believe it is more likely than not that the asset will be utilized.

McCANN MANCHESTER LIMITED
(FORMERLY McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

Foreign Currencies

Transactions in foreign currencies are recorded at rates ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are expressed in sterling at the rates ruling at the balance sheet date. Exchange differences arising on translation are reflected in the profit and loss account.

Share based payments

Some employees of the company participate in a share option plan operating by Interpublic, Inc, the ultimate parent company. All share based payments are cash settled and are measured at fair value at the balance sheet date. The fair value determined at each balance sheet date is expensed over the vesting period, based on the share price at that time.

In accordance with FRS20, the charge arising for share based payments is recognised in the income statement of the company which employs those to whom the share based awards are granted. The credit entry is reported within 'Other Creditors'.

2 TURNOVER

Geographical Analysis

	<u>2009</u>	<u>2008</u>
	<u>£'000</u>	<u>£'000</u>
United Kingdom	<u>76,807</u>	<u>91,161</u>

All turnover arose from a single class of business.

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	<u>2009</u>	<u>2008</u>
	<u>£'000</u>	<u>£'000</u>
Interest receivable from overnight deposits	(293)	(1,235)
Auditors' remuneration for audit services	58	58
Auditors' remuneration for audit related services	35	81
Depreciation - owned assets	478	597
Operating lease rentals - office & office related	163	103
- cars	51	73
Exceptional item - Release of provisions and charges (note 11)	<u>(147)</u>	<u>(777)</u>

The exceptional items relate to the release of provisions for potential liabilities in respect of media and production credits. The movements reflect the continuing review we are undertaking to resolve these issues and represents liabilities which management believe are no longer due.

McCANN MANCHESTER LIMITED
(FORMERLY McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

4 EMPLOYEES

	<u>2009</u>	<u>2008</u>
	<u>£'000</u>	<u>£'000</u>
Staff costs, including directors' emoluments		
Wages and salaries	10,687	10,603
Social security costs	1,136	1,176
Share based payments (note 10)	104	47
Other pension costs (note 15)	1,691	1,784
	<u>13,618</u>	<u>13,610</u>
	<u>Number</u>	<u>Number</u>
The average number of employees during the year was	<u>255</u>	<u>266</u>

5 DIRECTORS' EMOLUMENTS

Directors' emoluments excluding pension contributions, all of which were in respect of services as directors for the year, amounted to £570,000 (2008 - £553,000)
Retirement benefits are accruing to 2 (2008 - 2) directors under a defined benefit scheme
Awards are receivable by 2 (2008 - 2) directors in the form of share based incentive schemes

Remuneration in respect of the highest paid director was as follows

	<u>2009</u>	<u>2008</u>
	<u>£'000</u>	<u>£'000</u>
Remuneration (excluding pension)	322	308
Payments made in respect of Share Based Incentives	40	49
Accrued pension at 31 December in respect of defined benefit scheme	79	73

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The charge for taxation which has been provided at 28% (2008 - 28.5%) is based on the results for the year and comprised

	<u>2009</u>	<u>2008</u>
	<u>£'000</u>	<u>£'000</u>
UK corporation tax		
- Current year	-	-
- Adjustments in respect of prior periods	(95)	(165)
Total Current Tax	<u>(95)</u>	<u>(165)</u>
Deferred Taxation		
Origination and reversal of timing differences	220	325
Adjustments in respect of prior periods	(54)	2
Total deferred tax	<u>166</u>	<u>327</u>
Tax charge on profit on ordinary activities	<u>71</u>	<u>162</u>

McCANN MANCHESTER LIMITED
(FORMERLY McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The standard effective rate of corporation tax in the UK is 28% for the year ended 31 December 2009 (2008 28.5%)
The current tax charge is lower than 28% (2008 lower than 28.5%) for the reasons set out below

	<u>2009</u>	<u>2008</u>
	<u>£'000</u>	<u>£'000</u>
Profit on ordinary activities before tax	<u>3,186</u>	<u>4,729</u>
Profit on ordinary activities multiplied by standard rate in the UK 28% (2008 28.5%)	<u>892</u>	<u>1,348</u>
Effects of		
Expenses not deductible for tax purposes	74	80
Accelerated capital allowances and other timing differences	(243)	(303)
Short term timing differences	23	(28)
Group Relief for nil consideration	(746)	(1,097)
Adjustments to tax charge in respect of previous period	<u>(95)</u>	<u>(165)</u>
Current tax credit for the period	<u>(95)</u>	<u>(165)</u>

7 TANGIBLE ASSETS

	Land & Buildings £'000	Furniture & fittings £'000	Office & computer equipment £'000	Total £'000
COST				
At 1 January 2009	9,987	351	1,391	11,729
Additions	36	25	145	206
Disposals	-		(98)	(98)
At 31 December 2009	<u>10,023</u>	<u>376</u>	<u>1,438</u>	<u>11,837</u>
DEPRECIATION				
At 1 January 2009	1,484	168	1,061	2,713
Charge for the year	276	47	155	478
Disposals			(98)	(98)
At 31 December 2009	<u>1,760</u>	<u>215</u>	<u>1,118</u>	<u>3,093</u>
NET BOOK VALUE				
At 31 December 2009	<u>8,263</u>	<u>161</u>	<u>320</u>	<u>8,744</u>
At 31 December 2008	<u>8,503</u>	<u>183</u>	<u>330</u>	<u>9,016</u>

