REGISTERED NUMBER 1993425

McCANN MANCHESTER LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

McCANN MANCHESTER LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2013

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McCANN MANCHESTER LIMITED

DIRECTORS AND ADVISERS FOR THE YEAR ENDED 31 DECEMBER 2013

DIRECTORS

MJ Jackson
SA Little
E Wann (née Birchall)

COMPANY SECRETARY

L Bean

REGISTERED OFFICE

Bonis Hall
Prestbury
Macclesfield
Cheshire
SK10 4EF

Registered in England No 1993425

BANKERS

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

McCANN MANCHESTER LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their strategic report on McCann Manchester Limited ("the Company") registered number 1993425 for the year ended 31 December 2013

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 2013 are shown in the attached profit and loss account The directors do not recommend a dividend payment for 2013 (2012 nil) leaving a profit on ordinary activities before taxation of £2 889k (2012 £3 784k) and turnover of £110 608k (2012 £96 141k) The company has cash reserves at the year end of £35 896k (2012 £9 615k) and net assets of £44 047k (2012 £40 975k)

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

	2013 £ 000	2012 £'000
Revenue	20,823	20 119
Exceptional items *	(23)	(559)
Adjusted revenue	20,800	19 560
Operating profit/(loss)	2,625	3 498
Exceptional items *	(23)	(559)
Adjusted operating profit	2,602	2 939

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

	2013	2012
Adjusted Operating Margin (%) (ratio of operating profit to revenue expressed as a percentage and excluding exceptional and one-off items)	13%	15%

In 2013 the agency continued the growth trend through a combination of new business wins and increased activity with its existing client base The agency has further invested in digital personnel and now has a Content offering which has further expanded what can be achieved for clients in the digital space

2013 saw the agency further capitalising on the creative impetus of the Aldi retail account with Gold Silvers and Bronzes at the Epica Creative Circle and Roses awards plus a Kinsale Shark win in Ireland and our first ever showing at the highly prestigious World Retail Awards

The creative pitch win of the year for McCann Manchester was undoubtedly npower beating off fierce competition from London agencies This brand new national account has real ambition to achieve category-leading status and there is some very exciting creative work in progress

The agency also retained the Cross Country Trains business in a statutory competitive pitch against four other agencies

As a business in growth recruiting and retaining talent is a big issue faced by the agency and an issue that in the advertising industry gets exponentially bigger the further you are located from London (the advertising capital of the UK) With this in mind the agency s talent strategy is as simple as the business strategy It is all about fostering the development of a group of talented creative people who work together collaboratively using a wide mix of specialist and generalist skills to produce clearly differentiated multi-channel solutions

In terms of numbers 2013 saw 97 new starters join the business including 15 graduate trainees and 3 apprentices Additionally McCann Manchester Ltd supported 50 work experience placements 8 466 hours of training time were delivered across 113 courses and 60 people were promoted across the agency, contributing to a 12% increase in retention

In addition to being awarded as one of Britain's Top Employers again in September 2013 McCann Manchester received a commendation for their Apprentice scheme at the National Apprentice Awards

FUTURE OUTLOOK AND STRATEGY

2014 has started well with continued organic growth and work coming in from clients secured in 2013

The company continues to focus on developing and broadening the digital offering and ensuring the quality and competitiveness of its creative and production offerings The company is also continuing with its focus on broadening the integrated offering by strengthening the Content and Motion departments

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

By order of the Board

E Wann
Director
9th June 2014

McCANN MANCHESTER LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their report and the financial statements of McCann Manchester Limited ("the Company") registered number 1993425 for the year ended 31 December 2013

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

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

AUDIT EXEMPTION

Advantage has been taken of the audit exemption available for subsidiary companies conferred by section 479A of the Companies Act 2006 on the grounds

a that for the year ended 31 December 2013 the company was entitled to the exemption from a statutory audit under section 479A of the Companies Act 2006 relating to subsidiary companies and

b that no notice has been deposited under section 476 of the Companies Act 2006 in relation to the financial statements for the financial year

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

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

The directors acknowledge their responsibilities for

- ensuring that the company keeps adequate accounting records which comply with section 386 of the Companies Act 2006 and
- preparing financial statements which give a true and fair view of the state of the affairs of the company at 31 December 2013 and of its profit or loss for the year then ended in accordance with the requirement of section 394 of the Companies Act 2006 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements so far as applicable to the company

