These accounts are being filed as part of the subsidiary package for McCann-Erickson Advertising Limited, company number: 1372305

IPG Holdings (UK) Limited

Directors' Report and Consolidated Financial Statements for the year ended 31 December 2013

Registered Number: 2353279

IPG Holdings (UK) Limited

Strategic report for the year ended 31 December 2013

The directors present their strategic report of IPG Holdings (UK) Limited ("the Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2013

Principal activities

The Company's principal activity during the year was operating as the holding company of a number of advertising, communication and other related businesses within The Interpublic Group of Companies, Inc ("IPG Group") in the United Kingdom and overseas

The main subsidiaries using the criteria of turnover for trading companies and net investment value of holding companies were as follows

CMG Holding Limited
McCann-Erickson Advertising limited
Mediabrands Limited
Mediabrands Belgium S A
McCann Manchester Limited
Rapport Outdoor Limited
DLKW Lowe Limited
Mediabrands International limited
McCann-Erickson Central limited
Lowe & Partners Worldwide Limited
McCann-Erickson Network limited
McCann-Erickson UK Group Limited
Lowe Investments Limited (Mauritius)
McCann-Erickson EMEA Limited
Complete Medical Group Worldwide Limited
Jack Morton Worldwide Limited
Creation Communications Limited
Lowe International Limited
Engels (No 1) Limited

Business review and results

The Group's consolidated loss for the year is £12,718,000 (2012 loss of £9,174,000) The directors declared and paid a dividend of £52,557,000 (2012 £56,732,000) The consolidated loss for the year has been transferred to the reserves The directors consider that the result for the year is in line with expectations The Company had net assets of £127,266,000 as at 31 December 2013 (2012 net assets of £192,812,000)

Branches outside the UK

The Group's financial statements include branches outside the UK These branches are located in Ireland, Italy, France, Switzerland and United Arab Emirates

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the IPG Group and are not managed separately These risks are discussed in the IPG Group annual report for the year ended 31 December 2013, which does not form part of this report Copies of its consolidated financial statements can be obtained from

The Interpublic Group of Companies, Inc
1114 Avenue of the Americas
New York, NY 10036 U S A

Strategic report for the year ended 31 December 2013 (continued)

Future developments, strategy and key performance indicators

The Group will continue to focus its activities on supporting the IPG Europe, Middle East and Asia (EMEA) network for the foreseeable future

The Company and its subsidiaries operate 5 main trading groups Their results for the year ended 31 December 2013 and 31 December 2012 are shown below

2013	McCann-Erickson	Lowe	Mediabrands	FCB	CMG	Other	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Group turnover	334,736	139,611	779,254	35,475	96,644	114,771	1,500,491
Operating profit/(loss)	10,347	(939)	3,019	(4,489)	1,617	(12,380)	(2,825)
Operating margin	3 1%	(0 7%)	0 4%	(12 7%)	1 7%	(10 8%)	(0 2%)
Employee costs	**92,695**	**37,405**	**43,883**	**24,477**	**29,239**	**17,754**	**245,453**
Wages as % of turnover	**27 7%**	**26 8%**	**5 6%**	**69 0%**	**30 3%**	**15 5%**	**16.4%**

2012	McCann-Erickson	Lowe	Mediabrands	FCB	CMG	Other	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Group turnover	306,930	117,937	693,976	33,916	100,926	113,727	1,367,412
Operating profit/(loss)	8,851	3,001	4,643	(2,731)	647	(8,487)	5,924
Operating margin	2 9%	2 5%	0 7%	(8 1%)	0 6%	(7 5%)	0 4%
Employee costs	**87,606**	**37,357**	**37,048**	**16,289**	**28,908**	**21,847**	**229,055**
Wages as % of turnover	**28 5%**	**31.7%**	**5 3%**	**48 0%**	**28 6%**	**19 2%**	**16.8%**

Approved by the Board on 19 September 2014 and signed on its behalf by

W S Kay
Director

IPG Holdings (UK) Limited

Directors' report for the year ended 31 December 2013

The directors present their report and the audited consolidated financial statements of IPG Holdings (UK) Limited ("the Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2013

The Group's UK subsidiary companies are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A A list of these UK companies can be found in note 26

Future developments

Please refer to the strategic report

Objectives and policies

The Group'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 Group has in place a risk management programme that seeks to minimise the potential adverse effects on the financial performance of the Group by monitoring customer debt levels and the related financial risks to the business

The finance departments of different agencies within the Group follow the policy and procedures manual provided by the Company's ultimate holding company that sets out specific guidelines to manage credit and liquidity risks Interest rate cash flow risk is managed by the Company's ultimate parent company

Credit risk

The Group 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 maximum exposure to credit risk at 31 December 2013 was mainly as follows trade debtors £275,784,000, amounts due from group undertakings £82,408,000, other debtors £44,002,000 and prepayment and accrued income £24,330,000 (2012 £264,771,000, £76,977,000, £35,971,000, £16,084,000 respectively)

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

Liquidity risk

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

Directors

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

W S Kay
D Coleman
W F Cleary (Appointed 22 May 2014)

IPG Holdings (UK) Limited

Directors' report for the year ended 31 December 2013 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the consolidated 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 Group and the Company's 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 Group and Company, and of the profit or loss of the Group 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 have been followed, subject to any material departures disclosed and explained in the 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 Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Political donations

The Company made no political donations in 2013 (2012 nil)

Disclosure of information to auditors

Each director of the Company confirms that

(a) so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

(b) that each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the Annual General Meeting

Approved by the Board on 19 September 2014 and signed on its behalf by

W S Kay
Director

IPG Holdings (UK) Limited

Independent auditor's report to the members of IPG Holdings (UK) Limited

Report on the consolidated financial statements

Our opinion

In our opinion the consolidated financial statements

- give a true and fair view of the state of the Group's and the Company's affairs as at 31 December 2013 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

