McCann-Erickson Advertising Limited

Strategic Report, Directors' Report and Financial Statements
Year ended 31 December 2014

(Registered Number. 1372305)

McCann-Erickson Advertising Limited

Strategic report for the year ended 31 December 2014

The directors present their strategic report on McCann Erickson Advertising Ltd ("the Company") registered number 1372305 for the year ended 31 December 2014

Principal activities

The Company is a full service advertising agency with revenues derived from both UK and overseas clients

Business Review and results

The trading results of the Company for the year ended 31 December 2014 are shown in the attached profit and loss account and show a loss on ordinary activities before taxation of £ 3 2m, (2013 loss of £ 50k) The 2014 operating loss of £ 3 2m includes a £ 2 9m contribution to the Company's Defined Benefit Pension Plan for past service deficit (2013 £ 1 6m) In addition, the Company's results were also impacted by a significant management service fee of £ 2 6m (2013 £1 8m) The Company achieved significant client wins from Microsoft, EE Limited, First Great Western, World Vision and Dubai 2020 in the second half of the year, requiring a substantial investment in on-boarding of resources The Company has cash reserves at the yearend of £ 12m (2013 £ 19 1m) and net assets of £ 15m (2013 £19m)

Future Outlook and Strategy

Zaid Al Zaidy, Chief Executive Officer and Co-Presidents, Rob Doubal and Laurence Thompson continue to drive the quality and diversity of our full service strategic and creative offering to our clients This strategy includes the continued evolution of the in-house content production and management facilities to reflect the growing demand from our clients and their customers

Stephen Meade, Chief Executive Officer and Will Shepherd, Creative Director, lead the McCann Enterprise offering within the company This division is at its core a Business to Business agency but with enhanced specifically digital capability they offer a broader spectrum of services This division has enjoyed significant growth since the prior year with both client wins and organic growth

During the year the Company was awarded the UK's pre-eminent Mobile Lion at Cannes for our Momondo Friend Compass app which went on to win two more Silvers at both the LIA Awards and Eurobest Our Cannes Lions print campaign won Silver at the Campaign Big Awards and on top of that both our spots for Sony continued to bring home wins At New York Festivals the Sony Mobile spot (Gift of Sound Vision) and the Sony Bravia spot (Volcano) both won a number of awards in the Craft categories

Looking forward, the Company will benefit from a full year of engagement with Microsoft, EE Limited and First Great Western, which will enhance the Company's broad client base These and our continued strong relationships with the existing client base of leading brands will enable the Company's ideology of creative and innovative solutions

The Company continues to focus on both attracting the best talent to the Agency and retaining and developing its existing talent This is enhanced by work shadowing and work experience programs across the Agency

McCann-Erickson Advertising Limited

Strategic report for the year ended 31 December 2014 (continued)

Principal risks and uncertainties

McCann-Erickson Advertising Limited is a wholly owned subsidiary of Interpublic Group of Companies, Inc From the perspective of the Company, the principal risk and uncertainties are integrated with the principal risks of the Interpublic Group of Companies, Inc ('the group') and are not managed separately These risks are discussed in the Group's annual report for the year ended 31 December 2014 which are publically available and does not form part of this report The principal risks facing our Company relate to attracting and retaining major clients in the face of the continued competition in the marketplace and ensuring we retain, as well as continue to develop our people and talent

On behalf of the Board

Sajad Manzoor
Director
30th June 2015
McCann-Erickson Advertising Limited
Registered Company Number 1372305

McCann-Erickson Advertising Limited

Directors' report for the year ended December 2014

The directors present their report and the financial statements of McCann Erickson Advertising Ltd ("the Company") registered number 1372305 for the year ended 31 December 2014

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 2014 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

Directors

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

S Himpe	Resigned 10th July 2014
M Jackson	
C Macdonald	Resigned 24th June 2014
S Manzoor	

McCann-Erickson Advertising Limited

Directors' report for the year ended December 2014 (continued)

