

These accounts are being filed as part of the
subsidiary package for McCann Manchester
Limited, company number: 1993425

IPG Holdings (UK) Limited

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

Registered Number: 2353279

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IPG Holdings (UK) Limited

Strategic Report for the year ended 31 December 2014

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 2014

Principal activities

The Company's principal activity during the year was operating as the holding company of a number of advertising, digital communications, public relations and other media 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

CMGRP Holdings Limited
McCann-Erickson Advertising limited
Mediabrand Limited
Mediabrand Belgium S A
McCann Manchester Limited
Rapport Outdoor Limited
DLKW Lowe Limited
Mediabrand 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 profit for the financial year was £3.1m (2013 loss of £12.7m). The directors have not declared a dividend (2013 £52.6m). The consolidated profit for the financial year has been transferred to reserves. The directors consider that the result for the year is in line with expectations. The Group had net assets of £129.7m as at 31 December 2014 (2013 net assets of £127.3m).

Branches outside the UK

The Group's consolidated financial statements include branches outside the UK located in Ireland, Italy, France and Switzerland.

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 2014, which does not form part of this report. Copies of IPG Group's 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

IPG Holdings (UK) Limited

Strategic Report for the year ended 31 December 2014 (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 2014 and 31 December 2013 are shown below

2014	McCann-Erickson	Lowe	Mediabrand	FCB	CMG	Other	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Turnover	341,164	156,324	827,846	49,387	141,062	109,136	1,624,919
Revenue	139,169	62,629	72,668	22,349	59,133	28,617	384,565
Operating profit/(loss)	10,305	(2,188)	10,170	(4,618)	5,731	(8,841)	10,559
Operating margin	7.4%	(3.5%)	14.0%	(20.7%)	9.7%	(30.9%)	2.7%
Employee costs	96,723	34,289	39,546	17,092	39,056	19,181	245,886
Wages as % of revenue	69.5%	54.7%	54.4%	76.5%	66.0%	67.0%	63.9%

2013	McCann-Erickson	Lowe	Mediabrand	FCB	CMG	Other	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Turnover	334,736	139,611	779,254	23,877	108,242	114,771	1,500,491
Revenue	139,042	61,370	66,431	11,477	53,778	26,180	358,278
Operating profit/(loss)	10,347	(939)	3,019	(4,520)	1,648	(12,176)	(2,621)
Operating margin	7.4%	(1.5%)	4.5%	(39.4%)	3.1%	(46.5%)	(0.7%)
Employee costs	92,695	37,405	43,883	12,792	35,924	17,755	240,454
Wages as % of revenue	66.7%	60.9%	66.1%	111.5%	66.8%	67.8%	67.1%

By order of the Board



W S Kay

Director

16 September 2015

IPG Holdings (UK) Limited

Directors' Report for the year ended 31 December 2014

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 2014

The Group's UK subsidiary companies are exempt from the requirements of the Companies Act 2006 relating to the audit of individual financial statements by virtue of section 479A. A list of these UK companies can be found in note 27

Future developments

Future developments, strategy and key performance indicators are discussed in the strategic report in addition to disclosures regarding dividends and branches outside the UK

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.

Agencies within the Group follow the standard policy and procedures (SP &P) manual provided by IPG Group which 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 2014 was mainly as follows: trade debtors £285,599,000, amounts due from group undertakings £68,685,000, other debtors £22,086,000 and prepayment and accrued income £30,777,000 (2013: £275,784,000, £82,408,000, £28,850,000, £29,782,000 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.

Political donations

The Group made no political donations in 2014 (2013: nil).

Disabled employee note

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

Directors' Report for the year ended 31 December 2014 (continued)

Employee involvement

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

Directors

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

W S Kay
D Coleman
W F Cleary

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 the 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 financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the 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.

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.

IPG Holdings (UK) Limited

Directors' Report for the year ended 31 December 2014 (continued)

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office as auditors

On behalf of the Board

A handwritten signature in black ink, appearing to read 'W S Kay', with a long horizontal stroke extending to the right.

W S Kay

Director

16 September 2015

IPG Holdings (UK) Limited

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

Report on the financial statements

Our opinion

In our opinion, IPG Holdings (UK) Limited's Group financial statements (the "financial statements")

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2014 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

What we have audited

The financial statements comprise

- the Company balance sheet and the Consolidated balance sheet as at 31 December 2014,
- the Consolidated profit and loss account and the Consolidated statement of total recognised gains and losses 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 financial statements is 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.

Opinion on other matter prescribed by the Companies Act 2006

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

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 by the Company, 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 to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

IPG Holdings (UK) Limited

Independent auditors' report to the members of IPG Holdings (UK) Limited (Continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("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

What an audit of financial statements involves

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

- whether the accounting policies are appropriate to the 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 financial statements

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both

In addition, we read all the financial and non-financial information in the Strategic Report, Directors' Report and the financial statements to identify material inconsistencies with the audited 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