This opinion is to be read in the context of what we say in the remainder of this report

What we have audited

The consolidated financial statements, which are prepared by IPG Holdings (UK) Limited, comprise

- the Group and the Company balance sheets as at 31 December 2013,
- the Group profit and loss account for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in the preparation of the consolidated financial statements comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates In making such estimates, they have made assumptions and considered future events

What an audit of consolidated financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)) An audit involves obtaining evidence about the amounts and disclosures in the consolidated financial statements sufficient to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the consolidated financial statements

In addition, we read all the financial and non-financial information in the Strategic Report, Directors' Report and consolidated financial statements to identify material inconsistencies with the audited consolidated financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements

Independent Auditor's Report to the Members of IPG Holdings (UK) Limited

(continued)

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit, or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made

We have no exceptions to report arising from this responsibility

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the group and the company's financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the Group and Company financial statements in accordance with applicable law and ISAs (UK & Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Simon Friend (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 September 2014

IPG Holdings (UK) Limited

Consolidated profit and loss account for the year ended 31 December 2013

	Note	2013 £000's	2012 £000's
Turnover			
Continuing operations			
Existing		**1,500,491**	1,360,902
Acquisitions		**-**	3,691
		1,500,491	1,364,593
Discontinued operations		**-**	2,819
Group turnover	2	**1,500,491**	1,367,412
Cost of Sales		**(1,142,213)**	(1,039,130)
Revenue		**358,278**	328,282
Administrative expenses	3 & 6	**(343,591)**	(308,441)
Goodwill amortisation	11	**(20,736)**	(18,578)
Distribution expenses		**(762)**	(531)
Other income		**3,986**	5,192
Operating (loss)/profit		**(2,825)**	5,924
Interest payable and similar charges	4	**(6,897)**	(7,456)
Interest receivable and similar income	5	**3,037**	3,139
Exceptional decrease in asset retirement obligation provision		**-**	(363)
Exceptional item gain/(loss) on sale of shares in subsidiary undertakings	7	**50**	(3,494)
Exceptional item profit on sale of Momentum Instore Limited		**-**	615
Exceptional item reversal of impairment of investment		**13**	(38)
Exceptional item profit on liquidation of subsidiary		**-**	766
Exceptional item impairment of goodwill and write-off of net assets in ICC Lowe Limited on liquidation	7	**-**	(7,167)
Exceptional item waiver of (receivable)/payable balances with related parties	7	**(5,573)**	46
Reversal of provision against receivable balances with related parties		**553**	-
Exceptional (charges)/income – other		**(412)**	1,250
Loss on ordinary activities before taxation	2	**(12,054)**	(6,778)
Tax on loss on ordinary activities	9	**(750)**	(2,306)
Loss on ordinary activities after taxation		**(12,804)**	(9,084)
Equity non-controlling interests	19	**86**	(90)
Loss for the financial year	18	**(12,718)**	(9,174)

There are no material differences between the loss on ordinary activities before taxation for the financial year stated above and their historical cost equivalents

All operations are continuing

The accompanying notes form an integral part of these consolidated financial statements

IPG Holdings (UK) Limited

Consolidated Statement of Total Recognised Gains and Losses for the year ended 31 December 2013

	Note	2013 £000's	2012 £000's
Loss for the financial year		**(12,718)**	(9,174)
Exchange adjustments on overseas investments	18	**36**	(638)
Other reserves	18	**(222)**	(62)
Dividends paid	18	**(52,557)**	(56,732)
Issue of bonus shares	18	**-**	28,952
Total recognised losses for the year		**(65,461)**	(37,654)

The Company issued 28,952,176 shares of £1 each to Interpublic Limited out of its capital contribution reserve on 27 June 2012

IPG Holdings (UK) Limited

Consolidated Balance Sheet as at 31 December 2013

	Note	2013 £000's	2012 £000's
Fixed assets			
Intangible assets	11	**286,001**	300,754
Tangible assets	10	**30,896**	31,883
Investments	12	**5,628**	5,625
Interest in associated undertaking	12	**51**	45
		322,576	338,307
Current assets			
Work in progress		**17,797**	21,465
Debtors	13	**437,720**	403,404
Cash		**285,395**	192,194
		740,912	617,063
Creditors amounts falling due within one year	14	**(415,503)**	(352,076)
Bank overdrafts		**(453,693)**	(339,184)
Net current liabilities		**(128,284)**	(74,197)
Total assets less current liabilities		**194,292**	264,110
Creditors Amounts falling due after more than one year	15	**(50,047)**	(55,282)
Provisions for liabilities and charges	16	**(16,979)**	(16,016)
Net Assets		**127,266**	192,812
Capital and reserves			
Called up share capital	17	**757**	757
Share premium	18	**1,591**	1,591
Other reserves	18	**100**	100
Profit and loss account	18	**121,579**	187,040
Equity shareholders' surplus	18	**124,027**	189,488
Minority interest	19	**3,239**	3,324
Total shareholders' surplus		**127,266**	192,812

The consolidated financial statements on pages 7 to 37 were approved and authorised for issue by the Board of Directors on 19 September 2014 and signed on its behalf by