Corporate social responsibility

The Company takes a fundamental approach towards sustainability The Company creates frameworks to implement policy but also encourages individual responsibility to deliver behavioural change
In terms of suppliers we source from a wide base of suppliers to ensure economic advantage for our clients, however, where possible we support those in the locality to boost the local economy as well as to minimise the impact of transportation
Sustainability practices are endorsed and communicated throughout the Company emails are not printed unless necessary, double sided printing is set as a default on printers, paper recycling bins are placed in every department and there is a video and film tape recycling programme We have initiated several energy efficiency awareness campaigns throughout our London offices Our travel programme endorses public transport and video conferencing where possible
The Company has also long been interested in the local community and has recently begun to strengthen relationships with associations such as the Do Lectures and Good For Nothing, in order to further promote and support local initiatives

Dividend

No dividend was paid during the year (2013 Zero)

Charitable and political donations

The Company paid a total of £10,000 (2013 £5,780) to registered charities during 2014

Employment of disabled persons

Due consideration is given to applications for employment of disabled persons having regard to the particular aptitudes and abilities of the applicants concerned Arrangements are made, wherever possible, to accommodate current employees who are either disabled or who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities The Company provides for the adequate training, career development and promotion of disabled persons

Employee involvement

Employees are informed regularly about aspects of the business and its progress which the Company considers relevant to them, including communications through management channels or in writing as appropriate The Company involves employees in matters of concern to their jobs and work situation and endeavours to maintain a sense of identity with the Company's aims and objectives The effectiveness of employee communication is regularly reviewed by the directors and improvements implemented as required Weekly company updates to all staff are held and formal feedback from the Company is also sought through the use of employee engagement Climate Surveys

Directors' report for the year ended December 2014 (continued)

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk, interest rate risk and foreign exchange risk Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board The policies set by the board of directors are implemented by the Company's finance department The department monitors circumstances to determine where it would be appropriate to use financial instruments to manage financial risks

Price risk

The Company is exposed to vendor price risk as a result of its operations However, the directors consider the risks to be minimal and that the costs of managing any exposure to vendor price risk exceed any potential benefits The directors will continue to monitor the appropriateness of this policy

Credit risk

The Company has implemented policies that require appropriate credit checks on potential clients before services are provided

Liquidity risk

The Company has no debt finance

Interest rate risk

The Company has interest bearing cash balances that earn interest at variable rates The Company places cash on short term deposit depending on the availability of funds

Foreign exchange risk

To the extent that the Company enters into inter-company loan agreements, third party client or vendor transactions in currencies different to that of the Company's functional currency, there is an exposure to movements in exchange rates The Company uses basic offsetting techniques as agreed with parent company to minimise the impact of exchange rate movements

The ultimate parent undertaking, The Interpublic Group of Companies, Inc (IPG), has confirmed in writing its intention to continue to support the Company for a period of not less than one year from the date of approval of these financial statements, by providing sufficient funds to enable it to meet its liabilities as they fall due On this basis, the directors have concluded that it remains appropriate to prepare the financial statements on a going concern basis

McCann-Erickson Advertising Limited

Directors' report for the year ended December 2014 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgements and accounting estimates that are reasonable and prudent,
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business,

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for 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

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 2014 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

On behalf of the Board

Sajad Manzoor
Director
30th June 2015
McCann-Erickson Advertising Limited
Registered Company Number 1372305

McCann-Erickson Advertising Limited

Profit and loss account for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Turnover	2	40,903	48,223
Cost of sales		(14,545)	(21,989)
Revenue		26,358	26,234
Administrative expenses		(29,492)	(26,222)
Goodwill amortisation		(76)	(76)
Operating loss	3	(3,210)	(64)
Investment impairment		-	(215)
Dividend received		-	215
Interest payable and similar charges	4	(123)	(116)
Interest receivable and similar income	5	99	130
Loss on ordinary activities before taxation		(3,234)	(50)
Tax on loss on ordinary activities	8	(407)	(301)
Loss for the financial year		(3,641)	(351)

The Company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented

There are no material differences between the profit 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 financial statements