8 DEBTORS

Amounts falling due within one year

	<u>2009</u>	<u>2008</u>
	<u>£'000</u>	<u>£'000</u>
Trade debtors	13,583	11,290
Amounts owed by other group undertakings	876	805
Prepayments and accrued income	427	289
Deferred tax asset	<u>534</u>	<u>700</u>
	<u>15,420</u>	<u>13,084</u>

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

McCANN MANCHESTER LIMITED
(FORMERLY McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

8 DEBTORS (CONTINUED)

The deferred tax asset comprises	<u>2009</u>	<u>2008</u>
	<u>£'000</u>	<u>£'000</u>
Accelerated Capital Allowances	435	677
Short Term Timing Differences	99	23
	<u>534</u>	<u>700</u>

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

Asset at start of the year	700	1,027
- prior year adjustment	54	(2)
- deferred tax charge in profit and loss account (note 6)	(220)	(325)
	<u>534</u>	<u>700</u>

9 CREDITORS Amounts falling due within one year

	<u>2009</u>	<u>2008</u>
	<u>£'000</u>	<u>£'000</u>
Trade creditors	9,795	10,970
Amounts owed to other group undertakings	1,846	1,197
Corporation tax	150	188
Other taxation and social security	1,594	1,782
Other creditors	69	59
Accruals and deferred income	5,720	3,236
	<u>19,174</u>	<u>17,432</u>

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. 2009 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.

McCANN MANCHESTER LIMITED
(FORMERLY McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

10 LONG TERM INCENTIVE PLANS (continued)

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

	2009	2009	2008	2008
	No of restricted stock units	Weighted average fair value (£)	No of restricted stock units	Weighted average fair value (£)
Outstanding as at 1 January	19,063	£2 7350	35,941	£4 0836
Granted during the period	13,285	£2 9137	0	
Cancelled during the period	0		4,940	£4 6961
Released during the period	19,063	£3 4765	11,938	£5 0234
Outstanding at 31 December	13,285	£4 6937	19,063	£2 7350

Cash payments of £66,272 were made in 2009 (2008 £59,969) in respect of restricted stock units distributed to participants. Compensation expense in connection with the stock awards was £44,382 (2008 £37,954). Total accrued liability in relation to unvested awards as at 31 December 2009 is £15,589 (2008 £44,172).

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

	2009	2009	2008	2008
	No of restricted	Weighted	No of restricted	Weighted
Outstanding as at 1 January	25,386	£2 7350	10,255	£4 0836
Granted during the period	0		15,131	£5 0234
Cancelled during the period	0		0	
Released during the period	0		0	
Outstanding at 31 December	25,386	£4 6937	25,386	£2 7350

Compensation expense in connection with the restricted stock awards was £56,082 in 2009 (2008 £14,714) 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

	2009	2009	2008	2008
	No of restricted	Weighted	No of restricted	Weighted
Outstanding as at 1 January	12,276	£2 7350	5,341	£4 0836
Granted during the period	0		6,935	£5 0234
Cancelled during the period	0		0	
Released during the period	0		0	
Outstanding at 31 December	12,276	£4 6937	12,276	£2 7350

Compensation expense in connection with the restricted stock awards was £5,782 in 2009 (2008 £7,160) 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
(FORMERLY McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

11 PROVISIONS FOR LIABILITIES AND CHARGES

The movement over the year is analysed as

	Media and Production Credits £'000
Balance at 1 January 2009	2,190
Movements during the year	(147)
Balance at 31 December 2009	<u><u>2,043</u></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>2009</u> £'000	<u>2008</u> £'000
Authorised, allotted and fully paid 20,000 ordinary shares of £1 each	<u><u>20</u></u>	<u><u>20</u></u>

13 PROFIT AND LOSS ACCOUNT

	£'000
Balance at 1 January 2009	27,959
Retained profit for the year	3,115
Balance at 31 December 2009	<u><u>31,074</u></u>

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2009</u> £'000	<u>2008</u> £'000
Profit for the financial year	3,115	4,567
Net addition to shareholders' funds	<u>3,115</u>	<u>4,567</u>
Opening shareholders' funds	<u>27,979</u>	<u>23,412</u>
Shareholders' funds at 31 December	<u><u>31,094</u></u>	<u><u>27,979</u></u>

**McCANN MANCHESTER LIMITED
(FORMERLY McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (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 £181,000 (2008 - £197,000)

Defined benefit scheme

The Company, along with other companies in the Interpublic Group, 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 £1,510,000 during the year (2008: £1,587,000).

McCANN MANCHESTER LIMITED
(FORMERLY McCANN ERICKSON COMMUNICATIONS HOUSE LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

16 LEASING OBLIGATIONS

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

	2009	2009	2008	2008
	Buildings	Other	Buildings	Other
	£'000	£'000	£'000	£'000
Within one year	-	21	-	10
Between one and five years	95	79	53	121
	<u>95</u>	<u>100</u>	<u>53</u>	<u>131</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

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

As permitted by FRS1(revised 1996), a cash flow statement is not included in these financial statements because a consolidated cash flow statement is presented by Interpublic Limited, the ultimate United Kingdom parent undertaking. The company is also exempt under the terms of FRS8 from disclosing related party transactions with entities that are part of the Interpublic Group of Companies Inc. There are no other related party transactions.

19 INVESTMENT IN SUBSIDIARY COMPANY

The company has one wholly owned non-trading subsidiary - 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 accounts. The carrying value of this investment is £100.