W S Kay
Director
IPG Holdings (UK) Limited
Registered number 2353279

IPG Holdings (UK) Limited

Company balance Sheet as at 31 December 2013

	Note	2013 £000's	2012 £000's
Fixed assets			
Tangible assets		-	16
Investments	12	176,020	177,121
		176,020	177,137
Current assets			
Debtors	13	807	36,947
Cash at bank and in hand		318	19,202
		1,125	56,149
Creditors amounts falling due within one year	14	(12,826)	(46,149)
Bank overdrafts		(107,395)	(108,677)
Net current liabilities		(119,096)	(98,677)
Total assets less current liabilities		56,924	78,460
Creditors amounts falling due after more than one year	15	(33,264)	(33,264)
Net assets		23,660	45,196
Capital and reserves			
Called-up share capital	17	757	757
Share premium	18	1,591	1,591
Capital redemption reserve	18	100	100
Profit and loss account	18	21,212	42,748
Total equity and shareholders' surplus		23,660	45,196

The consolidated financial statements on pages 7 to 37 were approved by the Board of Directors on 19 September 2014 and signed on its behalf by

W S Kay

Director
IPG Holdings (UK) Limited
Registered number 2353279

IPG Holdings (UK) Limited

Notes to the consolidated financial statements for the year ended 31 December 2013

1 Accounting policies

These consolidated financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The principal accounting policies, which have been applied consistently throughout the year, are set out below

The Company has presented both the consolidated and Company balance sheets and has not presented the Company's profit and loss account as permitted by section 408 of the Companies Act

a) Basis of preparation and consolidation

These group financial statements consolidate the results of the Company and its subsidiary undertakings up to 31 December 2013 The results and net assets of the subsidiary undertakings are included in the consolidated profit and loss account and balance sheet using the purchase method of accounting Uniform accounting policies are applied across the group, and any profits or losses arising on intra-group transactions are eliminated on consolidation

Where there is a minority interest in the equity of the relevant subsidiary that is reporting profits, the minority interest will be attributed a share in the relevant subsidiary's profits Where the subsidiary in question reports a loss, the loss will not be applicable to the minority interest but will be charged to the group unless the minority interest has a binding obligation to, and is able to, make good the losses

The Company balance sheet set out on page 10 shows that the Company has net current liabilities of £119,096k (2012 £98,677k) The Interpublic Group of Companies, Inc, the ultimate holding company of the Group, has confirmed that it is its present intention to continue to provide financial support to the Company so as to enable it to meet its liabilities as and when they fall due and to carry on its business without any significant curtailment of operations for the foreseeable future and not less than 12 months from the date of approval of the statutory accounts of the Company for the year ended 31 December 2013

b) Revenue Recognition

Our 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 Our revenues are directly dependent upon the advertising, marketing and corporate communications requirements of our existing clients and our ability to win new clients Our revenue is typically lowest in the first quarter and highest in the fourth quarter Most of our client contracts are individually negotiated and, accordingly, the terms of client engagements and the bases on which we earn commissions and fees vary significantly As is customary in the industry, our contracts generally provide for termination by either party on relatively short notice, usually 90 days

Our client contracts are complex arrangements that may include provisions for incentive compensation and vendor rebates and credits Our largest clients are multinational entities and, as such, we often 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 we will enter into global, regional and local agreements Agreements of this nature are reviewed by IPG Corporate legal counsel to determine the governing terms to be followed by the offices and agencies involved

Revenue for our services is recognized 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

1 Accounting policies (continued)

b) Revenue Recognition (continued)

- 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 has 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 consolidated 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

As we provide services as part of our core operations, we generally incur incidental expenses, which, in practice, are commonly referred to as "out-of-pocket" expenses These expenses often include expenses related to airfare, mileage, hotel stays, out-of-town meals and telecommunication charges We record the reimbursements received for such incidental expenses as revenue with a corresponding offset to office and general expense

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

1 Accounting policies (continued)

c) Goodwill and Amortisation

Goodwill arising on consolidation is the difference between the amounts paid on the acquisition of a business and the aggregate fair value of its net assets and is capitalised on the balance sheet

An impairment review is undertaken at the end of the first financial year of the acquisition and thereafter where events or changes in circumstances indicate that a review is necessary

Goodwill on acquisitions is amortised over twenty years as, in the opinion of the directors, this is the period over which the benefits resulting from the purchased goodwill are expected to arise

d) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation 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 land and buildings	Lesser of 10 years or the remaining life of the lease
Equipment, fixtures & fittings	3 - 10 years
Plant & machinery	3 - 10 years
Artwork	Not depreciated
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

e) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet 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 profit and loss account during the year

f) Exceptional Items

Exceptional items comprise those that are by their nature large, unusual and non-recurring items

g) Taxation

Corporation tax payable is provided on taxable profits at the current rate

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet 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 balance sheet date Timing differences are differences between the Company's taxable profits and its results as stated in the consolidated 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 consolidated 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 more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

1 Accounting policies (continued)

g) Taxation (continued)

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 balance sheet date Deferred tax is measured on a non-discounted basis

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 profit and loss account on a straight line basis over the term of the lease

i) Investments

Investments are stated at cost less provision for impairment in value A review of the investments held is performed to determine whether an impairment trigger has occurred during the year Any impairment in the value of the investment is carried at is charged to the profit and loss account in the year it is identified

j) Pension costs

Contributions payable in respect of employees' personal pension plans are expensed in the profit and loss account as they are incurred

The Company operates 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 charge disclosed in note 25 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 Financial Reporting Standard No 17 As the Company is unable to identify its share of the assets and liabilities of the Group scheme, it accounts for contributions as if they were to a defined contribution pension scheme Contributions are charged to the profit and loss account in the year to which they relate

k) Cash flow statement and related party disclosures

The cash flows of the group are included in the consolidated cash flow statement of The Interpublic Group of Companies, Inc , the immediate and ultimate parent undertaking Consequently, the Group is exempt under the terms of FRS 1 "Cash flow statements" from disclosing a cash flow statement