McCann-Erickson Advertising Limited

Balance Sheet as at 31 December 2014

	Notes	2014 £'000	2013 £'000
Fixed assets			
Intangible assets	11	884	960
Tangible assets	9	1,967	2,233
Investments	10	-	-
		2,851	3,193
Current assets			
Work in progress	12	7,062	3,477
Debtors due within one year	13	11,442	9,918
Marketable securities	14	63	-
Cash at bank and in hand		11,966	19,120
		30,533	32,515
Creditors: amounts falling due within one year	15	(13,280)	(11,589)
Net current assets		17,253	20,926
Total assets less current liabilities		20,104	24,119
Provisions for liabilities	19	(5,038)	(5,480)
Creditors· falling due after more than one year	16	(109)	(41)
Net assets		14,957	18,598
Capital and reserves			
Called up share capital	20	3,182	3,182
Share premium account	21	9,432	9,432
Profit and loss account	21	(8,157)	(4,516)
Capital contribution	21	10,500	10,500
Total shareholders' funds	22	14,957	18,598

The financial statements on pages 9 to 30 were approved by the board of directors on 30th June 2015 and signed on its behalf by

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 2014 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

McCann-Erickson Advertising Limited

The directors acknowledge their responsibilities for

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

b preparing financial statements which give a true and fair view of the state of the affairs of the company at 31 December 2014 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

Sajjad Manzoor
Director
McCann-Erickson Advertising Limited
Registered Company Number 1372305

Notes to the financial statements – 31 December 2014

1 Accounting policies

These 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 are applied consistently and set out below

a) Turnover

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

b) Revenue

Revenue represents the commissions and fees earned for services provided to customers The timing of recognition is summarised below

- Fees are recognised in accordance with contractual terms, which may be either proportional performance, straight-line, annual or monthly
- Commissions earned on the sale of media space are recognised at the date of publication or broadcast

Contractual arrangements with clients may also include performance incentive provisions designed to link a portion of the turnover to the Company's performance relative to both qualitative and quantitative goals Performance incentives are recognised as turnover for quantitative targets when the target has been achieved and for qualitative targets when confirmation of the incentive is received

Revenue represents amounts receivable (excluding VAT) for service and coordination fees levied to third party customers and other group companies Recharges recovered via the management service fee are booked when the costs are accrued

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

c) Basis of preparation / exemption from consolidation

These financial statements are prepared on the going concern basis as IPG has confirmed in writing its intention to continue to support the Company for a period of not less than one year from the date of approval of these financial statements, by providing sufficient funds to enable it to meet its liabilities as they fall due On this basis, the directors have concluded that it remains appropriate to prepare the financial statements on a going concern basis

Having undertaken the analysis required by Urgent Issues Task Force bulletin 43 'The interpretation of equivalence for the purposes of section 400-401 of the Companies Act 2006', the directors have concluded that the Company is able to take advantage of the Companies Act exemption from preparing consolidated financial statements on the basis that its ultimate parent undertaking, The Interpublic Group of Companies, Inc prepares Group financial statements, which incorporate all the subsidiary and associated undertakings of the Company ownership structure and meet the equivalence test in accordance with the EU Seventh Directive

McCann-Erickson Advertising Limited

Notes to the financial statements – 31 December 2014 (continued)

1 Accounting policies (continued)

d) Operating Leases

Operating lease rentals are charged to the profit and loss account in the year in which they fall due The company does not have any finance leases

e) 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

Dilapidation assets	20 years
Fixtures, fittings and office equipment	3 to 7 years
Leasehold improvements	Lesser of 10 years or the remaining life of the lease
Computer hardware and software	3 to 4 years

f) Intangible assets

Intangible assets comprise goodwill which arose following the hive up of AoU during 2012 This company was previously acquired in 2011 The goodwill is calculated as the difference between the consideration and the value of the hived up assets It is amortised from the point of company acquisition over its estimated useful life of 15 years

g) Asset retirement obligation

The fair value of estimated asset retirement obligations is recognised in the balance sheet 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 asset retirement obligations which include those legal obligations where the company will be required to retire tangible long-lived assets such as leaseholds 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 asset retirement obligation resulting from the passage of time are recorded as interest expense in the profit and loss account Actual expenditures incurred are charged against the accumulated obligation

h) 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

i) 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

Notes to the financial statements – 31 December 2014 (continued)

1. Accounting policies (continued)

j) 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

k) 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 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 more likely than not 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 balance sheet date Deferred tax is measured on a non-discounted basis

l) Deferred income

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

m) 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

n) 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
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

