

McCann Manchester Limited

**Directors' Report, Strategic Report and
Financial Statements
Year ended 31 December 2017**

Registered Number: 1993425



McCann Manchester Limited

Strategic Report for the year ended 31 December 2017

The directors present their strategic report of McCann Manchester Limited (the "Company"), registered number 1993425 for the year ended 31 December 2017.

Principal activities and review of the business

McCann Manchester Limited's principal activity during the year was full service advertising and marketing services in the United Kingdom.

Business review and results

The Company's pre-tax profit for the year is £1,646k (2016: £37k) and the Company generated turnover of £104,981k (2016: £138,997k). The Company has cash reserves at the year end of £11,014k (2016: £6,335k) and net assets of £26,577k as at 31 December 2017 (2016: net assets of £30,069k).

Everyone was talking about Europe in 2017. Not least because McCann Manchester picked up Bronze, Gold and the much-coveted Grand Prix at the Euro Effie Awards in Brussels. A competition which celebrates extraordinary examples of creativity and effectiveness combined. This unique triple Euro win has never been achieved by McCann before.

A humble carrot took the two big ones; the 'Kevin the Carrot' Aldi Christmas campaign had given retailers a real shock in terms of its popularity in the UK and Ireland. All of which compounded the renewed emphasis on the Aldi account, post the 2016 re-pitch.

Aldi TV, press and digital work also flexed its muscles at the Rio Olympics with sponsorship of Team GB and creative which pulled in Silver Medals at the British Creative Circle Awards and Golds at the regional Roses Awards.

After three years, the Harveys/Bensons account left the agency for London in 2017. However, notable wins on the new business front included Co-op Funeralcare, Goodfellas Pizza, and projects for the Hungry Horse pub restaurant chain.

A new Smyths Toys campaign launched this year too, starring a brand new hero: 'Snot', the toy nobody wanted – who inevitably ended up being the toy everyone wanted. The commercial itself is a live action/animation treat and there was a rush on sales of green Snot soft toys on the run up to Christmas.

Charity work of note included a mix of activity for The Clink – a 'restaurant within a prison concept' which trains prisoners in the arts of cooking and restaurant management with the aim of reducing offending. A remarkable year on a number of creative fronts.

During 2017, a core focus of our talent strategy was to further strengthen our digital capability which we did through the appointment of new talent and our learning and development programme.

Our achievements included successfully recruiting and onboarding 107 new starters, including eight new apprentices – our biggest intake to date - and as ever, a number of trainees across all disciplines. 'Growing our own' remains a key part of our talent strategy and we are very proud of our commitment to developing young talent.

Ensuring the continuous development of our people is a key focus for us and we strengthened our Learning and Development offering with the appointment of a Head of L&D in Q3 and launched our new L&D framework, IMPACT, at the end of the year. Our commitment to CPD continues to be externally recognised by the IPA, our professional industry body.

McCann Manchester Limited

Strategic Report for the year ended 31 December 2017 (continued)

Key performance indicators

The following are key performance indicators of the business:

Revenue:

Revenue for the year £27,379k (2016: £24,702k)

Revenue increase:

Increase in revenues from continuing operations in the year £27,379k (2016: £24,702k)

Operating Margin (%):

Ratio of operating profit to gross income in the year 5.7% (2016: 0%)

(expressed as a percentage and excluding exceptional and one-off items)

Operating profit/(loss):

Operating profit/(loss) for the year £1,563k (2016: (£103k))

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of The Interpublic Group of Companies, Inc. and are not managed separately. These risks are discussed in The Interpublic Group of Companies, Inc. annual financial statements for the year ended 31 December 2017, which does not form part of this report. Copies of The Interpublic Group of Companies, Inc. consolidated financial statements can be obtained from:

The Interpublic Group of Companies, Inc.

909 Third Avenue

New York, NY 10022 U.S.A.

Strategy and future developments

2018 has started well with growth coming from both existing clients and new business wins.

Our Pyx offering, now rebranded as Pyx Productions and comprising PYX Studios, PYX Stories (Content) and PYX Post-Production, continues to expand, providing an outstanding service to our clients. Alongside this we continue to focus on developing and broadening our integrated offering across creative, production and digital.

On behalf of the Board



S Little

Director

18th July 2018

McCann Manchester Limited

Directors' Report for the year ended 31 December 2017

The directors present their report and the financial statements of McCann Manchester Limited (the "Company"), registered number 1993425 for the year ended 31 December 2017.