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

16 September 2015

IPG Holdings (UK) Limited

Consolidated profit and loss account for the year ended 31 December 2014

	Note	2014 £000's	2013 £000's
Group turnover	2	1,624,919	1,500,491
Cost of sales		(1,240,354)	(1,142,213)
Revenue		384,565	358,278
Administrative expenses	3 & 6	(353,486)	(343,591)
Goodwill amortisation		(21,736)	(20,736)
Distribution costs		(436)	(762)
Other operating income		1,652	4,190
Operating profit/(loss)	3	10,559	(2,621)
Interest payable and similar charges	4	(8,156)	(6,897)
Interest receivable and similar income	5	3,337	3,037
Exceptional waiver of receivable balances with related parties	7	-	(5,573)
Profit/(loss) on ordinary activities before taxation	2	5,740	(12,054)
Tax on profit/(loss) on ordinary activities	9	(2,791)	(750)
Profit/(loss) on ordinary activities after taxation		2,949	(12,804)
Equity non-controlling interests	19	141	86
Profit/(loss) for the financial year	18	3,090	(12,718)

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

All operations are continuing

The accompanying notes from pages 9 to 36 form an integral part of these consolidated financial statements

Consolidated statement of total recognised gains and losses for the year ended 31 December 2014

	Note	2014 £000's	2013 £000's
Profit/(loss) for the financial year		3,090	(12,718)
Exchange adjustments on overseas investments	18	(366)	36
Other reserves		-	(222)
Dividends paid		-	(52,557)
Total recognised profit/(loss) for the year		2,724	(65,461)

IPG Holdings (UK) Limited

Consolidated balance sheet as at 31 December 2014

	Note	2014 £000's	Restated 2013 £000's
Fixed assets			
Intangible assets	11	265,692	286,001
Tangible assets	10	29,764	30,896
Investments	12	5,628	5,628
Interest in associated undertaking	12	60	51
		301,144	322,576
Current assets			
Work in progress		28,204	22,619
Debtors amounts falling due within one year	13	415,991	428,020
Debtors amounts falling due after more than one year	13	1,079	-
Cash at bank and in hand		262,352	290,273
		707,626	740,912
Creditors amounts falling due within one year	14	(819,424)	(869,196)
Net current liabilities		(111,798)	(128,284)
Total assets less current liabilities		189,346	194,292
Creditors amounts falling due over one year	15	(46,672)	(50,047)
Provisions for liabilities	16	(12,997)	(16,979)
Net assets		129,677	127,266
Capital and reserves			
Called up share capital	17	757	757
Share premium account	18	1,591	1,591
Other reserves	18	100	100
Profit and loss account	18	124,303	121,579
Total shareholders' funds	18	126,751	124,027
Minority interest	19	2,926	3,239
Capital employed		129,677	127,266

Certain balances within current assets in 2013 have been reclassified to more accurately reflect their nature

The consolidated and company financial statements on pages 9 to 36 were approved by the board of directors on 16 September 2015 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 2014

	Note	2014 £000's	2013- £000's
Fixed assets			
Investments	12	175,998	176,020
Current assets			
Debtors amounts falling due within one year	13	800	807
Cash at bank and in hand		117	318
		917	1,125
Creditors amounts falling due within one year	14	(123,556)	(120,221)
Net current liabilities		(122,639)	(119,096)
Total assets less current liabilities		53,359	56,924
Creditors amounts falling due over one year	15	(33,264)	(33,264)
Net assets		20,095	23,660
Capital and reserves			
Called-up share capital	17	757	757
Share premium account	18	1,591	1,591
Capital redemption reserve	18	100	100
Profit and loss account	18	17,647	21,212
Total shareholders' funds		20,095	23,660

The consolidated and company financial statements on pages 9 to 36 were approved by the board of directors on 16 September 2015 and signed on its behalf by



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

Notes to the consolidated financial statements for the year ended 31 December 2014

1 Accounting policies

These consolidated financial statements are prepared on a 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 2014. 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 9 shows that the Company has net current liabilities of £122.6m (2013: £119.1m). The Interpublic Group of Companies, Inc., the ultimate holding company of the Company, has confirmed 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 financial statements of the Company for the year ended 31 December 2014.

b) Revenue Recognition

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

Client contracts are complex arrangements that may include provisions for incentive compensation and vendor rebates and credits. The Group's largest clients are multinational entities and, as such, the Group provides services to these clients out of multiple offices and across many of our agencies within the Group or with related companies. In arranging for such services, it is possible that the Group enters 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.

Notes to the consolidated financial statements for the year ended 31 December 2014
(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 have been achieved and for qualitative targets when confirmation of the incentive is received from the client.

The majority of our revenue is recorded as the net amount of our gross billings less pass-through expenses charged to a client which are included as costs of sales. In most cases, the amount that is billed to clients significantly exceeds the amount of revenue that is earned and reflected in our 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.

IPG Holdings (UK) Limited

Notes to the consolidated financial statements for the year ended 31 December 2014 (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 an acquisition and thereafter where events or changes in circumstances indicate that a review is necessary

Goodwill on acquisitions is amortised over its expected useful economic life but not longer than twenty years, which, in the opinion of the directors, is the maximum period over which the benefits resulting from purchased goodwill can be 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
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

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 a 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

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

IPG Holdings (UK) Limited

Notes to the consolidated financial statements for the year ended 31 December 2014 (Continued)

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 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.

Certain companies within the Group operate a defined contribution pension scheme. The assets of the scheme are held separately from those companies in an independently administered fund. The pension cost charge disclosed in note 26 represents contributions payable by those companies to the fund.

Certain companies within the Group are members of the Interpublic Pension Plan, a defined benefit scheme. These companies have adopted the reporting requirements of Financial Reporting Standard No. 17. As these companies are unable to identify their share of the assets and liabilities of the Group scheme, they account 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. The sponsoring employer is Interpublic Limited.