Notes to the financial statements – 31 December 2014 (continued)

1. Accounting policies (continued)

o) Incentive compensation plans

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

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

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

p) 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 Details of the scheme are given in the financial statements of Interpublic Limited and are referred to in Note 25

q) Cash flow statement and related party disclosures

The cash flows of the Company are included in the consolidated cash flow statement of The Interpublic Group of Companies, Inc , the ultimate parent undertaking Consequently, the Company is exempt under the terms of FRS 1 "Cash flow statements" from disclosing a cash flow statement
The Company 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 27

r) Amounts recoverable under contracts

Amounts recoverable under contracts comprise external charges for services incurred on behalf of clients which have still to be recharged to clients It is stated at the lower of cost and net realisable value Long term contracts are stated at the net cost less foreseeable losses

Notes to the financial statements – 31 December 2014 (continued)

2. Turnover	2014 £'000	2013 £'000
By geographical region		
UK	12,512	24,915
Rest of Europe	21,440	19,278
USA	4,217	3,614
Middle East & Far East	226	66
Rest of world	2,508	350
	40,903	**48,223**

Notes to the financial statements – 31 December 2014 (continued)

3. Operating loss

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

	2014	2013
	£'000	£'000
Salaries and wages (Note 6)	20,613	19,074
Pension cost (Note 6)		
Defined contribution	795	394
Defined benefit	3,081	1,886
Severance costs	156	774
Depreciation (note 9)		
- Tangible fixed assets	313	270
Remuneration of auditors'		
Auditors' remuneration for non-Statutory audit services (US GAAP)	-	78
Auditors' remuneration for non-audit services	5	-
Bad debt - provision increase	201	52
Exchange loss/(gain)	4	(74)
Operating lease rentals		
- Hire of plant and machinery	64	64
- Office space	3,595	3,595
Rental income receivable	(3,047)	(3,097)

Notes to the financial statements – 31 December 2014 (continued)

4. Interest payable and similar charges

	2014 £'000	2013 £'000
Interest payable on bank overdrafts	2	2
Unwinding of discount on provisions for liabilities and charges	121	114
Interest payable	123	(116)

5. Interest receivable and similar income

	2014 £'000	2013 £'000
Interest receivable on bank accounts	81	130
Interest receivable on intercompany loan	18	-
Interest receivable	99	130

6 Employee costs

	2014 £'000	2013 £'000
Wages and salaries (including directors)	14,808	14,448
Social security costs	1,621	1,592
Other pension costs	3,876	2,280
Severance	156	774
Shared based payments	152	(20)
Employee costs	20,613	19,074

Further details relating to pension costs are outlined in Note 24

The average monthly number of employees (including directors) during the year was 234 (2013 236)

and consists of

	2014 Number	2013 Number
By country		
United Kingdom	234	236

Notes to the financial statements – 31 December 2014 (continued)

6. Employee costs (continued)

By Job type	2014 Number	2013 Number
Account management	98	83
Creative	32	36
Studio	45	55
Managerial	4	5
Planning	7	9
Finance	12	13
Administration	21	19
TV	7	9
Other	8	7
	234	236

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

	2014	2013
United Kingdom	234	236
Rest of Europe	-	-
Middle East and Africa	-	-
North America	-	-
Average number employed	234	236

7. Directors' emoluments

The directors are remunerated by the Company in respect of their services to the Company

	2014 £'000	2013 £'000
Aggregate emoluments, including benefits in kind	201	312
Defined contribution scheme – Company contributions	22	41
	223	353

Highest paid director	2014 £'000	2013 £'000
Aggregate emoluments, including benefits in kind	173	134
Long term incentive		
Defined contribution scheme – Company contributions	15	20
	188	154

Notes to the financial statements – 31 December 2014 (continued)

8. Tax on profit on ordinary activities

The charge for taxation for the year is based on the results for the year and comprises