Future developments

Future developments, strategy and key performance indicators are discussed in the strategic report.

Dividends

On 30th October 2017 the Directors recommended and paid a dividend of £5,000,000 to McCann-Erickson Network Limited (2016: £15,000,000).

Objectives and policies

The Company's operations expose it to a variety of financial risks. These include the credit risk, the liquidity risk associated with recovering customer debt on a timely basis, and the interest rate cash flow risk. The Company has in place a risk management programme that seeks to minimise the potential adverse effects on the financial performance of the Company by monitoring customer debt levels and the related financial risks to the business.

The Company follows the standard policy and procedures (SP&P) manual provided by The Interpublic Group of Companies, Inc. which sets out specific guidelines to manage credit and liquidity risks. Interest rate cash flow risk is managed by The Interpublic Group of Companies, Inc.

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk and interest rate risk. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by monitoring levels of debt finance and the related finance costs.

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 follows the policy and procedures manual provided by The Interpublic Group of Companies, Inc. that sets out specific guidelines to manage credit and liquidity risks. Interest rate cash flow risk is managed by The Interpublic Group of Companies, Inc.

Credit risk

The Company has implemented policies to monitor customer debt levels and to ensure that excessive credit is not extended to any particular customer. This provides the business with visibility of balances and ensures that no further credit is extended in cases where this is not merited. The company also operates a credit insurance policy where appropriate. The maximum exposure to credit risk at 31 December 2017 was mainly as follows: trade debtors £21,964k, amounts owed by group undertakings £1,256k, other debtors £336k and prepayments and accrued income £867k (2016: £19,209k, £5,014k, £484k, £3,227k respectively).

Credit given to other Group companies is also monitored and credit is extended where it is merited. Group debts are collected on the same basis as non-Group debts.

The Company also attempts to minimize credit exposure to cash investments. Cash investments are placed with high-quality financial institutions with limited exposure to any one institution.

Liquidity risk

The Company's customer profile is such that late payments and defaults may reduce the funds available for operations and planned expansions. The Company manages this risk by engaging external collection agencies where required.

McCann Manchester Limited

Directors' Report for the year ended 31 December 2017 (continued)

Political donations

The Company made no political donations in 2017 (2016: nil).

Branches outside the UK

The company has no branches outside the UK.

Disabled employee note

The Company is committed to employment policies which follow best practice based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The Company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. If members of staff become disabled the Company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Employee involvement

The Company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Company plays a major role in maintaining its future success.

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below:

MJ Jackson
SA Little
H Sullivan

McCann Manchester Limited

Directors' Report for the year ended 31 December 2017 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 Company's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102, The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- 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;
- preparing financial statements which give a true and fair view of the state of the affairs of the Company at 31 December 2017 and 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; and
- the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 2017 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.

On behalf of the Board



S Little
Director
18th July 2018

McCann Manchester Limited

Statement of comprehensive income For the year ended 31 December 2017

		2017	2016
	Note	£000's	£000's
Turnover	5	104,981	138,997
Cost of sales		(77,602)	(114,295)
Revenue		27,379	24,702
Administrative expenses		(25,816)	(24,805)
Operating profit	6	1,563	(103)
Interest receivable and similar income	7	83	140
Profit on ordinary activities before taxation		1,646	37
Tax on profit on ordinary activities	10	(138)	(323)
Profit and total comprehensive income for the financial year		1,508	(286)

All operations are continuing.

McCann Manchester Limited

Statement of financial position As at 31 December 2017

	Note	2017 £000's	2016 £000's
Fixed assets			
Investments in Subsidiaries	11	7,929	7,929
Intangible assets	12	2,680	3,004
Tangible assets	13	7,688	7,683
		18,297	18,616
Current assets			
Work in progress		1,274	1,640
Debtors: amounts falling due within one year	14	24,618	27,934
Cash at bank and in hand		11,014	6,336
		36,906	35,910
Creditors: amounts falling due within one year	15	(28,626)	(24,457)
Net current assets		8,280	11,453
Total assets less current liabilities		26,577	30,069
Net assets		26,577	30,069
Capital and reserves			
Called up share capital	16	26	26
Share premium account		13,171	13,171
Retained earnings		13,380	16,872
Total equity		26,577	30,069

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

- that for the year ended 31 December 2017 the Company was entitled to the exemption from a statutory audit under section 479A of the Companies Act 2006 relating to subsidiary companies; and
- 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:

- 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 2017 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 notes on pages 10 to 27 are an integral part of these financial statements.

