McCann Manchester Limited

Strategic report, Directors' Report and Financial Statements

Year ended 31 December 2014

(Registered Number: 1993425)

Strategic report for the year ended December 2014

The directors present their strategic report on McCann Manchester Limited ("the Company") registered number 1993425 for the year ended 31 December 2014

Principal activities

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

Business review and results

The Company's pre-tax profit for the year is £3,918k (2013 £2,889k) and the Company generated turnover of £124,348k (2013 £110,608k) The Company has cash reserves at the year end of £30,389k (2013 £35,896k) and net assets of £47,561k as at 31 December 2014 (2013 net assets of £44,047k)

In 2014 the agency continued the growth trend through a combination of new business wins and increased activity with its existing client base The agency continues to invest in its creative and digital offerings, enabling campaigns to be produced and delivered across a wide variety of channels

We had a specific set of goals in this, the year of the World Cup keep our award-winning mentality, seek new business growth, attract more talent to the creative department and make our photographic facility a true all round player in the market

In the Summer, an IPA Silver was won on the back of the successful Aldi Swap & Save Campaign IPAs are hugely valuable as they are judged on a hard won combination of effectiveness and creativity Aldi again hit the target with two Silver Arrows at the British Television Advertising Awards and two Silver Epicas in Europe In Pharmaceutical, the inspirational 'Olly & Red' campaign, featuring a fiery dragon as a metaphor for ADHD, came into existence and is already picking up awards wherever it is entered There was also a major creative push for business in the Middle East in July when McCann Manchester, working with McCann London, began developing work for the City of Dubai The result being the allocation of a huge project for the Dubai Expo in 2020

The agency's photography and motion studio has almost doubled in size and will grow further this year Fully functioning cookery theatre areas have been installed and the team and talent has grown Most importantly, the standard of food photography continues to surprise and delight

With 16% growth in headcount during 2014, McCann Manchester continues to go from strength to strength and our focus on our people has never been more evident Along with providing the general business as usual support to an agency the size and scale of McCann Manchester, our talent strategy in 2014 specifically focussed on increasing our pool of junior creative talent, upskilling our Health & Wellbeing specialists, and improving our new business conversion rates

As a result, our achievements included successfully recruiting 128 new starters including 6 trainee creatives via a bespoke Creative Summer School The performance review process across the agency contributed to 60 promotions, of which 3 were within the Health & Wellbeing team, 15 department transfers, 1 overseas secondment and 2 senior transfers to the wider McCann Worldgroup network A targeted L&D initiative contributed to a new business conversion rate increase of 6% Finally, we supported over 10,000 CPD hours across 130 L&D initiatives and over 1,000 individual participants

Our efforts have also been externally recognised by the IPA, our professional industry body Building on four successive years of being awarded Gold for the continuous professional development of our employees, we were awarded the highly prestigious Platinum Award in 2014 As one of only 13 agencies in the UK to receive this accolade, we are very proud of this achievement

Strategic report for the year ended December 2014 (continued)

Key performance indicators ("KPIs")

The following are key performance indicators of the business

Revenue
Revenue for the year £24,321k (2013 £20,823k)

Revenue growth
Growth in revenues from continuing operations in the year £24,321k (2013 £20,800k)
(adjusted for one off and exceptional items)

Operating Margin (%)
Ratio of operating profit to gross income in the year 15% (2013 13%)
(expressed as a percentage and excluding exceptional and one-off items)

Operating profit
Operating profit for the year £3,678k (2013 £2,625k)
(adjusted for one off and exceptional items)

Principal risks and uncertainties

McCann Manchester Limited is a wholly owned subsidiary of The Interpublic Group of Companies, Inc The principal risks and uncertainties of The Interpublic Group of Comapnies, Inc, are discussed in that Company's annual report which does not form part of this report The principal risks facing our Company relate to attracting and retaining major clients in the face of the continued competition in the marketplace and ensuring we retain, as well as continue to develop our people and talent

Future Outlook & Strategy

2015 has started well with continued organic growth and work coming in from clients secured in 2014