	2014 £'000	2013 £'000
Current taxation		
UK corporation taxation	-	-
Double taxation relief	-	-
Foreign tax	19	-
Adjustments in respect of prior years	-	31
Total current tax	**19**	**31**
Deferred taxation		
Origination & reversal on timing differences	388	(345)
Adjustment in respect of prior year	-	612
Release of deferred tax asset provision		
Deferred tax asset not recognised		
Effect of change in tax rate	-	3
Total deferred taxation	**388**	**270**
Tax on loss on ordinary activities	**407**	**301**

Notes to the financial statements – 31 December 2014 (continued)

8 Tax on profit on ordinary activities (continued)

Factors affecting the tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 21 5% (2013 – 23 25 %) The differences are explained below

	2014 £'000	2013 £'000
Loss on ordinary activities before taxation	**(3,234)**	**(50)**
(Loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21 5% (2013 23 25%)	**(695)**	**(12)**
Effects of		
Expenses not deductible for taxation purposes – other	**81**	**148**
Capital allowances in excess of depreciation	**(40)**	**(38)**
Other short term timing differences	**(615)**	**(732)**
Utilised/unutilised losses	**-**	**635**
Foreign tax - withholding tax suffered	**19**	**-**
Group relief for nil consideration	**1,269**	
Prior year adjustments	**-**	**30**
Current charge for the period	**19**	**31**

A change to the UK Corporation Tax rate reducing it from 21% to 20% effective from 1 April 2015 was enacted in the Finance Act 2013 Unprovided deferred tax balances have been measured using a rate of 20% (2013 - 20%) There are deferred tax assets in respect of trading losses of £1,030,027 (2013 £1,030,027) and £478,891 (2013 £727,179) in respect of short term timing differences that have not been recognised due to the uncertainty of future taxable profits or future capital gains

Notes to the financial statements – 31 December 2014 (continued)

9. Tangible assets

	Leasehold improvements £'000	Computer hardware and software £'000	Equipment, fixtures & fittings £'000	Asset retirement Obligation £'000	Total £'000
Cost					
At 1 January 2014	**4,510**	**2,158**	**3,729**	**790**	**11,187**
Additions	98	346	34	-	478
At 31 December 2014	**4,608**	**2,504**	**3,763**	**790**	**11,665**
Accumulated depreciation					
At 1 January 2014	**3,320**	**1,548**	**3,532**	**554**	**8,954**
Charge for year	391	251	62	40	744
At 31 December 2014	**3,711**	**1,799**	**3,594**	**594**	**9,698**
Net book amount					
At 31 December 2014	**897**	**705**	**169**	**196**	**1,967**
At 31 December 2013	**1,190**	**610**	**197**	**236**	**2,233**

Notes to the financial statements – 31 December 2014 (continued)

10. Investments

	Investments £'000
Cost	
At 1 January 2014	909
At 31 December 2013	909
Provision for Impairment	
At 1 January 2014	909
At 31 December 2014	909
At 31 December 2014	-
At 31 December 2013	-

Note on Investment

Investment figure relates to the acquisition of All Of Us Design Limited in July 2011 All of Us Design Limited is in the process of being liquidated and the corresponding investment has been written down to £4 representing the share capital only of this entity

Notes to the financial statements – 31 December 2014 (continued)

11. Intangible Assets

	Goodwill £'000
Cost	
At 1 January 2014	2,118
At 31 December 2014	**2,118**
Accumulated amortisation	
At 1 January 2014	1,158
Charge for the year	76
At 31 December 2014	**1,234**
Net book value at 31 December 2014	**884**
Net book value at 31 December 2013	**960**

The goodwill arose on the hive up of All of Us Design Limited assets on 1 June 2012 This being the purchase consideration in excess of the fair market value of the net assets hived up

The final deferred payment for business acquisition is a liability due to be settled in 2016 The liability arose as part of the consideration paid upon acquisition in July 2011 and the amount is payable to the former owners of the business The amount payable represents the best estimates of the Company at the balance sheet date and is calculated using a model based on the performance of the business over a period from the date of acquisition to 31 December 2015

12. Work in progress

Unbilled work in progress comprise

	2014 £'000	2013 £'000
Unbilled client production costs	7,062	3,477
	7,062	3,477

Notes to the financial statements – 31 December 2014 (continued)