The financial statements on pages 7 to 9 were authorised for issue by the board of directors on 18th July 2018 and were signed on its behalf.



S Little
Director
McCann Manchester Limited
Registered No. 1993425

McCann Manchester Limited

Statement of changes in equity for the year end 31 December 2017

	Called up share capital	Share premium account	Retained earnings	Total Equity
	£000's	£000's	£000's	£000's
At 1 January 2016	23	5,245	32,158	37,426
Loss for the financial year and total comprehensive income	-	-	(286)	(286)
Dividends	-	-	(15,000)	(15,000)
Proceeds from shares issued	3	7,926		7,929
Total transactions with owners, recognised directly in equity	3	7,926	(15,000)	(7,071)
At 31 December 2016	26	13,171	16,872	30,069
At 1 January 2017	26	13,171	16,872	30,069
Profit for the financial year and total comprehensive income	-	-	1,508	1,508
Dividends	-	-	(5,000)	(5,000)
Proceeds from shares issued	-	-	-	-
Total transactions with owners, recognised directly in equity	-	-	(5,000)	(5,000)
At 31 December 2017	26	13,171	13,380	26,577

Notes to the financial statements for the year ended 31 December 2017

1 General information

McCann Manchester Limited's principal activity during the year was full service advertising and marketing services in the United Kingdom.

The Company is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is Bonis Hall, Bonis Hall Lane, Prestbury, Macclesfield, Cheshire, SK10 4EF.

2 Statement of compliance

The individual financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Company has adopted FRS 102 in these financial statements.

a) Basis of preparation

These financial statements are prepared under the historical cost convention. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

b) Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

c) Exemption for qualifying entities under FRS 102

As a qualifying entity, the Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its intermediate parent company, IPG Holdings (UK) Ltd, includes the Company's cash flows in its own consolidated financial statements.

d) Revenue recognition

The Company's revenues are primarily derived from the planning and execution of multi-channel advertising, marketing and communications programs in the United Kingdom and the rest of Europe. Revenues are directly dependent upon the advertising, marketing and corporate communications requirements of existing clients and the Company's ability to win new clients. Revenue is typically lowest in the first quarter and highest in the fourth quarter. Most client contracts are individually negotiated and, accordingly, the terms of client engagements and the bases on which the Company earn commissions and fees vary significantly. As is customary in the industry, contracts generally provide for termination by either party on relatively short notice, usually 90 days.

Client contracts are complex arrangements that may include provisions for incentive compensation and vendor rebates and credits. The Company's largest clients are multinational entities and, as such, the Company provide services to these clients out of multiple offices and across many of our agencies within the Group or with related companies. In arranging for such services, it is possible that the Company enters into global, regional and local agreements. Agreements of this nature are reviewed by The Interpublic Group of Companies, Inc. corporate legal counsel to determine the governing terms to be followed by the offices and agencies involved.

Revenue for our services is recognised when all of the following criteria are satisfied: (i) persuasive evidence of an arrangement exists; (ii) the price is fixed or determinable; (iii) collectability is reasonably assured; and (iv) services have been performed. Depending on the terms of a client contract, fees for services performed can be recognised in three principal ways: proportional performance (input or output), straight-line (or monthly basis) or completed contract.

Notes to the financial statements for the year ended 31 December 2017 (continued)

3 Summary of significant accounting policies (continued)

d) Revenue recognition (Continued)

▪ Fees

Fees are generally recognised as earned based on the proportional performance input method of revenue recognition in situations where our fee is linked to the actual hours incurred to service the client as detailed in a contractual staffing plan, where the fee is earned on a per hour basis or where actual hours incurred are provided to the client on a periodic basis (whether or not the fee is reconcilable), with the amount of revenue recognised in these situations limited to the amount realisable under the client contract. We believe an input-based measure (the 'hour') is appropriate in situations where the client arrangement essentially functions as a time and out-of-pocket expense contract and the client receives the benefit of the services provided throughout the contract term.

Fees are recognised on a straight-line or monthly basis when service is provided essentially on a pro-rata basis and the terms of the contract support monthly basis accounting.

Certain fees (such as for major marketing events) are deferred until contract completion if the final act is so significant in relation to the service transaction taken as a whole or if any of the terms of the contract do not otherwise qualify for proportional performance or monthly basis recognition. Fees may also be deferred and recognised upon delivery of a project if the terms of the client contract identify individual discrete projects.