The agency continues to focus on developing and broadening the integrated offering across creative, production and digital By further augmenting the relationship with Lakestar McCann, the agency is now recognised as a Top 50 UK Digital Agency and the new product offering CRO (Conversion Rate Optimisation) will be a significant opportunity for future digital growth

By order of the Board

E Wann
Director
18 June 2015

Directors' report for the year ended December 2014

The dırectors present theır report and the fınancıal statements of McCann Manchester Lımıted ("the Company") regıstered number 1993425 for the year ended 31 December 2014

Directors

The dırectors who held offıce durıng the year, and up to the date of sıgnıng the fınancıal statements, are gıven below

MJ Jackson
SA Lıttle
E Wann

At no tıme durıng the year has any dırector had a materıal ınterest ın a contract wıth the Company ın relatıon to the busıness of the Company or the ındıvıdual

Audit exemption

Advantage has been taken of the audıt exemptıon avaılable for subsıdıary companıes conferred by section 479A of the Companıes Act 2006 on the grounds
a that for the year ended 31 December 2014 the Company was entıtled to the exemptıon from a statutory audıt under sectıon 479A of the Companıes Act 2006 relatıng to subsıdıary companıes, and
b that no notıce has been deposıted under sectıon 476 of the Companıes Act 2006 ın relatıon to the fınancıal statements for the fınancıal year

Dıvıdend

No dıvıdend was paıd durıng the fınancıal year (2013 £nıl) The dırectors do not recommend the payment of a fınal dıvıdend (2013 - £nıl)

Fınancial Rısk Management

The Company's operatıons expose ıt to a varıety of fınancıal rısks that ınclude the effects of changes ın prıce rısk, credıt rısk, lıquıdıty rısk and ınterest cash flow rısk

Gıven the sıze of the Company, the dırectors have not delegated the responsıbılıty of monıtorıng fınancıal rısk management to a sub-commıttee of the board The polıcıes set by the board of dırectors are ımplemented by the Company's fınance department The department monıtors cırcumstances to determıne where ıt would be approprıate to use fınancıal ınstruments to manage fınancıal rısks

Prıce risk
The Company ıs exposed to vendor prıce rısk as a result of ıts operatıons However, the dırectors consıder the rısks to be mınımal and that the costs of managıng any exposure to vendor prıce rısk exceeds any potentıal benefıts The dırectors wıll contınue to monıtor the approprıateness of thıs polıcy The company has no exposure to equıty securıtıes prıce rısk as ıt holds no lısted or other equıty ınvestments

Credıt risk
The Company has ımplemented polıcıes that requıre approprıate credıt checks on potentıal clıents before servıces are provıded and where possıble ınsures trade receıvables

Lıquıdıty risk
The Company has no debt fınance

Interest rate cash flow risk
The Company has ınterest bearıng assets ıncludıng cash balances, all of whıch earn ınterest at varıable rates The Company places cash on short term deposıt dependıng on the avaılabılıty of funds

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

Corporate social responsibility

The Company is committed to its CSR policy, which reflects and complements its core business goals The Company is therefore focused on maximising benefits to all stakeholders by identifying where social and commercial interests intersect, harnessing creativity and innovation to create social and brand value

Employment of disabled person

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

Employee involvement

Employees are informed regularly about aspects of the business and its progress which the Company considers relevant to them, including communications through management channels or in writing as appropriate

The Company involves employees in matters of concern to their jobs and work situation and endeavours to maintain a sense of identity with the Company's aims and objectives The effectiveness of employee communication is regularly reviewed by the directors and improvements implemented as required Regular company updates to all staff are held

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

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

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

By order of the Board

E Wann
Director
18 June 2015

Profit and loss account for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Turnover	2	**124,348**	110,608
Cost of sales		**(100,027)**	(89,785)
Revenue		**24,321**	20,823
Administrative expenses		**(20,643)**	(18,198)
Operating profit		**3,678**	2,625
Interest receivable and similar income	3	240	264
Profit on ordinary activities before taxation	4	**3,918**	2,889
Tax on profit on ordinary activities	7	**(404)**	183
Profit for the financial year	14	**3,514**	3,072