By order of the Board

E Wann
Director
9th June 2014

McCANN MANCHESTER LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 Before Exceptional Items £ 000	2013 Exceptional Items (note 4) £ 000	2013 Total £'000	2012 Before Exceptional Items £'000	2012 Exceptional Items (note 4) £'000	2012 Total £'000
TURNOVER	2	110,608	-	110,608	96,141	-	96 141
COST OF SALES		(89,808)	23	(89,785)	(76 581)	559	(76 022)
REVENUE		20,800	23	20,823	19 560	559	20 119
Administrative expenses		(18,198)	-	(18,198)	(16 621)	-	(16 621)
OPERATING PROFIT/(LOSS)		2,602	23	2,625	2 939	559	3 498
Interest receivable and similar income	3			264			286
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	4			2,889			3 784
TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	7			183			160
RETAINED PROFIT(LOSS) FOR THE YEAR	14			3,072			3 944

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 2013

	Notes	2013 £'000	2012 £'000
FIXED ASSETS			
Tangible assets	8	7,865	7 848
CURRENT ASSETS			
Work in progress		1,931	3 522
Debtors	9		
- Amounts falling due within one year		22,743	24 554
- Amounts falling due after more than one year		-	17 543
Cash at bank and in hand		35,896	9 615
		60,570	55 234
CREDITORS Amounts falling due within one year	10	(24,388)	(22 084)
NET CURRENT ASSETS		36,182	33 150
TOTAL ASSETS LESS CURRENT LIABILITIES		44,047	40 998
PROVISIONS FOR LIABILITIES	12	-	(23)
NET ASSETS		44,047	40 975
CAPITAL AND RESERVES			
Called up share capital	13	23	23
Share premium account	14	5,245	5 245
Profit and loss account	14	38,779	35 707
TOTAL SHAREHOLDERS' FUNDS	15	44,047	40 975

The notes on pages 7 to 13 form part of the financial statements

Advantage has been taken of the audit exemption available for subsidiary companies conferred by section 479A of the Companies Act 2006 on the grounds

a that for the year ended 31 December 2013 the company was entitled to the exemption from a statutory audit under section 479A of the Companies Act 2006 relating to subsidiary companies and

b that no notice has been deposited under section 476 of the Companies Act 2006 in relation to the financial statements for the financial year

The directors acknowledge their responsibilities for

a ensuring that the company keeps adequate accounting records which comply with section 386 of the Companies Act 2006, and

b preparing financial statements which give a true and fair view of the state of the affairs of the company at 31 December 2013 and of its profit or loss for the year then ended in accordance with the requirement of section 394 of the Companies Act 2006 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements so far as applicable to the company

The financial statements on pages 5 to 13 were approved by the Board of Directors on 9th June 2014 and were signed on its behalf by

E Wann
Director
McCann Manchester Limited
Registered Company Number 1993425

McCANN MANCHESTER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 - 33 3%

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

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

1 ACCOUNTING POLICIES (CONTINUED)

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	2013	2012
	£'000	£ 000
United Kingdom	110,608	96 141
Less cost of sales	(89,785)	(76 022)
Revenue	20,823	20 119

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

3 INTEREST RECEIVABLE AND SIMILAR INTEREST INCOME

	2013	2012
	£'000	£'000
Interest receivable from overnight deposits	168	113
Interest receivable from fellow subsidiaries	96	173
	264	286

4 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

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

		2013	2012
		£ 000	£'000
Auditors remuneration for audit and audit related services		39	75
Depreciation - owned assets		473	465
Operating lease rentals	- office & office related	83	120
	- cars	28	32
Exceptional item	- release of provisions (note 12)	(23)	(559)

The exceptional credit relates to the release of provisions for potential liabilities in respect of media and production credits The movements reflect the review we have undertaken to resolve these issues and represents liabilities which management believe are no longer due

5 EMPLOYEES

	2013	2012
	£ 000	£'000
Staff costs including directors' emoluments		
Wages and salaries	10,082	9,134
Social security costs	1,282	1 099
Share based payments	69	152
Other pension costs (note 16)	1,187	538
	12,620	10 923
	Number	Number
The average monthly number of employees during the year was	252	233

McCANN MANCHESTER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

6 DIRECTORS EMOLUMENTS

Directors' emoluments excluding pension contributions all of which were in respect of services as directors for the year amounted to £730 000 (2012 - £664 000)
Retirement benefits are accruing to 2 (2012 2) directors under a defined benefit scheme
Retirement benefits are accruing to 1 (2012 1) director under a defined contribution scheme
Awards are receivable by 1 (2012 1) director in the form of share based incentive schemes