Depending on the terms of the client contract, revenue is derived from diverse arrangements involving fees for services performed, commissions, performance incentive provisions and combinations of the three. Commissions are generally earned on the date of the broadcast or publication. Contractual arrangements with clients may also include performance incentive provisions designed to link a portion of our revenue to our performance relative to either qualitative or quantitative goals, or both. Performance incentives are recognised as revenue for quantitative targets when the targets have been achieved and for qualitative targets when confirmation of the incentive is received from the client.

The majority of our revenue is recorded as the net amount of our gross billings less pass-through expenses charged to a client which are included as costs of sales. In most cases, the amount that is billed to clients significantly exceeds the amount of revenue that is earned and reflected in our financial statements because of various pass-through expenses, such as production and media costs. We assess whether our agency or the third-party supplier is the primary obligor, and we evaluate the terms of our client agreements as part of this assessment. In addition, we give appropriate consideration to other key indicators such as latitude in establishing price, discretion in supplier selection and credit risk to the supplier. Because we operate broadly as an advertising agency, based on our primary lines of business and given the industry practice to generally record revenue on a net versus gross basis, we believe that there must be strong evidence in place to overcome the presumption of net revenue accounting. Accordingly, we generally record revenue net of pass-through charges as we believe the key indicators of the business suggest we generally act as an agent on behalf of our clients in our primary lines of business. In those businesses where the key indicators suggest we act as a principal (primarily sales promotion and event, sports and entertainment marketing), we record the gross amount billed to the client as revenue and the related incremental direct costs incurred as office and general expenses. In general, we also report revenue net of taxes assessed by governmental authorities that are directly imposed on our revenue-producing transactions.

We receive credits from our vendors and media outlets for transactions entered into on behalf of our clients that, based on the terms of our contracts and local law, are either remitted to our clients or retained by us. If amounts are to be passed through to clients, they are recorded as liabilities as a provision until settlement or, if retained by us, are recorded as revenue when earned.

▪ Interest income

Interest income is recognised using the effective interest rate method.

e) Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements, defined benefit and defined contribution pension plans.

i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Notes to the financial statements for the year ended 31 December 2017 (continued)

3 Summary of significant accounting policies (continued)

e) Employee benefits (Continued)

ii) Pension costs

Contributions payable in respect of employees' personal pension plans are expensed in the statement of comprehensive income as they are incurred.

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from the Company in an independently administered fund. The pension cost charge disclosed in note 20 represents contributions payable by the Company to the fund.

The Company is a member of the Interpublic Pension Plan, a defined benefit scheme. The Company has adopted the reporting requirements of FRS 102 and is unable to identify its share of the pension scheme assets and liabilities and also its share of the defined benefit costs of the Group scheme. The Company accounts for its contributions as if they were to a defined contribution pension scheme. Contributions are charged to the statement of comprehensive income in the year to which they relate.

Under FRS 102, the deficit of the defined benefit plan should be recognised in the financial statements of the group entity that is legally sponsoring employer for the plan. Accordingly, the deficit is reported in the financial statements of Interpublic Limited, the sponsoring employer of the Interpublic Pension Plan.

iii) Annual bonus plan

The Company operates an annual bonus plan for some employees. An expense is recognised in the statement of comprehensive income when the Company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

f) Foreign currencies

The Company's functional and presentation currency is pound sterling. Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences arising from the revaluation of foreign currency assets and liabilities are taken to the statement of comprehensive income during the year to which they relate.

g) Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

h) Leases

Rentals applicable to operating leases, where substantially all of the benefits and risks of membership remain with the lessor, are charged to the statement of comprehensive income on a straight line basis over the term of the lease.

i) Lease incentives

Incentives received to enter into an operating lease are credited to the statement of comprehensive income, to reduce the lease expense, on a straight-line basis over the period of the lease.

j) Exceptional items

Exceptional items comprise those that are by their nature, large unusual non-recurring and are shown separately in the statement of comprehensive income.

Notes to the financial statements for the year ended 31 December 2017 (continued)

3 Summary of significant accounting policies (continued)

k) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current and deferred taxation assets and liabilities are not discounted.