The group is wholly owned by The Interpublic Group of Companies, Inc and therefore utilises the exemption contained in FRS 8 ("Related Party Disclosures") not to disclose any transactions with entities that are part of the Interpublic Group The address at which the consolidated financial statements of The Interpublic Group of Companies, Inc are publicly available is shown in Note 28

1 Accounting policies (continued)

l) 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

m) Deferred income

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

n) Incentive Compensation Plans

Compensation costs related to share-based transactions, including employee stock options, are recognised in the consolidated 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

o) Lease Incentives

In the event that lease incentives are received to enter into non-cancellable operating leases, such incentives are recognised as a liability Lease payments are allocated between rental expense and the reduction of such a liability

In the event that lease incentives are offered when entering into non-cancellable operating subleases, such incentives are recognised as an asset Lease receipts are allocated between rental income and the reduction of such an asset

p) Netting off policy

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

(i) The Group and the counterparty owe each other determinable monetary amounts, denominated either in the same currency, or in different but free convertible currencies,

(ii) The Group has the ability to insist on a net settlement, and

(iii) The Group'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

1 Accounting policies (continued)

q) Provisions

Provisions are recognised if the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated Provisions are discounted to present value where the effect is material The Group recognises a provision for deferred consideration at fair value The Group recognises a provision for onerous lease contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract The provision is based on the present value of future payments for surplus leased properties under non-cancellable operating leases, net of estimated subleasing income

2 Segmental reporting

	2013 £000's	2012 £000's
Turnover by origin		
United Kingdom	**1,160,338**	1,040,827
Rest of Europe	**338,935**	326,271
North America	**1,218**	314
	1,500,491	1,367,412

The Group has two reportable segments, which are Integrated Agency Networks ("IAN") and Constituency Management Group ("CMG") IAN is comprised of McCann, Draftfcb, Lowe, IPG Mediabrands, our digital specialist agencies and our domestic integrated agencies CMG comprise of a number of our specialist marketing services offerings

	2013 £000's	2012 £000's
Turnover by origin		
IAN	**1,371,724**	1,251,121
CMG	**128,767**	116,291
	1,500,491	1,367,412

	2013 £000's	2012 £000's
Profit/(loss) on ordinary activities before taxation by origin		
United Kingdom	**48,554**	74,131
Rest of Europe	**(60,942)**	(80,408)
Asia Pacific	**771**	(22)
North America	**(437)**	(479)
	(12,054)	(6,778)

	2013 £000's	2012 £000's
Net Assets/(Liabilities) by origin		
United Kingdom	**69,028**	121,597
Rest of Europe	**28,902**	43,428
Asia Pacific	**28,455**	27,978
North America	**881**	(191)
	127,266	192,812

The analysis above is by geographical origin Analysis by geographical destination would not be materially different As permitted by section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account The Company's profit for the year ended 31 December 2013 was £30,729,000 (2012 £53,345,000)

3 Operating (loss)/profit

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

	2013 £000's	2012 £000's
Salaries and wages (note 6)	**200,292**	190,494
Pension cost (note 25)		
- Defined contribution	**6,013**	6,123
- Defined benefit	**4,845**	2,427
Severance expenses	**3,855**	2,249
Depreciation (note 10)		
- Tangible fixed assets	**6,518**	6,118
Remuneration of auditors		
- Auditors' remuneration for UK Statutory audit services	**49**	24
- Audit of other Group companies	**743**	1,175
- Non audit services	**754**	941
Bad debt - provision increase	**167**	205
Loss on disposal	**2**	165
Exchange loss/(gain)	**405**	(695)
Operating lease rentals		
- Hire of plant and machinery	**473**	527
- Office space	**17,781**	18,608
- Other	**790**	763
Rental income receivable	**(7,945)**	(6,630)

4 Interest payable and similar charges

	2013 £000's	2012 £000's
Interest payable to Group undertakings	**(1,798)**	(2,360)
Interest payable on bank overdrafts	**(4,707)**	(4,736)
Discounting of additional provisions and unwinding of provisions	**(392)**	(360)
	(6,897)	**(7,456)**

5 Interest receivable and similar income

	2013 £000's	2012 £000's
Interest receivable and similar income	**3,037**	3,139

6 Employee costs

	2013 £000's	2012 £000's
Salaries and wages	**200,292**	190,494
Social security costs	**25,860**	23,578
Other pension costs	**11,592**	8,238
Severance expense	**3,640**	2,249
Miscellaneous other costs	**4,069**	4,496
Employee costs	**245,453**	**229,055**

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

	2013	2012
United Kingdom	**3,076**	2,866
Rest of Europe	**505**	515
Middle East and Africa	**13**	7
North America	**20**	5
Average number employed	**3,614**	3,393

7 Exceptional Items

Included in the Group's consolidated profit and loss were the following material exceptional charges/(credits)

Exceptional item of loss on sale of shares in subsidiary undertaking in 2012 included a loss on the sale Octagon Marketing (pty) Limited of £3,494,000

Exceptional item of impairment of goodwill and write-off of net assets in 2012 included a loss on the liquidation of ICC Lowe Limited of £7,167,000

Exceptional item waiver of payable with related parties in 2013 includes (i) a £3,160,000 receivable waiver with the Company's immediate parent company Interpublic Limited and (ii) a waiver of a €2,225,448 and £250,000 loan plus interest of €194,816 and £146,421 on these loans respectively to True North Holdings (Netherlands) B V

Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

8 Directors' emoluments

The remuneration of the directors for the year ended 31 December 2013 has been borne by Interpublic Ltd, the company's immediate parent company and The Interpublic Group of Companies Inc , the company's ultimate parent company The charge to IPG Holdings (UK) Limited for the year is £nil (2012 £nil) as the directors received no remuneration with respect to their services to the Company in the past year