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 is no material difference between the profit/(loss) on ordinary activities before taxation and the retained profit/(loss) for the current year and prior year stated above and their historical cost equivalents

All results derive from continuing operations

The attached accounting policies and notes form a part of these financial statements

Balance Sheet as at 31 December 2014

	Notes	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	8	7,758	7,865
Current assets			
Work in progress		3,217	1,931
Debtors due within one year	9	33,033	22,743
Marketable securities	10	14	-
Cash at bank and in hand		30,389	35,896
		66,653	60,570
Creditors amounts falling due within one year	11	**(26,850)**	(24,388)
Net current assets		**39,803**	36,182
Total assets less current liabilities		**47,561**	44,047
Net assets		**47,561**	44,047
Capital and reserves			
Called-up share capital	13	23	23
Share premium account	14	5,245	5,245
Profit and loss account	14	42,293	38,779
Shareholders' funds	15	**47,561**	44,047

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

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

The financial statements on pages 5 to 18 were approved by the board of directors on 18 June 2015 and signed on its behalf by

E Wann
Director

Notes to the financial statements – 31 December 2014

1 Accounting policies

These financial statements have been prepared on the going concern basis, under the historical cost
convention, in accordance with applicable accounting standards in the UK and the Companies Act 2006
The principal accounting policies which have been applied on a consistent basis, are set out below

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of
Interpublic Limited which prepares consolidated financial statements which are publicly available
The Company is also, on this basis, exempt from the requirements of FRS1 (revised 1996) to prepare a cash flow statement

The directors have taken advantage of the exemption in FRS8 from disclosing transactions with related
parties that are part of the Interpublic Group of Companies Inc There are no other related party transactions

a) Turnover

Turnover represents amounts receivable from clients exclusive of value added tax, in respect of billings for media advertising, production work and fees for services provided during the year This includes the billings for 'pass through' expenses which are incurred where we act as agents on behalf of clients, and which are then deducted under the heading 'cost of sales' to arrive at revenue

b) Revenue

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

c) Operating Leases

Operating lease rentals are charged to the profit and loss account in the year in which they fall due

d) Pension Scheme Arrangements

The Company is an adhered member of the Interpublic Pension Plan, a defined benefit scheme Pension costs are accounted for in accordance with FRS17 on the basis of contributions paid to the Interpublic Pension Plan Details of the scheme are given in the Financial Statements of Interpublic Limited and are referred to in note 16 For Defined Contribution schemes, the amount charged to the profit and loss account in respect of pension costs is the contribution payable in the year Differences between contributions payable in the year and contributions actually paid are shown as accruals in the balance sheet

e) Tangible fixed assets

Tangible assets are stated at cost less accumulated depreciation

Depreciation is provided at such rates as will write off the cost of tangible fixed assets over their expected useful lives The annual depreciation rates used are

Buildings	2 83%
Fixtures, fittings and office equipment	10%-33 33%

f) 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

g) Deferred Taxation

Provision is made for deferred tax liabilities and assets, using full provision accounting, otherwise known as the incremental liability method, when an event has taken place by the balance sheet date which gives rise to an increased or reduced tax liability in the future in accordance with FRS 19

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

A deferred tax asset is recognised if the directors believe it is more likely than not that the asset will be utilised

A net deferred tax 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, under group tax arrangements, there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted

h) Deferred income

Where payments are received from clients in advance of services provided, the amounts are recorded as deferred income and included as part of Creditors due within one year

i) Foreign Currencies

Transactions in foreign currencies are recorded at rates ruling at the date of the transaction Monetary assets and liabilities in foreign currencies are expressed in sterling at the rates ruling at the balance sheet date Exchange differences arising on translation are reflected in the profit and loss account

j) 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 year 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

k) 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

l) Netting-off policy

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

(i) The 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

2 Turnover

	2014 £'000	2013 £'000
By geographical region		
UK	**124,348**	110,608
Less cost of sales	**(100,027)**	(89,785)
	24,321	20,823

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

3 Interest receivable and similar income

	2014 £'000	2013 £'000
Interest receivable from overnight deposits	**214**	168
Interest receivable on intercompany loans	**26**	96
	240	264