Corporation tax payable is provided on taxable profits and is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date, where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the statement of financial position date. Timing differences are differences between a company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates and laws 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 substantively enacted by the statement of financial position date. Deferred tax is measured on a non-discounted basis in line with FRS 102.

l) Tangible assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated to write off the cost of the assets evenly over their expected useful lives as follows:

Freehold buildings	35 years
Equipment, fixtures & fittings	3 - 10 years
Plant & machinery	3 - 10 years
Asset retirement obligation	Lesser of 10 years or the remaining life of the lease
Long leasehold and leasehold improvements	Lesser of 10 years or the remaining life of the lease
Computer hardware and software	3 - 4 years

The assets' useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Repairs, maintenance and minor inspection costs are expensed as incurred.

The fair value of estimated asset retirement obligations is recognised in the statement of financial position when identified and a reasonable estimate of fair value can be made. The fair value is determined based on the net present value of the estimated costs which include those legal obligations where the Company will be required to return the properties to their original condition. The asset retirement costs, equal to the estimated fair value of the asset retirement obligation is capitalised as part of the cost of the related long lived asset. Asset retirement costs are amortised over the life of the lease.

Amortisation of asset retirement costs is included in depreciation of fixed assets. Increases in the provision of asset retirement obligation resulting from the passage of time are recorded as interest expense in the statement of comprehensive income. Actual expenditures incurred are charged against the accumulated provision.

Notes to the financial statements for the year ended 31 December 2017 (continued)

3 Summary of significant accounting policies (continued)

m) Impairment of non-financial assets

At each statement of financial position date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

n) Related party disclosures

The Company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

o) Work in progress

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

p) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; if it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provision is not made for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

q) Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including debtors and cash at bank and in hand balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

Notes to the financial statements for the year ended 31 December 2017 (continued)

3 Summary of significant accounting policies (continued)

q) Financial instruments (Continued)

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

Other financial assets, including equity investments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including creditors and other payables, loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as creditors: amounts falling due over one year. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

r) Deferred income

Deferred income represents revenue invoiced in advance of services that have not yet been rendered to clients.

s) 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 statement of financial position date and are included in creditors.

The movement in cumulative expense since the previous statement of financial position date is recognised in the statement of comprehensive income, 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 share based payments as they are not paid in equity and the value of the award is not correlated with the The Interpublic Group of Companies, Inc. 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 statement of comprehensive income.

Notes to the financial statements for the year ended 31 December 2017 (continued)

3 Summary of significant accounting policies (continued)

t) Netting off policy

Balances with other companies in The Interpublic Group of Companies, Inc. are stated gross, unless all of the following conditions are met:

- (i) The Company and the counterparty owe each other determinable monetary amounts, denominated either in the same currency, or in different but free convertible currencies;
- (ii) The Company has the ability to insist on a net settlement; and
- (iii) The Company's ability to insist on a net settlement is assured beyond doubt. For this to be the case it is necessary that the debit balance mature no later than the credit balance. It is also necessary that the Company's ability to insist on a net settlement would survive the insolvency of the counterparty.

u) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

v) Distributions to equity holders

Dividends and other distributions to the Group's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

Notes to the financial statements for the year ended 31 December 2017 (continued)

4 Critical accounting estimates and assumptions

(a) Critical judgements in applying the entity's accounting policies

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Group defined benefit pension scheme.

The Company does not have sufficient information on the plan assets and liabilities to be able to reliably account for its share of the defined benefit costs, defined benefit plan liabilities and plan assets and therefore accounts for the scheme as a defined contribution scheme. Please refer to note 20.

(b) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets (note 13)

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of the property, plant and equipment, and note 3) for the useful economic lives for each class of assets.

(ii) Financial instruments

Financial assets are assessed for objective evidence of impairment annually and if an asset is impaired. Key sources of estimation are used to fair value certain non-controlling interest put/call option, which are accounted for as a derivative, and in fair valuing group loans received/issued at non-market rates.

(iii) Impairment of trade and other debtors (note 14)

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 14 for the net carrying amount of the debtors and associated impairment provision.

5 Turnover

	2017	2016
	£000's	£000's
Turnover by origin		
United Kingdom	104,981	138,997

The analysis above is by geographical origin, being the location of the Company which is performing the service for the customer, who may be located in a different location.