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 ultimate parent undertaking. Consequently, the Group is exempt under the terms of FRS 1 "Cash flow statements" from disclosing a cash flow statement.

Advantage has been taken of the exemption in FRS 8 ("Related Party Disclosures") not to disclose transactions with companies that are part of the IPG Group. The address at which the consolidated financial statements of The Interpublic Group of Companies, Inc. are publicly available is shown in Note 29.

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

IPG Holdings (UK) Limited

Notes to the consolidated financial statements for the year ended 31 December 2014 (Continued)

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 IPG Group 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 Group's ability to insist on a net settlement would survive the insolvency of the counterparty.

IPG Holdings (UK) Limited

Notes to the consolidated financial statements for the year ended 31 December 2014 (Continued)

2 Segmental reporting

	2014 £000's	2013 £000's
Turnover by origin		
United Kingdom	1,300,181	1,160,338
Rest of Europe	324,738	338,935
North America	-	1,218
	1,624,919	1,500,491

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

	2014 £000's	2013 £000's Restated
Turnover by origin		
IAN	1,483,857	1,392,249
CMG	141,062	108,242
	1,624,919	1,500,491

	2014 £000's	2013 £000's Restated
Profit/(loss) on ordinary activities before taxation by origin		
United Kingdom	19,935	3,315
Rest of Europe	(13,340)	(15,703)
Middle East & Far East	(21)	771
Rest of World	(834)	(437)
	5,740	(12,054)

	2014 £000's	2013 £000's
Net assets by origin		
United Kingdom	79,054	69,028
Rest of Europe	22,179	28,902
Middle East & Far East	28,435	28,455
North America	9	881
	129,677	127,266

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 loss for the year ended 31 December 2014 was £3.6m (2013 profit £30.7m). Certain balances in 2013 were restated to more accurately reflect their origin.

IPG Holdings (UK) Limited

Notes to the consolidated financial statements for the year ended 31 December 2014 (Continued)

3 Operating profit/(loss)

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

	2014 £000's	2013 £000's
Salaries and wages (including directors)	198,267	200,943
Pension cost (note 25)		
- Defined contribution	8,361	6,747
- Defined benefit	7,192	4,845
Severance expenses	3,288	3,640
Depreciation		
- Tangible fixed assets	7,348	6,518
- Intangible fixed assets - goodwill	22,538	20,736
Remuneration of auditors		
- audit of other Group companies	684	741
- non audit services	699	754
Bad debt - provision increase	362	167
Loss on disposal	17	2
Exchange loss	911	405
Operating lease rentals		
- plant and machinery	869	596
- office space	17,863	19,041
- other	211	790
Rental income receivable	(8,245)	(7,945)

4 Interest payable and similar charges

	2014 £000's	2013 £000's
Interest payable to group undertakings	1,676	1,798
Interest payable on bank overdrafts	6,020	4,707
Discounting of additional provisions and unwinding of provisions	460	392
	8,156	6,897

IPG Holdings (UK) Limited

Notes to the consolidated financial statements for the year ended 31 December 2014 (Continued)

5 Interest receivable and similar income

	2014 £000's	2013 £000's
Interest receivable and similar income	3,337	3,037

6 Employee costs

	2014 £000's	2013 £000's
Salaries and wages (including directors)	198,267	200,943
Social security costs	25,650	25,860
Pension costs (note 25)	15,553	11,928
Severance expense	3,288	3,640
Share based payments costs	1,655	1,702
Miscellaneous, non-share based incentives and other costs	1,473	1,380
Employee costs	245,886	245,453

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

	2014 £000's	2013 £000's
United Kingdom	3,233	3,076
Rest of Europe	499	505
Middle East and Africa	-	13
North America	12	20
Rest of World	1	-
Average monthly number employed	3,745	3,614

7 Exceptional Items

Exceptional item in relation to waiver of intercompany receivables in 2013 of £5.6m includes (i) a £3.2m receivable waiver with the Company's immediate parent company, Interpublic Limited and (ii) a waiver of two loans with accrued interest to True North Holdings (Netherlands) B.V. of €2.4m and £0.4m respectively

8 Directors' emoluments

The remuneration of the directors for the year ended 31 December 2014 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 (2013: £nil) as the directors received no remuneration with respect to their services to the Company in the past year.

IPG Holdings (UK) Limited

Notes to the consolidated financial statements for the year ended 31 December 2014 (Continued)

9 Tax on profit/(loss) on ordinary activities

	2014 £000's	2013 £000's
Current taxation		
UK corporation taxation		
- Subsidiary undertakings	-	-
Foreign taxation		
- Subsidiary undertakings	2,151	1,617
- Share of associates foreign taxation	-	1
	2,151	1,618
Adjustments in respect of prior years		
- UK corporation taxation	115	(35)
- Foreign taxation	(12)	(313)
	103	(348)
Total current taxation	2,254	1,270
Deferred taxation		
Adjustments in respect for prior years	(300)	656
Origination & reversal on timing differences	525	(1,392)
Effect of change in the tax rate	312	216
Total deferred taxation	537	(520)
Tax on loss on ordinary activities	2,791	750

Factors affecting the tax charge for the year

The tax assessed for the year is higher (2013 = higher) than the standard rate of corporation tax in the UK of 21 50% (2013 23 25%) The differences are explained below