9 Tax on loss on ordinary activities

	2013 £000's	2012 £000's
Current taxation		
UK corporation taxation		
- Subsidiary undertakings	-	73
Foreign taxation		
- Subsidiary undertakings	**1,617**	1,127
- Share of associates foreign taxation	**1**	-
	1,618	1,200
Adjustments in respect of prior years		
- UK corporation taxation	**(35)**	35
- Foreign taxation	**(313)**	(21)
	(348)	14
Total current taxation	**1,270**	1,214
Deferred taxation		
Adjustments in respect for prior years	**656**	1,065
Origination & reversal on timing differences	**(1,392)**	(360)
Effect of change in the tax rate	**216**	387
Total deferred taxation	**(520)**	1,092
Tax on loss on ordinary activities	**750**	2,306

9 Tax on loss on ordinary activities (continued)

Factors affecting the tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 23 25% (2012 24 5%) The differences are explained below

	2013 £000's	2012 £000's
Loss on ordinary activities before taxation	**(12,054)**	(6,778)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23 25% (2012 24 5%)	**(2,803)**	(1,661)
Effects of		
Expenses not deductible for taxation purposes	**6,161**	7,341
(Capital allowances in excess of depreciation)/Depreciation in excess of capital allowances	**(570)**	1,725
Other short term timing differences	**(365)**	(3,606)
Group relief for nil consideration	**(2,256)**	(2,327)
Relief on exercise of share options	**-**	(78)
Unutilised/Utilised losses	**903**	(805)
Foreign taxation	**547**	623
Adjustments in respect of prior years	**(347)**	12
Gain on disposal of investment	**-**	(10)
Current tax for the year	**1,270**	1,214

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% (2013 - 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 £438,768 (being a reduction of £365,640 in 2015 and £73,128 in 2016)

Un-provided deferred tax balances have been measured using a rate of 20% (2012 - 23%) There are deferred tax assets in respect of accelerated capital allowances of £4,915,068 (2012 £7,344,647) short term timing differences of £ 3,500,206 (2012 £4,962,187), trading losses and non-trading deficits of £14,550,845 (2012 £13,762,987) and, capital losses of £25,168,478 (2013 £29,102,026) have not been recognised due to the uncertainty of future taxable profits or future capital gains

10 Tangible assets

	Freehold land and buildings	Long leasehold & leasehold improvements	Computer hardware & software	Equipment, fixtures & fittings	Asset retirement obligation	Plant & machinery	Artwork	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost								
At 1 January 2013	15,533	24,508	22,025	27,214	3,895	503	388	94,066
Additions	11	1,292	2,095	2,886	277	9	-	6,570
Disposals	-	(1,692)	(2,089)	(4,628)	(31)	-	(388)	(8,828)
Other adjustments	-	95	(92)	-	-	441	-	444
Exchange adjustment	-	-	6	6	(279)	-	-	(267)
At 31 December 2013	**15,544**	**24,203**	**21,945**	**25,478**	**3,862**	**953**	**-**	**91,985**
Accumulated depreciation								
At 1 January 2013	3,575	14,157	19,394	22,180	1,933	557	388	62,184
Charge for year	376	2,484	1,484	1,904	263	7	-	6,518
Disposals	-	(1,551)	(2,064)	(4,547)	-	-	(388)	(8,550)
Other adjustments	-	51	73	515	-	382	-	1,021
Exchange adjustment	-	-	6	4	(94)	-	-	(84)
At 31 December 2013	**3,951**	**15,141**	**18,893**	**20,056**	**2,102**	**946**	**-**	**61,089**
Net book amount								
At 31 December 2013	**11,593**	**9,062**	**3,052**	**5,422**	**1,760**	**7**	**-**	**30,896**
At 31 December 2012	11,958	10,352	2,632	5,034	1,962	(55)	-	31,883

11 Intangible assets

Group	Goodwill	Trademarks	Total
	£000's	£000's	£000's
Cost			
At 1 January 2013	418,356	798	419,154
Acquisitions	8,800	-	8,800
Exchange movement	(2,879)	-	(2,879)
At 31 December 2013	**424,277**	**798**	**425,075**
Accumulated depreciation			
At 1 January 2013	117,627	773	118,400
Charge for year	20,716	20	20,736
Revaluation	(62)	-	(62)
At 31 December 2013	**138,281**	**793**	**139,074**
Net book amount			
At 31 December 2013	**285,996**	**5**	**286,001**
At 31 December 2012	300,729	25	300,754

12 Investments and interest in associated undertakings

Group
Interest in associated undertakings:

	£000's
At 1 January 2013	45
Share of associate's operating profits for the year	6
At 31 December 2013	**51**

Net book amount

At 31 December 2013	**51**
At 31 December 2012	45

The associate within the group is Magna Global Polska Sp z o o , which is incorporated in Poland and has 480 ordinary shares issued

Investments in available for sale financial assets:

	£000's
At 1 January 2013	5,625
Additions	3
Disposals	-
Exchange movement	-
At 31 December 2013	**5,628**

Net book amount

At 31 December 2013	**5,628**
At 31 December 2012	5,625

The Group has the following investments

Entity	Country of Incorporation	Principal Activity	Status	Percentage Holding
IPG PFP Scottish Limited Partnership	UK	Pension Investments	Trading	16 67%
Lowe and Partners Inc	U S.A	Holding Company	Holding Company	15 40%

12 Investments and interest in associated undertakings (continued)

Company

Investments in subsidiaries	**£'000**
Cost	
At 1 January 2013	**220,670**
Additions	553
At 31 December 2013	**221,223**
Provision for impairment	
At 1 January 2013	43,549
Charge for the current year	1,654
At 31 December 2013	**45,203**
Net book amount	
At 31 December 2013	**176,020**
At 31 December 2012	177,121