McCann Manchester Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

6 Operating profit

The following amounts have been charged/(credited) in arriving at the operating profit:

	2017 £000's	2016 £000's
Salaries and wages (including directors)	12,187	11,736
Pension cost (note 20)		
- Defined contribution	960	722
- Defined benefit	1,364	1,719
Severance expenses	58	148
Depreciation		
- Tangible assets	716	646
Amortisation		
- Intangible assets	325	244
Remuneration of auditors		
- Non statutory audit fees	45	46
- Non audit services	-	-
Bad debt - provision (decrease)/increase	(15)	21
Loss on disposal	-	-
Exchange loss/(gain)	8	(77)
Operating lease rentals		
- plant and machinery	44	44
- office space	187	162
- other	-	-

7 Interest receivable and similar income

	2017 £000's	2016 £000's
Interest receivable from bank deposits	83	140
Interest receivable on intercompany loans	-	-
	83	140

8 Employee costs

	2017 £000's	2016 £000's
Salaries and wages (including directors)	12,187	11,736
Social security costs	1,574	1,444
Pension costs (note 18)	2,324	2,491
Severance expense	58	148
Share based payments costs	93	205
Miscellaneous, non-share based incentives and other costs	1,247	480
Employee costs	17,484	16,504

Notes to the financial statements for the year ended 31 December 2017 (continued)

8 Employee costs (continued)

Key management compensation

The compensation paid or payable to key management (including directors) for employee services is shown below:

	2017	2016
	£000's	£000's
Salaries and wages	877	670
Social security costs	165	156
Pension costs (note 18)	44	60
Severance expense	-	-
Share based payments costs	88	211
Miscellaneous, non-share based incentives and other costs	372	222
Key management compensation	1,546	1,319

The average monthly number of people employed (including directors) by the Company during the year is set out below:

	2017	2016
United Kingdom	347	346
Rest of Europe	-	-
Average monthly number employed	347	346

9 Directors' emoluments

The directors are remunerated by the Company, and other group companies in respect of their services to the Company.

	2017	2016
	£000's	£000's
Aggregate emoluments, including benefits in kind	655	551
Defined contribution scheme – company contributions	5	4
Defined benefit scheme – company contributions	-	-
Share option expense	88	211
	748	766
Highest paid director	2017	2016
	£000's	£000's
Aggregate emoluments, including benefits in kind	524	463
Defined contribution scheme – company contributions	-	-
Defined benefit scheme – company contributions	-	-
Share option expense	88	211
	612	674

Retirement benefits are accruing to 0 directors under a defined benefit scheme (2016: 0).

Retirement benefits are accruing to 1 director under a defined contribution scheme (2016: 1).

Awards are receivable by 1 (2016: 1) director in the form of share based incentive schemes.

McCann Manchester Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

10 Tax on profit on ordinary activities

	2017 £000's	2016 £000's
Current taxation		
UK corporation taxation	156	-
Foreign taxation	-	-
	156	-
Adjustments in respect of prior years		
- UK corporation taxation	30	116
- Foreign taxation	-	-
	30	116
Total current taxation	186	116
Deferred taxation		
Adjustments in respect of prior years	(221)	(45)
Origination & reversal of timing differences	197	249
Effect of change in the tax rate	(23)	3
Total deferred taxation	(47)	207
Tax on profit on ordinary activities	138	323

Factors affecting the tax charge for the year

The tax assessed for the year is lower (2016 = higher) than the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%). The difference is explained below:

	2017 £000's	2016 £000's
Profit on ordinary activities before taxation	1,646	37
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	317	7
Effects of:		
Expenses not deductible for taxation purposes	127	92
Group relief for nil consideration	(92)	150
Double tax relief	-	-
Foreign taxation	-	-
Adjustments in respect of prior years	(191)	71
Unrecognised deferred tax	-	-
Effect of change in tax rate	(23)	3
Total tax for the year	138	323

Notes to the financial statements for the year ended 31 December 2017 (continued)

10 Tax on profit on ordinary activities (continued)

A reduction in the rate of UK corporation tax from 21% to 20% took effect from 1 April 2015. Further reductions in the main rate of UK corporation tax to 19% from 1 April 2017, and then to 17% from 1 April 2020 have been substantively enacted.

11 Investments

Investment in subsidiaries: **£'000**

Cost	
At 1 January 2017	7,929
Revaluation	-
Impairment	-
Additions	-

At 31 December 2017 **7,929**

Provision for impairment:

At 1 January 2017	-
Impairment for the current year	-
Impairment on disposals	-

At 31 December 2017 **-**

Net book value at 31 December 2017 **7,929**

The Company had the following investments as at 31 December 2017.