	2014 £000's	2013 £000's
Profit/(loss) on ordinary activities before taxation	5,740	(12,054)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21 50% (2013 23 25%)	1,235	(2,803)
Effects of		
Expenses not deductible for taxation purposes	5,380	6,162
Capital allowances in excess of depreciation	(996)	(570)
Other short term timing differences	(835)	(365)
Group relief for nil consideration	(2,922)	(2,256)
Double tax relief	(6)	-
(Utilised)/unutilised losses	(934)	903
Foreign taxation	1,229	547
Adjustments in respect of prior years	103	(348)
Current tax for the year	2,254	1,270

IPG Holdings (UK) Limited

Notes to the consolidated financial statements for the year ended 31 December 2014 (Continued)

9 Tax on profit/(loss) on ordinary activities (continued)

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. Deferred tax expected to reverse in the year to 31 December 2015 has been measured using the corporation tax rate for the period of 20.25% (2014 – 21.50%).

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% in 2016. If applied to the provided deferred tax balance at 31 December 2014, this would reduce the provided deferred tax by £78,000 (being a reduction of £78,000 in 2016).

Un-provided deferred tax balances have been measured using a rate of 20% (2013 - 20%). There are deferred tax assets in respect of accelerated capital allowances of £5,234,299 (2013 £4,915,068), short term timing differences of £3,230,525 (2013 £3,500,206), trading losses and non-trading deficits of £11,917,399 (2013 £14,550,845) and, capital losses of £25,237,982 (2014 £25,168,478) 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	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost							
1 January 2014	15,544	24,203	21,945	25,478	3,862	953	91,985
Additions	20	1,731	2,010	2,416	-	-	6,177
Disposals	-	(1,158)	(2,514)	(4,389)	(74)	(8)	(8,143)
Intra group transfers	-	(151)	-	146	-	-	(5)
Exchange adjustment	-	(75)	(308)	(194)	340	-	(237)
31 December 2014	15,564	24,550	21,133	23,457	4,128	945	89,777
Accumulated depreciation							
1 January 2014	3,951	15,141	18,893	20,056	2,102	946	61,089
Charge for year	376	2,603	1,571	2,465	329	4	7,348
Disposals	-	(1,156)	(2,422)	(4,211)	(74)	(6)	(7,869)
Intra group transfers	-	(150)	-	-	-	-	(150)
Exchange adjustment	-	(47)	(275)	(119)	36	-	(405)
31 December 2014	4,327	16,391	17,767	18,191	2,393	944	60,013
Net book amount							
31 December 2014	11,237	8,159	3,367	5,266	1,735	1	29,764
31 December 2013	11,593	9,061	3,054	5,422	1,760	7	30,896

IPG Holdings (UK) Limited

Notes to the consolidated financial statements for the year ended 31 December 2014 (Continued)

11 Intangible assets

Group	Restated Goodwill	Restated Trademarks	Restated Total
	£000's	£000's	£000's
Cost			
At 1 January 2014	432,852	742	433,594
Additions	1,805	9	1,814
Exchange movement	(83)	(57)	(140)
At 31 December 2014	434,574	694	435,268
Accumulated depreciation			
At 1 January 2014	146,433	736	147,169
Charge for year	22,531	7	22,538
Exchange movement	(75)	(56)	(131)
At 31 December 2014	168,889	687	169,576
Net book amount			
At 31 December 2014	265,685	7	265,692
At 31 December 2013	285,996	5	286,001

An amount of fully amortised goodwill (£8 151k) and an amount of fully amortised trademarks (£56k) which in prior years had been netted and not shown in the intangible assets note has now been restored to both cost and accumulated depreciation

12 Investments and interest in associated undertaking

Group	£000's
Interest in associate undertaking	
At 1 January 2014	51
Share of associate's operating profits for the year	10
Exchange movement	(1)
At 31 December 2014	60
At 31 December 2013	51

The associate within the group is Magna Global Polska S p z o o (Poland)

Investments in financial assets available for sale

	£000's
Investments at cost	
At 31 December 2014	5,628
At 31 December 2013	5,628

12 Investments and interest in associated undertaking (continued)

IPG Holdings (UK) Limited

Notes to the consolidated financial statements for the year ended 31 December 2014 (Continued)

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 & Partners/SMS Inc	U S A	Holding company	Holding company	15.40%

Company

Investment in subsidiaries: £'000

Cost

At 1 January 2014 221,223

Disposals (4,322)

At 31 December 2014 216,901

Provision for impairment

At 1 January 2014 45,203

Impairment for the current year 22

Impairment on disposals (4,322)

At 31 December 2014 40,903

Net book amount

At 31 December 2014 175,998

At 31 December 2013 176,020

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. No impairment indicator was identified by management and the directors believe that the carrying value of the investments is supported by their underlying net assets, except that the Company has during the year disposed of a number of subsidiaries which had been in liquidation and were fully impaired.