The directors believe that the carrying value of the investments is supported by their underlying net assets

Additions

During the year the Company made a contribution to the capital of the following company

Foote Cone and Belding S R O	£552,935

Impairment in carrying value

In accordance with Financial Reporting Standard 11 "Impairment of fixed assets and goodwill", an impairment review has been performed where a triggering event has occurred demonstrating an indicator of impairment The investment carrying value of those businesses affected has been compared to their recoverable amounts During the current year the following investments were impaired

Foote Cone and Belding S R O	£552,935
Fieldplan Limited	£1,101,178

13 Debtors

	Group 2013 £000's	Group 2012 £000's	Company 2013 £000's	Company 2012 £000's
Trade debtors	275,784	264,771	-	173
Amounts due from group undertakings	82,408	76,977	393	35,973
Amounts due from associated undertakings	303	259	-	-
Other debtors	44,002	35,971	-	-
Prepayments and accrued income	24,330	16,084	201	588
Taxation and social security	3,307	2,393	213	213
Corporation taxation	670	557	-	-
Deferred taxation	6,916	6,392	-	-
	437,720	403,404	807	36,947

All amounts due from group undertakings are unsecured and repayable on demand A total of £2,106,427 (2012 £2,079,793) of the amounts due from group undertakings is interest bearing at a rate of between 4 05% and 6 50% The remaining balances do not accrue interest

Deferred Taxation

Group	2013 £000's	2012 £000's
Accelerated capital allowances	4,934	2,204
Trading losses and non-trading deficits	743	1,323
Capital losses	23	18
Other short term timing differences	1,216	2,847
Total deferred tax asset	**6,916**	6,392

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

Group	£000's
At 1 January 2013	6,392
Credited to profit and loss account	1,176
Adjustments in respect of prior years	(656)
Other	4
At 31 December 2013	**6,916**

14 Creditors: Amounts falling due within one year

	Group 2013 £000's	Group 2012 £000's	Company 2013 £000's	Company 2012 £000's
Payments received on account	20,070	18,864	-	-
Trade creditors	185,390	158,649	-	-
Amounts due to group undertakings	57,389	38,908	12,544	45,460
Amounts due to associate undertakings	323	167	-	-
Other creditors	31,088	33,572	29	75
Corporation taxation	1,850	1,972	-	-
Other taxes and social security	26,045	24,521	46	-
Accruals and deferred income	93,067	74,799	207	614
Incentive Compensation Plans	281	596	-	-
Net obligations under finance leases	-	28	-	-
	415,503	352,076	12,826	46,149

All amounts due to group undertakings are unsecured and repayable on demand A total of £33,529,742 (2012 £25,271,899) of the amounts due to group undertakings is interest bearing at a rate of between 1 60% and 7 00% (2012 between 1 6% and 7 00%) The remaining balances do not accrue interest

The Group participates in The Interpublic Group of Companies, Inc pooling arrangement with Lloyds TSB Bank plc The interest rate is linked to base rate and the overdrafts are secured by an ultimate parent undertaking guarantee The remaining creditors are unsecured

15 Creditors: Amounts falling due after more than one year

	Group 2013 £000's	Group 2012 £000's	Company 2013 £000's	Company 2012 £000's
Amounts due to group undertakings	33,265	37,041	33,264	33,264
Other creditors	5,342	7,057	-	-
Accruals and deferred income	943	1,655	-	-
Incentive Compensation Plans	452	414	-	-
Deferred Lease credits	3,450	1,447	-	-
Acquisition earn out / Deferred consideration payable	6,595	7,668	-	-
	50,047	55,282	33,264	33,264

Amounts of £33,264,499 (2012 £33,264,499) due to group undertakings is interest bearing at a rate of 5 06% (2013 between 5 1% and 5 76%) remaining balances do not accrue interest All intercompany loans are unsecured

Deferred lease credits are in respect of lease incentives given at the inception of the lease of a property

16 Provisions for liabilities and charges

	Credits, discounts and rebates	Onerous lease	Asset retirement obligations	Other provisions	Total
	£000's	£000's	£000's	£000's	£000's
At 1 January 2013	6,338	1,734	7,075	869	16,016
Additions	1,164	-	301	-	1,465
Charged to profit and loss account	882	-	1	192	1,075
Unwinding discount	-	30	238	7	275
Transfers	-	-	(68)	(54)	(122)
Released to the profit and loss account	(70)	(572)	(354)	-	(996)
Utilisation	(53)	(628)	-	(53)	(734)
At 31 December 2013	**8,261**	**564**	**7,193**	**961**	**16,979**

Credits, discounts and other rebates

In the normal course of business the Group receives rebates, discounts, and other credits from vendors for the procurement of good and services that the Group commission on behalf of third party clients Following an extensive review in 2004, the Group established that in some instances, the accounting for these amounts was inconsistent with the underlying contractual requirements and a provision was established In the current year, the Group has reviewed the arrangement to see whether criteria for recognition in the profit and loss account have been met In instances where those criteria have been met, corresponding amounts have been recognised in the profit and loss account In addition as the statute of limitations period of 6 years has passed in relation to certain credits, these have been released in the current year

Onerous Lease

The group has a number of onerous lease obligations, where the confirmed sub-let income does not cover the lease commitments and related outgoings

Asset retirement obligations

The group has a provision for liabilities relating to dilapidations on a number of properties leased by the group

17 Called up share capital

	2013 Number (000's)	2012 Number (000's)	2013 £000's	2012 £000's
Authorised				
Ordinary shares of £1 each	20,459	20,459	20,459	20,459
Allotted, called up and fully paid				
Ordinary shares of £1 each	757	757	757	757