Name	Co. No. / Country	Registered Office	Share Class(es)	Share Class % Held
Lakestar Media Limited	6413960	3 Grosvenor Gardens, London, SW1W 0BD	Ord £0.01 Exec £0.01	100 100

12 Intangible assets

	Acquired Goodwill £000's
Net book amount at 1 January 2017	3,004
Additions	-
Amortisation	(325)
Impairment	-

Closing net book amount **2,679**

At 31 December 2017

Cost	3,248
Accumulated depreciation	(569)
Net book amount	2,679

Notes to the financial statements for the year ended 31 December 2017 (continued)

12 Intangible assets (continued)

During 2016 the company acquired the trade and assets of Lakestar Media Limited for the fair market value of £7,929,000. The acquired goodwill is being amortised over a period of 10 years and has a remaining amortisation period of 8.25 years.

13 Tangible assets

	Freehold land and buildings	Computer equipment	Equipment, fixtures & fittings	Total
	£000's	£000's	£000's	£000's
At 31 December 2016				
Cost	10,045	1,730	1,494	13,269
Accumulated depreciation	3,585	1,241	760	5,586
Net book value	6,460	489	734	7,683
Cost				
1 January 2017	10,045	1,730	1,494	13,269
Additions	249	310	161	720
Disposals	-	(345)	(2)	(347)
Asset reclass	(34)	(76)	110	-
31 December 2017	10,260	1,619	1,763	13,642
Accumulated depreciation				
1 January 2017	3,585	1,241	760	5,586
Charge for year	262	237	217	716
Disposals	-	(345)	(2)	(347)
Asset reclass	-	(47)	46	(1)
31 December 2017	3,847	1,086	1,021	5,954
Net book value				
31 December 2017	6,413	533	742	7,688

Notes to the financial statements for the year ended 31 December 2017 (continued)

14 Debtors: amounts falling due within one year

	2017	2016
	£000's	£000's
Trade debtors	21,964	19,209
Amounts owed by group undertakings	1,256	5,014
Prepayments and accrued income	867	3,227
Corporation tax	-	-
Deferred taxation (see below)	531	484
	24,618	27,934

All amounts owed by Group undertakings are unsecured and repayable on demand. The remaining debtors are unsecured.

Deferred taxation

	2017	2016
	£000's	£000's
Accelerated capital allowances	411	341
Share based payment	44	58
Trading losses and non-trading deficits	-	-
Capital losses	-	-
Other short term timing differences	76	85
Total deferred tax asset	531	484

The movement in the deferred taxation balance can be summarised as follows.

	£000's
At 1 January 2017	484
(Charge)/credit to statement of comprehensive income	47
Rate change on opening balance	-
Transfer	-
Effect of change in tax rate	-
Adjustment in respect of prior years	-
At 31 December 2017	531

The amount of the net reversal of deferred tax expected to occur in 2018 is £92,000. This primarily relates to the reversal of timing differences on tangible fixed assets through depreciation and capital allowances.

McCann Manchester Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

15 Creditors: amounts falling due within one year

	2017 £000's	2016 £000's
Trade creditors	16,769	11,868
Bank loans and overdrafts	-	-
Amounts owed to group undertakings	3,341	2,562
Corporation tax	303	216
Other creditors including taxation and social security	1,486	1,251
Accruals and deferred income	6,727	8,560
	28,626	24,457

Amounts owed to group undertakings are unsecured, repayable on demand and do not accrue interest.

16 Called up share capital

	2017 Number (000's)	2016 Number (000's)	2017 £000's	2016 £000's
Allotted and fully paid:				
Ordinary shares of £1 each	26	26	26	26

17 Capital and other commitments

	2017 £000's	2016 £000's
Operating lease commitments		
As at 31 December, the Company had the following total future minimum lease payment commitments under non-cancellable operating leases for each of the following periods:		
Payments due:		
- Not later than one year	207	228
- Later than one year and not later than five years	291	140
- Later than five years	-	-
Total minimum lease commitments	498	368

18 Contingent liabilities

The Company is not party to any commitments or guarantees including composite cross guarantees between banks and fellow subsidiaries except for The Interpublic Group of Companies, Inc. pooling arrangements with Lloyds Banking Group plc. The interest rate is linked to a variable base rate and borrowings are secured by parent company guarantees.

Notes to the financial statements for the year ended 31 December 2017 (continued)

19 Share based payments

The Interpublic Group of Companies, Inc. issues 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. 2017 Form 10-K for further disclosures relating to their long term incentive plans.