IPG Holdings (UK) Limited

Notes to the consolidated financial statements for the year ended 31 December 2014 (Continued)

13 Debtors: amounts falling due within one year

	Group	Restated Group	Company	Company
	2014	2013	2014	2013
	£000's	£000's	£000's	£000's
Trade debtors	285,599	275,784	-	-
Amounts owed by group undertakings	68,685	82,408	352	393
Amounts owed by associated undertakings	252	303	-	-
Other debtors	22,086	28,850	206	-
Prepayments and accrued income	30,777	29,782	29	201
Other Taxation	1,939	3,307	213	213
Corporation tax	316	670	-	-
Deferred taxation (see below)	6,337	6,916	-	-
	415,991	428,020	800	807

Amounts due from group undertakings are unsecured, repayable on demand and do not accrue interest. Certain balances within debtors in 2013 have been reclassified to more accurately reflect their nature.

Debtors: amounts falling due after more than one year

	Group	Group	Company	Company
	2014	2013	2014	2013
	£000's	£000's	£000's	£000's
Other debtors	1,079	-	-	-

Deferred taxation

Group	2014	2013
	£000's	£000's
Accelerated capital allowances	4,752	4,934
Trading losses and non-trading deficits	392	743
Capital losses	-	23
Other short term timing differences	1,193	1,216
Total deferred tax asset	6,337	6,916

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

Group	£000's
At 1 January 2014	6,916
Credited to profit and loss account	(537)
Transfers	-28
Exchange adjustment	(70)
At 31 December 2014	6,337

IPG Holdings (UK) Limited

Notes to the consolidated financial statements for the year ended 31 December 2014 (Continued)

14 Creditors: amounts falling due within one year

	Group 2014 £000's	Group 2013 £000's	Company 2014 £000's	Company 2013 £000's
Trade creditors	150,430	185,360	-	-
Bank overdrafts	452,571	453,693	111,006	107,395
Amounts owed to group undertakings	39,422	57,389	12,391	12,544
Amounts owed to associate undertakings	-	323	-	-
Corporation tax	2,051	1,850	-	-
Other creditors including taxation and social security	61,856	57,133	-	75
Accruals and deferred income	112,803	113,167	159	207
Incentive compensation plans	291	281	-	-
	819,424	869,196	123,556	120,221

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

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

15 Creditors: amounts falling due after one year

	Group 2014 £000's	Group 2013 £000's	Company 2014 £000's	Company 2013 £000's
Loans due to group undertakings	33,264	33,264	33,264	33,264
Other creditors	2,881	5,342	-	-
Accruals and deferred income	838	943	-	-
Incentive compensation plans	817	452	-	-
Deferred lease credits	1,764	3,451	-	-
Acquisition earn out / deferred consideration	7,108	6,595	-	-
	46,672	50,047	33,264	33,264

Amounts of £33.3m (2013: £33.3m) due to group undertakings are interest bearing at a rate of 5.06% (2014: 5.06%). All intercompany loans are unsecured

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

IPG Holdings (UK) Limited

Notes to the consolidated financial statements for the year ended 31 December 2014 (Continued)

16 Provisions for liabilities

	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 2014	8,261	564	7,193	961	16,979
Charge to Profit and loss	365	-	286	-	651
Unwinding discount	-	15	219	7	241
Released to Profit and loss	(3,266)	(86)	(541)	(70)	(3,963)
Exchange adjustment	(41)	-	-	(22)	(63)
Utilisation	(106)	(294)	(145)	(303)	(848)
At 31 December 2014	5,213	199	7,012	573	12,997

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 goods 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 amounts 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

	2014 Number (000's)	2013 Number (000's)	2014 £000's	2013 £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

IPG Holdings (UK) Limited

Notes to the consolidated financial statements for the year ended 31 December 2014 (Continued)

18 Reserves

Group	Called up share capital	Profit and loss account	Share premium account	Capital redemption reserve	Total
	£000's	£000's	£000's	£000's	£000's
At 1 January 2014	757	121,579	1,591	100	124,027
Profit for the financial year	-	3,090	-	-	3,090
Exchange adjustments on overseas investments	-	(366)	-	-	(366)
At 31 December 2014	757	124,303	1,591	100	126,751

Company	Called up share capital	Profit and loss account	Share premium account	Capital redemption reserve	Total
	£000's	£000's	£000's	£000's	£000's
At 1 January 2014	757	21,212	1,591	100	45,196
Loss for the financial year	-	(3,565)	-	-	(3,565)
At 31 December 2014	757	17,647	1,591	100	20,095

19 Minority interest

	2014 £000's	2013 £000's
At 1 January 2014	3,239	3,324
Minority's share of the profit/(loss) for the year	34	(177)
Minority's share of net (liabilities)/net assets	(174)	(75)
Minority Interest purchased	(173)	167
At 31 December 2014	2,926	3,239

20 Reconciliation of movement in shareholders' funds

	2014 Group £000's	2014 Company £000's	2013 Group £000's	2013 Company £000's
Shareholders' funds at 1 January 2014	124,027	23,660	189,488	45,196
Profit/(loss) for the financial year	3,090	(3,565)	(12,718)	30,729
Exchange adjustments on overseas investments	(366)	-	36	-
Dividends	-	-	(52,557)	(52,265)
Other reserves	-	-	(222)	-
Shareholders' funds at 31 December 2014	126,751	20,095	124,027	23,660

IPG Holdings (UK) Limited

Notes to the consolidated financial statements for the year ended 31 December 2014 (Continued)