13 Debtors: amounts due within one year

		2014 £'000	2013 £'000
Amounts owed by Group undertakings		2,317	2,614
Trade debtors		7,557	5,201
Deferred tax	(17)	-	388
Other debtors		202	181
Prepayments and accrued income		1,286	1,454
Taxation and social security		80	80
		11,442	9,918

All amounts owed by Group undertakings are unsecured and repayable on demand The balances do not accrue interest

14. Marketable Securities

	2014 £'000	2013 £'000
Marketable Securities	63	-

Marketable securities relate to American Airlines Group Inc, the market value of which is not materially different from their carrying value

15. Creditors. amounts falling due within one year

	2014 £'000	2013 £'000
Amounts owed to Group undertakings	4,098	1,718
Trade creditors	4,878	4,339
Accruals	3,765	5,001
Other creditors including taxation and social security	539	531
	13,280	11,589

All amounts owed to Group undertakings are unsecured and repayable on demand The Company participates in The Interpublic Group of Companies, Inc pooling arrangement with Lloyds parent undertaking guarantee The remaining creditors are unsecured

McCann-Erickson Advertising Limited

Notes to the financial statements – 31 December 2014 (continued)

16. Creditors· amounts falling due after more than one year

	2014 £'000	2013 £'000
Other creditors	109	41

17. Deferred tax asset

	2014 £'000	2013 £'000
Accelerated capital allowances	-	-
Other timing differences	-	388
Total deferred tax asset	-	388
As at 1 January	388	636
Charge in profit and loss account	(388)	345
Adjustment in respect of prior years	-	(593)
As at 31 December	-	388

Notes to the financial statements – 31 December 2014 (continued)

18 Operating lease commitments

As at 31 December 2014 commitments for the following year under operating leases were as follows

	2014	2013
	£000	£000
Buildings		
Lease expiring		
- within one year	-	-
- within two to five years	3,595	3,595
- after five years	-	-
	3,595	3,595
Other		
Lease expiring		
- within one year	-	-
- within two to five years	62	62
- after five years	-	-
	62	62

Notes to the financial statements – 31 December 2014 (continued)

19. Provisions for liabilities and charges

	Credits, discounts and other rebates £'000	Asset retirement obligation £'000	Other provisions £'000	Total £'000
As at 1 January 2014	**1,846**	**2,988**	**646**	**5,480**
Additions	365	-		365
Charge/(credit) to profit and loss account	(557)	-	(23)	(580)
Utilised during the year	(106)	-	(307)	(413)
Transfers	-	-	-	-
Unwinding of discount	-	186	-	186
As at 31 December 2014	**1,548**	**3,174**	**316**	**5,038**

In 2003, a provision was made and a corresponding fixed asset established for Asset Retirement Obligations in accordance with the dilapidation terms of the Company's operating leases The obligation assessment was calculated based on a valuation provided by an independent third party surveyor This has been discounted to net present value using a discount factor of 6 25% The full liability will accrue over the remaining lives of the leases

In the normal course of business the Company receives rebates, discounts, and other credits from vendors for the procurement of good and services that the Company commission on behalf of third party clients Following an extensive review in 2004, the Company 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 Company 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

20. Called up share capital

	2014 Number (000's)	2013 Number (000's)	2014 £'000	2013 £'000
Authorised				
Ordinary shares of £ 1 each	3,182	3,182	3,182	3,182

Notes to the financial statements – 31 December 2014 (continued)

21. Reserves

	Called up share capital £'000	Share premium £'000	Profit and loss account £'000	Capital contributio n £'000	Total £'000
At 1 January 2014	**3,182**	**9,432**	**(4,516)**	**10,500**	**18,598**
Additions	-	-	-	-	-
Share Premium account	-	-	-	-	-
Dividends Paid	-	-	-	-	-
Profit for the year	-	-	(3,641)	-	(3,641)
At 31 December 2014	**3,182**	**9,432**	**(8,157)**	**10,500**	**14,957**

22. Reconciliation of movement in equity shareholders' funds

	2014 £'000	2013 £'000
Opening shareholders' funds at 1 January	**18,598**	**18,949**
Profit for the year	**(3,641)**	**(351)**
Closing shareholders' funds at 31 December	**14,957**	**18,598**