Remuneration in respect of the highest paid director was as follows

	2013 £'000	2012 £ 000
Remuneration (excluding pension)	410	346
Payments made in respect of Share Based Incentives	63	92
Accrued pension at 31 December in respect of defined benefit scheme	104	92

7 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

The (credit)/charge for taxation which has been provided at 23 25% (2012 24 5%) is based on the results for the year and comprised

		2013 £'000	2012 £ 000
UK corporation tax	- Current year	-	-
	- Adjustments in respect of prior years	-	-
Total Current Tax		-	-
Deferred Taxation			
Origination and reversal of timing differences		(441)	26
Adjustments in respect of prior years		258	(186)
Total deferred tax		(183)	(160)
Tax (credit)/charge on profit/(loss) on ordinary activities		(183)	(160)

The standard effective rate of corporation tax in the UK is 23 25% for the year ended 31 December 2013 (2012 24 5%)
The current tax charge is lower than 23 25% (2012 lower than 24 5%) for the reasons set out below

	2013 £ 000	2012 £'000
(Loss)/Profit on ordinary activities before taxation	2,889	3 784
(Loss)/Profit on ordinary activities multiplied by standard rate in the UK 23 25% (2012 24 5%)	672	927
Effects of		
Expenses not deductible for tax purposes	54	69
Accelerated capital allowances and other timing differences	64	1 002
Short term timing differences	(267)	(1 260)
Group Relief for nil consideration	(523)	(738)
Adjustments in respect of prior years	-	-
Current tax credit for the year	-	-

Factors affecting current and future tax charges

A change to the UK Corporation Tax rate reducing it from 24% to 23% effective from 1 April 2013 was enacted in the Finance Act 2012 Further reductions to 21% effective from 1 April 2014 and to 20% effective from 1 April 2015 were enacted in Finance Act 2013 Deferred tax expected to reverse in the year to 31 December 2014 has been measured using the corporation tax rate for the period of 21 5% (2012 23 25%)

The overall impact of the change in tax rate from 21% to 20% by 2015 would be the reversal of timing differences at an effective rate of 20 25% in 2015 and 20% in 2016 If applied to the provided deferred tax balance at 31 December 2013 this would reduce the provided deferred tax by £77 621 (being a reduction of £64 684 in 2015 and £12 937 in 2016)

McCANN MANCHESTER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

8 TANGIBLE FIXED ASSETS

	Land & Buildings	Furniture & fittings	Office & computer equipment	Total
	£'000	£'000	£'000	£ 000
COST				
At 1 January 2013	10 001	443	1 335	11 779
Additions	11	199	280	490
Disposals	-	(57)	(354)	(411)
At 31 December 2013	10,012	585	1,261	11,858
ACCUMULATED DEPRECIATION				
At 1 January 2013	2 542	342	1,047	3 931
Charge for the year	263	38	172	473
Disposals	-	(57)	(354)	(411)
At 31 December 2013	2,805	323	865	3,993
NET BOOK VALUE				
At 31 December 2013	7,207	262	396	7,865
At 31 December 2012	7 459	101	288	7 848

9 DEBTORS

Amounts falling due within one year

	2013	2012
	£ 000	£'000
Trade debtors	20,293	21 614
Amounts owed by group undertakings	734	1 343
Prepayments and accrued income	603	667
Deferred tax asset	1,113	930
	22,743	24 554

The deferred tax asset comprises	2013	2012
	£'000	£ 000
Accelerated capital allowances	812	-
Short term timing differences	301	930
	1,113	930

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

Asset at start of the year	930	770
- prior year adjustment	(258)	186
- deferred tax credit in profit and loss account (note 7)	441	(26)
	1,113	930

Amounts falling due after one year

	2013	2012
	£ 000	£'000
Amounts owed by other group undertakings	-	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

	2013	2012
	£'000	£'000
Trade creditors	15,249	12 312
Amounts owed to other group undertakings	405	2 354
Corporation tax	144	144
Other creditors	-	-
Other taxation and social security	3,518	2,704
Accruals and deferred income	5,072	4 570
	24,388	22 084

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. 2013 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