21 Operating lease commitments

Operating lease commitments

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

Group	2014 £000's	2013 £000's
Buildings		
Lease expiring		
- within one year	1,245	905
- within two and five years	9,767	7,722
- after five years	5,926	9,815
	16,938	18,442
Other		
Lease expiring		
- within one year	129	135
- within two and five years	422	333
- after five years	10	8
	561	476
Company		
	2014 £000's	2013 £000's
Buildings		
Lease expiring		
- within one year	-	-

22 Guarantees

The Company has issued a financial guarantee to its subsidiaries in relation to the financial year ended on 31 December 2014 under s479C of the Companies Act 2006

23 Contingent liabilities

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

IPG Holdings (UK) Limited

Notes to the consolidated financial statements for the year ended 31 December 2014 (Continued)

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 2014 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

	2014	2013
	£000's	£000's
Total expense recognised for equity-settled share based transactions	1,607	1,302
Total expense recognised for stock options	-	(12)
Total expense recognised for cash-settled share based transactions	48	412
Total expense recognised for share based transactions	1,655	1,702
Closing liability for cash-settled share based transactions	10	96
Closing liability /other reserves for equity-settled share based transactions	2,041	1,192

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 2014, the market value of The Interpublic Group of Companies Inc shares was \$20.77 (2013 \$17.70)

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

IPG Holdings (UK) Limited

Notes to the consolidated financial statements for the year ended 31 December 2014 (Continued)

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

	2014	2014	2013	2013
	No. of stock options	Weighted average fair value (£)	No. of Stock options	Weighted average fair value (£)
Outstanding as at 1 January	16,218	£10.73	180,939	£6.82
Granted during the year	10,249	£12.81	5,230	£9.434
Transferred (to)/from a group company	-	-	5,917	£10.67
Cancelled during the year	(10,988)	£10.70	-	-
Vested during the year	-	-	(175,868)	£8.48
Outstanding at 31 December	15,479	£13.34	16,218	£10.73

Cash payments of £nil were made in 2014 (2013 £1,441,932) in respect of restricted stock units distributed to participants. Compensation expense in connection with the stock awards was £48,434 in 2014 (2013 £412,485).

Total accrued liability in relation to unvested awards as at 31 December 2014 is £10,090 (2013 £96,000).

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.

IPG Holdings (UK) Limited

Notes to the consolidated financial statements for the year ended 31 December 2014 (Continued)

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

	2014 No. of Stock options	2014 Weighted average fair value (£)	2013 No. of Stock options	2013 Weighted average fair value (£)
Outstanding as at 1 January	401,992	£10.73	262,631	£6.82
Granted during the year	289,673	£10.57	152,577	£8.42
Transferred (to)/from a group company	(7,379)	£9.77	-	-
Cancelled during the year	(92,143)	£11.10	(13,216)	£9.35
Vested during the year	(103,719)	£10.55	-	-
Outstanding at 31 December	488,424	£13.34	401,992	£10.73

Compensation expense in connection with the restricted stock awards was £1,606,876 in 2014 (2013 £1,301,959). 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

	2014 No. of Stock options	2014 Weighted average fair value (£)	2013 No. of stock options	2013 Weighted average fair value (£)
Outstanding as at 1 January	48,759	£10.73	221,174	£6.82
Granted during the year	-	-	-	-
Transferred to a group company	-	-	-	-
Cancelled during the year	-	-	-	-
Vested during the year	(18,000)	£11.44	(172,415)	£8.53
Outstanding at 31 December	30,759	£13.34	48,759	£10.73

There were no stock options granted during the year ended December, 2014. The grant-date fair value per option using the Black-Scholes option-pricing model was \$4.14 in 2013. The significant inputs into the model were weighted average share price and the exercise price of \$4.14 in 2013 at the grant date, volatility of 40.2%, dividend yield of 2.4%, an expected option life of 6.9 years and an annual risk-free interest rate of 1.3%.

Compensation expense in connection with the restricted stock awards was £nil (2013 £12,789). 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.

Notes to the consolidated financial statements for the year ended 31 December 2014
(Continued)

24 Share based payments (continued)

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 and 2012 was \$4.14, and \$4.24, respectively.

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

	2014	2013
Expected volatility ¹	-	40.20%
Expected term (years) ²	-	6.9
Risk free interest rate ³	-	1.30%
Expected dividend yield ⁴	-	2.40%

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 ratably 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 \$0.38 per share in 2014, \$0.30 per share in 2013 and \$0.24 per share in 2012.

25 Pensions

Defined contributions scheme

The Group participates in a number of defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in an independently administered fund. The pension cost represents contributions payable by the Group to the fund and amounted to £8,361,398 (2013: £6,747,000). At 31 December 2014, £449,587 remained unpaid and accrued (2013: £362,184).

Defined benefit scheme

Twelve subsidiary companies in the consolidation, along with other companies in the IPG Group also participate 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 IPG Group, are unable to identify their share of the underlying assets and liabilities in the Plan and therefore account for their 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.

IPG Holdings (UK) Limited

Notes to the consolidated financial statements for the year ended 31 December 2014 (Continued)

25 Pensions (continued)

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)

Retirement Age between ages of 56 and 60

Mortality base table S1 (SAPS) tables adjusted by a weighting of 86% males and 89% females

Mortality future improvements Males and females – 2011 CMI projection model with 1.5% p.a. long-term improvement

Commutation approx 50% of members will take max cash on rates in force at time of valuation

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 2013, 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 financial statements amounted to £7,192,273 during the year (2013: £4,845,421).