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

	2017	2016
	£000's	£000's
Total expense recognised for equity-settled share based transactions	93	143
Total expense recognised for stock options	-	-
Total expense recognised for cash-settled share based transactions	-	-
Total expense recognised for share based transactions	93	143
Closing liability for cash-settled share based transactions	-	-
Closing liability /other reserves for equity-settled share based transactions	46	152

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 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 amortised 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.

McCann Manchester Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

19 Share based payments (continued)

Share Settled Performance Related Restricted Stock Units

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

	2017 No. of Stock options	2017 Weighted average fair value (£)	2016 No. of Stock options	2016 Weighted average fair value (£)
Outstanding as at 1 January	19,675	19.03	13,490	15.73
Granted during the year	6,857	19.51	6,185	15.46
Transferred (to)/from a group company	-	-	-	-
Cancelled during the year	-	-	-	-
Vested during the year	(7,546)	19.51	-	-
Outstanding at 31 December	18,986	14.92	19,675	19.03

Compensation expense in connection with the restricted stock awards was £93,148 in 2017 (2016: £142,625) and is recorded in 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.

20 Pensions

Defined contributions scheme

The Company participates in a number of defined contribution pension schemes. The assets of the schemes 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 £960,000 (2016: £772,000). At 31 December 2017, £84,000 remained unpaid and accrued (2016: £78,000).

Defined benefit scheme

During the year, the Company, along with other companies in The Interpublic Group of Companies, Inc. also participated in The Interpublic Pension Plan ("the Plan"), which is a defined benefit plan providing benefits based on members' pensionable 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 FRS 102.

The latest actuarial valuation of the Plan for funding purposes was carried out as at 31 March 2015 by a qualified actuary appointed by the Trustee of the Plan. The key financial assumptions used in the valuation were as follows:

Discount rate: 3.4% a year
Rate of Price Inflation (CPI): 2.15% a year
Rate of Price Inflation (RPI): 3.15% a year
Rate of pay increases: 3.15% a year
Rate of pension increases: 3.1% a year (benefits up to 30 June 2007)
Rate of pension increases: 2.2% a year (benefits from 1 July 2007)

Towards the cost of ongoing benefit accrual, the participating employers paid 19.0% of active members' pensionable earnings for the period from 12 June 2013 to 31 March 2016, increasing to 27.9% of active members' pensionable earnings from 1 April 2016 to 30 September 2016. The balance of this cost was met by the active members who each paid contributions at the rate of 10.2% of pensionable earnings. Effective 1 October 2016, the Plan was closed to future accrual and the salary link for both active and linked members was broken. As a consequence, contributions from both employers and active members, relating to the cost of ongoing accrual, ceased from this date.

Notes to the financial statements for the year ended 31 December 2016 (continued)

20 Pensions (continued)

As at 31 March 2015, the actuary calculated the funding deficit to be £50.1 million. In respect of this shortfall in funding, in accordance with the Recovery Plans in force over the period and with the Schedules of Contributions in force over the period, the employers are to contribute amounts to the Plan such that the cumulative amount totalled at least £483,333 per month for each month between 1 April 2016 and 31 December 2021. In addition, further contributions of £1,968,000 and £1,500,000 were paid to the Plan during 2016. McCann Manchester Limited contributed £96,956 per month from 1 January 2017 to 31 December 2017.

The employers also make contributions to the Plan in respect of administration, running costs and statutory levies. The amount of such contributions to the Plan over the year by McCann Manchester Limited was £200,958.

The cost of contributions to the Plan by the Company amounted to £1,364,000 during the year (2016: £1,719,000).

21 Company information

The Company is registered in England and Wales and its registered office is at Bonis Hall, Bonis Hall Lane, Prestbury, Macclesfield, Cheshire, SK10 4EF.

22 Ultimate parent undertaking and controlling party

The immediate parent undertaking is McCann-Erickson Network Limited, a company registered in England and Wales. Copies of its financial statements are available at Bonis Hall, Bonis Hall Lane, Prestbury, Macclesfield, Cheshire, SK10 4EF.

The ultimate parent undertaking and controlling party is The Interpublic Group of Companies, Inc., a company incorporated in the United States of America.

The Interpublic Group of Companies, Inc. is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2017. The consolidated financial statements for The Interpublic Group of Companies, Inc. can be obtained from 909 Third Avenue, New York, New York 10022.