	2013 £ 000	2012 £ 000
Total expense recognised for equity-settled share based transactions	-	-
Total expense recognised for stock options	-	-
Total expense recognised for cash-settled share based transactions	25	64
Total expense recognised for share based transactions	25	64
Closing liability for cash-settled share based transactions	-	46
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

	2013 No of restricted stock units	2013 Weighted average fair value (£)	2012 No of restricted stock units	2012 Weighted average fair value (£)
Outstanding as at 1 January	7 396	£6 82	20 681	£6 31
Granted during the period	-	-	-	-
Transferred to a group company	-	-	-	-
Cancelled during the period	-	-	-	-
Released during the period	-7 396	£8 47	-13 285	£6 96
Outstanding at 31 December	-		7 396	£6 82

Cash payments of £62 621 were made in 2013 (2012 £92 462) in respect of restricted stock units distributed to participants Compensation expense in connection with the stock awards was £24 638 (2012 £62 963) Total accrued liability in relation to unvested awards as at 31 December 2013 is £nil (2012 £46 271)

12 PROVISIONS FOR LIABILITIES

The movement over the year is analysed as	**Media and Production Credits** £ 000
Balance at 1 January 2013	**23**
Credited to the profit and loss account	**(23)**
Balance at 31 December 2013	**-**

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 end of the review we have undertaken to resolve these issues and represents liabilities which management believe are no longer due

13 CALLED UP SHARE CAPITAL

	2013 £ 000	2012 £ 000
Authorised allotted and fully paid 22 797 ordinary shares of £1 each (2012 22 797)	**23**	23

14 PROFIT AND LOSS ACCOUNT

	Share premium account £ 000	Profit and loss account £'000	Total £'000
Balance at 1 January 2013	5,245	35,707	40,952
Share issue	-	-	-
Profit for the financial year	-	3,072	3,072
Balance at 31 December 2013	5,245	38,779	44,024

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013 £'000	2012 £ 000
Profit/(loss) for the financial year	3,072	3 944
New shares issued	-	-
Net addition to shareholders funds	3,072	3 944
Opening shareholders' funds	40,975	37 031
Shareholders' funds at 31 December	44,047	40 975

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 £289 000 (2012 £168,000)
As at 31 December 2013 contributions of £29 922 (2012 £19 235) 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 Financial Reporting Standard No 17

The latest actuarial valuation of the Plan for funding purposes was carried out as at 31 March 2012 by a qualified independent actuary The financial assumptions used in the valuation were as follows

Discount rate 4 6% a year
Rate of Price Inflation (CPI) 2 6% a year
Rate of pay increases (before promotional increases) 3 3% a year
Rate of pension increases 3 2% (benefits up to 30 June 2007)
Rate of pension increases 2 1% (benefits from 1 July 2007)
Benefits subject to a cap of 5% a year (benefits up to 30 June 2007)
Benefits subject to a cap of 2 5% a year (benefits from 1 July 2007)

As at 31 March 2012 the actuary calculated the funding deficit to be £37 7 million The actuary recommended the participating employers pay 19% of pensionable earnings for the period from 12 June 2013 to 30 September 2019 (as per the dates in the Schedule of Contributions) In respect of the shortfall in funding in accordance with the revised recovery plan dated 1 January 2012 there was a payment holiday for the deficit funding between 1 January 2012 and 30 June 2013 In accordance with the revised schedule of contributions and the latest recovery plan both dated 12 June 2013 the employers will additionally contribute amounts to the Plan such that the cumulative amount totals at least £441 667 per month for each month between 1 July 2013 and 30 September 2019 inclusive McCann Manchester Limited is contributing £88 598 a month towards this total Such monthly contributions are due for the period between 1 July 2013 and 30 September 2019 inclusive

Active members contribute to the Plan at the rate of 6 3% of pensionable earnings for the period 1 July 2010 to 30 June 2013 and then 10 2% of pensionable earnings from 1 July 2013 to 30 September 2019

The cost of contributions to the Plan by the Company amounted to £900 000 during the year (2012 £369 000)

17 LEASING OBLIGATIONS

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

	2013 Buildings £'000	2013 Other £'000	2012 Buildings £'000	2012 Other £ 000
Within one year	-	55	-	11
Between one and five years	36	10	36	67
	36	65	36	78

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 had one wholly owned non-trading subsidiary - Still - The Studio Limited
During 2013 the company's entire shareholding of 99 ordinary £1 shares was transferred to IPG Holdings (UK) Limited for nil consideration The carrying value of £100 was written off in the year