26 Subsidiary financial statements 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 financial statements by virtue of section 479A.

Name	Co. No.	Registered Office	Share Class(es)	Share Class %
Blue Barracuda Marketing Limited	4342237	3 Grosvenor Gardens, London, SW1W 0BD	Ord A £0.01 Ord B £0.01	100 100
Caudex Medical Limited	3759372	1st Floor, East Wing, Seacourt Tower, West Way, Oxford, OX2 0JJ	Ord £1	100
ChaseDesign Worldwide Limited	1973547	3 Grosvenor Gardens, London, SW1W 0BD	Ord £1	100
CMGRP Holdings Limited	3389561	3 Grosvenor Gardens, London, SW1W 0BD	Ord £1	100
CMGRP UK Limited	2442501	3 Grosvenor Gardens, London, SW1W 0BD	Ord £1	100
Complete Medical Group Worldwide Limited	2709932	CMC House, 19 King Edward Street, Macclesfield, Cheshire, SK10 1AQ	Ord £1	100
Creation Communications Limited	5619191	3 Grosvenor Gardens, London, SW1W 0BD	Ord £1	100
CSIB (No 1) Limited	7242304	3 Grosvenor Gardens, London, SW1W 0BD	Ord £1	100
Delaney Lund Knox Warren and Partners Limited	1286253	60 Sloane Avenue, London, SW3 3XB	Ord £1	100

IPG Holdings (UK) Limited

Notes to the consolidated financial statements for the year ended 31 December 2014 (Continued)

Name	Co. No.	Registered Office	Share Class(es)	Share Class %
DLKW Lowe Limited	680779	60 Sloane Avenue, London, SW3 3XB	Ord £1 Ord A £1	100 100
Engels (No 1) Limited	515994	3 Grosvenor Gardens, London, SW1W 0BD	Ord £1	100
FBC (FutureBrand) Limited	2658364	60 Sloane Avenue, London, SW3 3XB	Ord £1	100
FCB Europe Limited	3007253	3 Grosvenor Gardens, London, SW1W 0BD	Ord £1	100
FCB Inferno Limited	2586852	31 Great Queen Street, London, WC2B 5AE	Ord £1	100
Huge UK Limited	4235088	60 Sloane Avenue, London, SW3 3XB		
ICC Health Limited	6367844	3 Grosvenor Gardens, London, SW1W 0BD	Ord £1	100
Inferno Limited	2604658	31 Great Queen Street, London, WC2B 5AE	Ord £0 01	100
Interpublic GIS (UK) Limited	2724363	3 Grosvenor Gardens, London, SW1W 0BD	Ord £1	100
IPG PFP General Partner Limited	SC412766	1 Exchange Crescent, Conference Square, Edinburgh, Scotland, EH3 8UL,	Ord £1	100
IPG PFP Limited Partner Limited	SC412768	1 Exchange Crescent, Conference Square, Edinburgh, Scotland, EH3 8UL,	Ord £1	100
Jack Morton Worldwide Limited	3189671	16-18 Acton Park Industrial Estate, The Vale, London, W3 7QE	Ord £1	100
Lakestar Media Limited	6413960	Bonis Hall, Prestbury, Macclesfield, Cheshire, SK10 4EF	Exec £0 01 Ord £0 01	100 100
Lowe & Partners Worldwide Limited	506057	60 Sloane Avenue, London, SW3 3XB	Ord £1	100
Lowe International Limited	1709017	60 Sloane Avenue, London, SW3 3XB	Ord £0 10	100
Lowe Open Limited	3556415	60 Sloane Avenue, London, SW3 3XB	Ord £1	100
McCann Complete Medical Limited	2503062	CMC House, 19 King Edward Street, Macclesfield, Cheshire, SK10 1AQ	Ord £1	100
McCann Manchester Limited	1993425	Bonis Hall, Prestbury, Macclesfield, Cheshire, SK10 4EF	Ord £1	100
McCann-Erickson Advertising Limited	1372305	7-11 Herbrand Street, London, WC1N 1EX	Ord £1	100
McCann-Erickson Central Limited	1983874	McCann House, Highlands Road, Shirley, Solihull, West Midlands, B90 4WE	Ord £1	100
McCann-Erickson EMEA Limited	830956	7-11 Herbrand Street, London, WC1N 1EX	Ord £1	100
McCann-Erickson Healthcare UK Limited	687406	3 Grosvenor Gardens, London, SW1W 0BD	Ord £1	100
McCann-Erickson Network Limited	1977043	Bonis Hall, Prestbury, Macclesfield, Cheshire, SK10 4EF	Ord £1	100
McCann-Erickson UK Group Limited	3640484	3 Grosvenor Gardens, London, SW1W 0BD	Ord £1	100
Mediabrand EMEA Limited	1206089	3 Grosvenor Gardens, London, SW1W 0BD	Ord £1	100
Mediabrand International Limited	3970701	3 Grosvenor Gardens, London, SW1W 0BD	Ord £1	100
Mediabrand Limited	773961	3 Grosvenor Gardens, London, SW1W 0BD	Ord £1	100
Miller Starr Limited	2107814	Bankside Studios, 76-80 Southwark Street, London, SE1 0PN	Ord £1	100
Momentum Activating Demand Limited	7949786	3 Grosvenor Gardens, London, SW1W 0BD	Ord £1	100
MRM Worldwide (UK) Limited	2507164	3 Grosvenor Gardens, London, SW1W 0BD	Ord £100	100
Octagon Athlete Representation Limited	1064273	3 Grosvenor Gardens, London, SW1W 0BD	Ord £1	100
Octagon Worldwide Limited	2704128	3 Grosvenor Gardens, London, SW1W 0BD	Ord £1	100
Orion Trading EMEA Limited	3404334	3 Grosvenor Gardens, London, SW1W 0BD	Ord £1	100
R/GA Media Group Limited	2366324	3 Grosvenor Gardens, London, SW1W 0BD	Ord £1	100
Rapport Outdoor Limited	2230412	4th Floor, The Place, 175 High Holborn, London, WC1V 7AA	Ord £1	100
The Martin Agency Limited	8684283	3 Grosvenor Gardens, London, SW1W 0BD	Ord £1	100