18 Reserves

Group

	Called up share capital	Share Premium	Other reserves	Profit and loss	Total
	£000's	£000's	£000's	£000's	£000's
At 1 January 2013	757	1,591	100	187,040	189,488
Loss for the financial year	-	-	-	(12,718)	(12,718)
Dividends	-	-	-	(52,557)	(52,557)
Exchange adjustments on overseas investments	-	-	-	36	36
Other Reserves	-	-	-	(222)	(222)
At 31 December 2013	**757**	**1,591**	**100**	**121,579**	**124,027**

Company

	Called up share capital	Share Premium	Capital redemption reserve	Profit and loss	Total
	£000's	£000's	£000's	£000's	£000's
At 1 January 2013	757	1,591	100	42,748	45,196
Dividends paid	-	-	-	(52,265)	(52,265)
Profit for the year	-	-	-	30,729	30,729
At 31 December 2013	**757**	**1,591**	**100**	**21,212**	**23,660**

19 Minority Interest

	2013 £000's	2012 £000's
At 1 January	**3,324**	3,234
Minority's share of the (loss)/profit for the year	**(177)**	89
Minority's share of net (liabilities)/net assets	**(75)**	1
Minority Interest Purchased	**167**	-
At 31 December	**3,239**	3,324

20 Reconciliation of movement in equity and shareholders' surplus

	Group £000's 2013	Group £000's 2012	Company £000's 2013	Company £000's 2012
Opening shareholders' surplus at 1 January	**189,488**	227,142	**45,196**	48,582
(Loss)/profit for the financial year	**(12,718)**	(9,174)	**30,729**	53,345
Dividends	**(52,557)**	(56,732)	**(52,265)**	(56,731)
Issue of Bonus shares	-	28,952	-	28,952
Exchange adjustments on overseas investments	**36**	(638)	-	-
Capital reduction	-	-	-	(28,952)
Other Reserves	**(222)**	(62)	-	-
Closing shareholders' surplus at 31 December	**124,027**	189,488	**23,660**	45,196

21 Operating lease commitments

Operating lease commitments

As at 31 December 2013, commitments for the following year under operating leases were as follows

Group

	2013 £000's	2012 £000's
Buildings		
Lease expiring		
- within one year	905	3,245
- within two to five years	6,929	6,897
- after five years	9,348	6,738
	17,182	16,880
Other		
Lease expiring		
- within one year	110	62
- within two to five years	236	535
- after five years	7	-
	353	597

Company

	2013 £000's	2012 £000's
Buildings		
Lease expiring		
- within one year	-	805

22 Guarantees

The Company has issued a financial guarantee to its subsidiaries in relation to the financial year ended on 31 December 2013 under s479C of the Companies Act 2006

23 Contingent liabilities

The Group is not party to any other commitments or guarantees including composite cross guarantees between banks and fellow subsidiaries except for the Interpublic pooling arrangements with Lloyds TSB Bank plc The interest rate is linked to a variable base rate and the overdrafts are secured by parent company guarantees

24 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 , 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	2012
	£000's	£000's
Total expense recognised for equity-settled share based transactions	1,302	650
Total expense recognised for stock options	(12)	22
Total expense recognised for cash-settled share based transactions	412	1,334
Total expense recognised for share based transactions	**1,702**	2,006
Closing liability for cash-settled share based transactions	96	1,031
Closing liability /other reserves for equity-settled share based transactions	1,192	425

Cash Settled Time Based Restricted Stock Units

Under the Long Term Incentive Plan, time based restricted stock units are granted to key employees and generally vest over three years

Upon completion of the vesting period and remaining in employment, 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 then 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 At 31 December 2013, the market value of The Interpublic Group of Companies Inc shares was $17 70 (2012 $11 02)

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

24 Share based payments (continued)

Cash Settled Time Based Restricted Stock Units

Movements in the number of cash settled time-based restricted stock units outstanding and their related weighted average fair value prices are as follows

	2013	2013	2012	2012
	No. of restricted stock units	Weighted average fair value (£)	No of restricted stock units	Weighted average fair value (£)
Outstanding as at 1 January	180,939	£6.82	725,993	£6 31
Granted during the period	5,230	£9.43	13,580	£6 84
Transferred (to)/from a group company	5,917	£10.67	(32,243)	£6 51
Cancelled during the period	-	-	(9,519)	£6 72
Vested during the period	(175,868)	£8.48	(516,872)	£6 71
Outstanding at 31 December	16,218	£10.73	180,939	£6 82

Cash payments of £1,441,932 were made in 2013 (2012 £3,512,841) in respect of restricted stock units distributed to participants Compensation expense in connection with the stock awards was £412,485 in 2013 (2012 £1,333,908)

Total accrued liability in relation to unvested awards as at 31 December 2013 is £96,000 (2012 £1,031,140)

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 300% of the target amount of units originally granted Stock-based compensation expense is amortized for the estimated number of performance-based awards that are expected to vest over the vesting period using the fair value of the shares at the end of the period

24 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

	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	262,631	£6 82	139,425	£6 51
Granted during the period	152,577	£8.42	125,138	£7 40
Transferred (to)/from a group company	-	-	-	-
Cancelled during the period	(13,216)	£9.35	(1,932)	£6 63
Vested during the period	-	-	-	-
Outstanding at 31 December	401,992	£10 73	262,631	£6 82

Compensation expense in connection with the restricted stock awards was £1,301,959 in 2013 (2012 £650,458) 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

Stock options

Stock options are granted with the exercise price equal to the fair market value of the Interpublic Group of Companies Common Stock on the grant date, are generally exercised between two and four years from the grant date and expire ten years from the grant date (or earlier in the case of certain terminations of employment)