23. Guarantees and other financial commitments

The Company had no commitments for authorised but not contracted future capital expenditure in either year

a) On 12 November 1999, the Company entered into an Omnibus Letter of Set Off, together with Interpublic Limited and other UK subsidiaries of The Interpublic Group of Companies, Inc (collectively the Companies) and with Lloyds TSB Bank plc (the Bank) The Omnibus Letter of Set Off, provides that the Bank should have the right at any time and from time to time without notice to combine or consolidate all or any of the then existing accounts with the Bank of the Companies or any of them with all or any of the liabilities to the Bank of the Companies or any of them, and to set-off or transfer any sums standing to the credit of any one of these accounts in or toward satisfaction of any liabilities (whether actual, contingent, primary, collateral, several or joint) of any of the Companies to the Bank regardless of whether the accounts or liabilities are denominated in sterling or any other currency

b) As indicated above the Company participates in the Interpublic pooling arrangement with Lloyds TSB Bank plc The interest rate is linked to base rate and the overdrafts are secured by ultimate parent undertaking guarantee

Notes to the financial statements – 31 December 2014 (continued)

24. Contingent liabilities

The company 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

25. Pensions

Defined Contribution Scheme

The Company does not operate a pension scheme but makes defined contributions into individual pension policies on behalf of certain employees The charge for the year 2014 totalled £ 795,176 (2013 £ 393,611) At 31 December 2014, £ 98,208 (2012 £ 62,355) remained unpaid

Defined Benefit scheme.

The Company, along with other companies in The Interpublic Group of Companies, Inc also participates in The Interpublic Pension Plan ("the Plan"), which is a defined benefit plan providing benefits based on members' service and pensionable earnings McCann Erickson Advertising Limited, along with other companies in the Group, is unable to identify its share of the underlying assets and liabilities in the Plan and so accounts for its participation in the Plan as a defined contribution plan, with contributions payable being charged to the profit & loss account in the period to which they relate, in accordance with Financial Reporting Standard No 17

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

Discount rate 4 6% a year
Rate of Price Inflation (CPI) 2 6% a year
Rate of pay increases (before promotional increases) 3 3% a year
Rate of pension increases 3 2% 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 McCann Erickson Advertising Limited is contributing £ 196,090 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 Company amounted to £ 3,081,110 during the year (2013 £ 1,886,693)

Notes to the financial statements – 31 December 2014 (continued)

26. Incentive compensation plans

The Company operates a number of equity-settled and cash-settled share-based compensation plans under which it receives services from employees as consideration for equity instruments of The Interpublic Group of Companies, Inc or cash payments During the year the Company recorded a cash based compensation expense in the income statement of zero (2013 zero) and a liability of zero (2013 zero) as at 31 December 2014

Share Settled Performance Related Restricted Stock Units

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

	2014 No of restricted stock units	2014 Weighted average fair value (£)	2013 No of restricted stock units	2013 Weighted average fair value (£)
Outstanding as at 1 January	0		10,842	6 82
Granted during the period	18,865	£10 55	10,324	8 44
Transferred (to)/from a group company	0		-21,166	10 73
Cancelled during the period	-5,660	£12 01	0	0
Released during the period	0		0	0
Outstanding at 31 December	13,205	£13 34	0	0

Compensation expense in connection with the restricted stock awards was £ 82,867 in 2014 (2013 £ 36,481) and is recorded on McCann-Erickson Advertising 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

27. 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 consolidated financial statements are available at 3 Grosvenor Gardens, London SW1W0BD

The ultimate parent undertaking and controlling party is The Interpublic Group of Companies Inc , a company incorporated in the USA

The Company's ultimate parent undertaking is The Interpublic Group of Companies, Inc , which is incorporated in the United States of America Copies of the financial statements of The Interpublic Group of Companies, Inc , which is the largest Group into which the Company is consolidated, can be obtained from The Company Secretary, The Interpublic Group of Companies, Inc 1114 Avenue of the Americas, New York, NY 10036, United States of America The company's smallest Group into which the Company is consolidated is IPG Holdings (UK) Limited Copies of its financial statements are available at 3 Grosvenor Gardens, London SW1W0BD