IPG Holdings (UK) Limited

Notes to the consolidated financial statements for the year ended 31 December 2014 (Continued)

Name	Co. No.	Registered Office	Share Class(es)	Share Class %
Weber Shandwick International Ltd	2258441	3 Grosvenor Gardens, London, SW1W 0BD	Ord £1	100

27 Subsidiary financial statements audit exemptions (Continued)

Dormant subsidiaries: (not utilising S479A)

Name	Co. No.	Registered Office	Share Class(es)	Share Class %
Hustle Digital Limited	9301204	3 Grosvenor Gardens, London, SW1W 0BD	Ord £1	100
Traction 360 Limited	1983879	Discovery House, Redcliff Quay, 125 Redcliff Street, Bristol, BS1 6HU	Ord £1	100
Virgo Health PR Limited	1993918	3 Grosvenor Gardens, London, SW1W 0BD	Ord £1	100
Lowe & Partners Limited	7258427	60 Sloane Avenue, London SW3 3XB	Ord £1	100

Foreign subsidiaries: (not utilising S479A)

Name	Country	Registered Office	Share Class(es)	Ultimate %
Cadreon Belgium BVBA	Belgium	Ildefonse Vandammestraat 5-7D, 1560 Hoeilaart, Belgium	Ord NPV	100
Orion Capital Belgium BVBA	Belgium	I Vandammestraat 5-7D, 1560 Hoeilaart, Belgium	Ord NPV	96 020
McCann-Erickson N V	Belgium	Avenue de Cortenbergh 100, 1000 Brussels, Belgium	Ord NPV	100
Mediabrandis Belgium S A	Belgium	I Vandammestraat 5-7D, 1560 Hoeilaart, Belgium	Ord NPV	96
McCann Complete Medical Canada Limited	Canada	207 Queen's Quay West, Suite 400, Toronto ON M5J 1A7, Canada	Ord NPV	100
hackeragency s r o	Czech Rep	Jankovcova 1522/53, Prague 7- Holesovice, 17000, Czech Republic	Ord CZK1	100
FCB Estonia OU	Estonia	Liivalaia 22, Tallinn , 10118 , Estonia	Ord €1	100
Outdoor Services S A	Greece	I Vandammestraat 5-7D, 1560 Hoeilaart, Belgium	Ord €56	96
Initiative Media Advertising S A	Greece	89-91 Ethnikis Antistaseos Street, 15231 Halandri, Athens, Greece	Ord €3	99 982
Lowe Communications S A	Greece	89-91 Ethnikis Antistaseos Street, 15231 Halandri, Athens, Greece	Ord €3	99 999
Mediabrandis Advertising S A	Greece	89-91 Ethnikis Antistaseos Street, 15231 Halandri, Athens, Greece	Ord €3	99 999
Universal Media Advertising (Hellas) S A	Greece	89-91 Ethnikis Antistaseos Street, 15231 Halandri, Athens, Greece	Ord €3	99 516
Magna Ireland Media Limited	Ireland	5th Floor, Beaux Lane Hs, Mercer Street Lower, Dublin 2, Ireland	Ord A, B, C, €1	50
McCann Worldgroup Sp z o o	Poland	Cybernetyki 19, 02-677, Warsaw, Poland	Ord PLN500	100
Craft Worldwide Sp z o o	Poland	Cybernetyki 19, 02-677, Warsaw, Poland	Ord PLN500	100
U2 Media Sp z o o	Poland	Cybernetyki 19, 02-677, Warsaw, Poland	Ord PLN500	100
Universal McCann Sp z o o	Poland	Cybernetyki 19, 02-677, Warsaw, Poland	Ord PLN500	100
Magna Global Polska Sp z o o	Poland	ul Domaniewska 39, 02-672, Warsaw, Poland	Ord PLN500	33 33
Reprise Media Sp z o o	Poland	Cybernetyki 19, 02-677, Warsaw, Poland	Ord PLN50	50
R/GA Digital Media Group SRL	Romania	50-52 Buzesti Street, Floor 2, Sector 1, Bucharest, 011015, Romania	Ord RON10	100
FCB Zurich GmbH	Switzerland	Heinrichstrasse 267, 8005, Zurich, Switzerland	Ord CHF1,000	100

IPG Holdings (UK) Limited

Notes to the consolidated financial statements for the year ended 31 December 2014 (Continued)

28 Post balance sheet events

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

29 Ultimate parent undertaking and controlling party

The immediate parent undertaking is IPG Europe 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 2014. 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.