Movements in the number of awards outstanding and their related weighted average exercise 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	221,174	£6.82	221,174	£7 14
Granted during the period	-	-	-	-
Transferred to a group company	-	-	-	-
Cancelled during the period	-	-	-	-
Vested during the period	(172,415)	£8.53	-	-
Outstanding at 31 December	48,759	£10.73	221,174	£6 85

24 Share based payments (continued)

The grant-date fair value per option using the Black-Scholes option-pricing model was $4 14 (2012 $4 24) The significant inputs into the model were weighted average share price and the exercise price of $4 14 (2012 $4 24) at the grant date, volatility of 40 2% (2012 43 8%), dividend yield of 2 4% (2012 2 1%), an expected option life of 6 9 years (2012 6 8 years) and an annual risk-free interest rate of 1 3% (2012 1 3%)

Compensation expense in connection with the restricted stock awards was (£12,789) (2012 £22,199) 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

The Interpublic Group of Companies, Inc, use the Black-Scholes option-pricing model to estimate the fair value of options granted, which requires the input of subjective assumptions including the option's expected term and the price volatility of the underlying stock Changes in the assumptions can materially affect the estimate of fair value and our results of operations could be materially impacted The weighted-average grant-date fair value per option during the years ended December 31, 2013, 2012 and 2011 was $4 14, $4 24, and $4 57, respectively

The fair value of each option grant has been estimated with the following weighted-average assumptions

	2013	2012
Expected volatility [1]	40 20%	43 80%
Expected term (years) [2]	6 9	6 8
Risk free interest rate [3]	1 30%	1 30%
Expected dividend yield [4]	2 40%	2 10%

1 The expected volatility used to estimate the fair value of stock options awarded is based on a blend of (i) historical volatility of our common stock for periods equal to the expected term of our stock options and (ii) implied volatility of tradable forward put and call options to purchase and sell shares of our common stock

2 The estimate of our expected term is based on the average of (i) an assumption that all outstanding options are exercised upon achieving their full vesting date and (ii) an assumption that all outstanding options will be exercised at the midpoint between the current date (i e , the date awards have rateably vested through) and their full contractual term In determining the estimate, we considered several factors, including the historical option exercise behaviour of our employees and the terms and vesting periods of the options

3 The risk free rate is determined using the implied yield currently available for zero-coupon U S government issuers with a remaining term equal to the expected term of the options

4 The expected dividend yield is calculated based on an annualized dividend of $0 30 per share in 2013 and $0 24 per share in 2012 and 2011

25 Pensions

Defined Contributions Scheme

The Group participates in a number of defined contribution pension schemes 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 group to the fund and amounted to £6,013,161 (2012 £6,122,723)

Defined Benefit Scheme

Twelve subsidiary companies in the consolidation, 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 These twelve subsidiary companies, 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 for current year and prior year 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% a year (benefits up to 30 June 2007)
Rate of pension increases 2 1% a year (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 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 The twelve subsidiary companies within this consolidation are contributing £436,402 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 from 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 subsidiary companies within these consolidated accounts amounted to £4,845,421 during the year (2012 £2,426,554)

26 Subsidiary accounts audit exemptions

The Group's UK subsidiary companies listed below are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A

	Company number
Blue Barracuda Marketing Limited	4342237
Caudex Medical Limited	3759372
CMG Holding Limited	3389561
CMGRP UK Limited	2442501
Complete Medical Group Worldwide Limited	2709932
Creation Communications Limited	5619191
CSIB (No 1) Limited	7242304
Delaney Lund Knox Warren and Partners Limited	1286253
DLKW Lowe Limited	680779
Engels (No 1) Limited	515994
FBC (FutureBrand) Limited	2658364
FCB Europe Limited	3007253
FCB Inferno Limited	2586852
Huge UK Limited	4235088
ICC Lowe Limited	6367844
Inferno Limited	2604658
Interpublic GIS (UK) Limited	2724363
IPG PFP General Partner Limited	SC412766
IPG PFP Limited Partner Limited	SC412768
Jack Morton Worldwide Limited	3189671
Jay Worldwide Limited	1973547
Lakestar Media Limited	6413960
Lowe & Partners Worldwide Limited	506057
Lowe International Limited	1709017
Lowe Open Limited	3556415
McCann Complete Medical Limited	2503062
McCann Manchester Limited	1993425
McCann-Erickson Advertising Limited	1372305
McCann-Erickson Central Limited	1983874
McCann-Erickson EMEA Limited	830956
McCann-Erickson Healthcare UK Limited	687406
McCann-Erickson Network Limited	1977043
McCann-Erickson UK Group Limited	3640484
Mediabrands EMEA Limited	1206089
Mediabrands International Limited	3970701
Mediabrands Limited	773961
Miller Starr Limited	2107814
Momentum Activating Demand Limited	7949786
MRM Worldwide (UK) Limited	2507164
Octagon Athlete Representation Limited	1064273
Octagon Worldwide Limited	2704128
Orion Trading EMEA Limited	3404334
R/GA Media Group Limited	2366324
Rapport Outdoor Limited	2230412
Weber Shandwick International Ltd	2258441

27 Post balance sheet events

Both the Group and the Company have no material post balance sheets events

28 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Interpublic Limited, a company registered in England and Wales Copies of its financial statements are available at 3 Grosvenor Gardens, London, SW1W 0BD

The ultimate parent undertaking and controlling party is The Interpublic Group of Companies, Inc , a company incorporated in 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 consolidated financial statements at 31 December 2013 The consolidated financial statements for The Interpublic Group of Companies, Inc can be obtained from 1114 Avenue of the Americas, New York, New York 10036