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

4 Profit/(Loss) on Ordinary Activities before Taxation

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

	2014 £'000	2013 £'000
Depreciation		
- Tangible fixed assets – owned	516	473
Exceptional item – release of provisions and charges	0	(23)
Remuneration of auditors		
- Auditors' remuneration audit related services	56	39
Operating lease rentals		
- Cars	36	28
- Other – office and office related	97	83
Salaries and wages (note 5)	14,085	12,818
Pension cost (note 16)		
- Defined contribution	565	289
- Defined benefit	422	422
Severance expenses	60	198
Bad debt - provision increase	69	3
Exchange loss	96	10

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

5 Employee costs

Staff costs, including directors' emoluments	2014 £'000	2013 £'000
Salaries and wages	10,715	10,082
Social security costs	1,300	1,282
Other pension costs (note 16)	1,991	1,187
Share based payments	19	69
Severance costs	60	198
Employee costs	14,085	12,818

	2014 Number	2013 Number
Consultancy	243	208
Administration	50	44
Average number employed	293	252

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	293	252

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

6 Directors' emoluments

Directors' emoluments excluding pension contributions, all of which were in respect of services as directors for the year, amounted to £664,000 (2013 - £730,000)

Highest paid director	2014 £'000	2013 £'000
Remuneration (excluding pension)	421	410
Payments made in respect of Share Based Incentives	0	63
Accrued pension at 31 December in respect of defined benefit scheme	104	104
	525	577

Retirement benefits are accruing to 2 directors under a defined benefit scheme (2013 2)
Retirement benefits are accruing to 1 director under a defined contribution scheme (2013 1)
Awards are receivable by 1 (2013 1) director in the form of share based incentive schemes

7 Tax on profit/(loss) on ordinary activities

The (credit) / charge for taxation for the year which has been provided at 21 50% (2013 23 25%) is based on the results for the year and comprises

	2014 £'000	2013 £'000
UK Corporation tax		
Current taxation	0	0
Adjustments in respect of prior years	0	0
Total current tax	0	0
Deferred taxation		
Origination & reversal on timing differences	360	(441)
Adjustment in respect of prior year	0	258
Rate change on opening balance provided	44	0
Total deferred taxation	404	(183)
Tax on (loss)/profit on ordinary activities	404	(183)

The standard effective rate of corporation tax in the UK is 21 50% for the year ended 31 December 2014

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

Factors affecting the tax charge/(credit) for the period

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

	2014 £'000	2013 £'000
(Loss)/Profit on ordinary activities before taxation	**3,918**	2,889
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21 50% (2013 23 25%)	**842**	672
Effects of		
Expenses not deductible for taxation purposes – other	**68**	54
Capital allowances in excess of depreciation	**(219)**	64
Other short term timing differences	**(286)**	(267)
Group relief for nil consideration	**(405)**	(523)
Adjustments in respect of prior periods	**0**	0
Current tax for the year	**0**	0

Factors affecting current and future tax charges

A change to the UK Corporation Tax rate reducing it from 21% to 20% effective from the 1st 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% (2013 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 £8,743 (being a reduction of £8,743 in 2016)

8 Tangible assets

	Land & buildings £'000	Computer equipment £'000	Fixtures & fittings £'000	Total £'000
Cost				
At 1 January 2014	**10,012**	**1,261**	**585**	**11,858**
Additions	**20**	**195**	**194**	**409**
Disposals	**0**	**(87)**	**0**	**(87)**
At 31 December 2014	**10,032**	**1,369**	**779**	**12,180**
Accumulated depreciation				
At 1 January 2014	**2,805**	**865**	**323**	**3,933**
Charge for year	**263**	**180**	**73**	**516**
Disposals	**0**	**(87)**	**0**	**(87)**
At 31 December 2014	**3,068**	**958**	**395**	**4,422**
Net book amount				
At 31 December 2014	**6,964**	**411**	**383**	**7,758**
At 31 December 2013	7,207	396	262	7,865

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

9 Debtors

Amounts falling due within one year

	2014 £'000	2013 £'000
Amounts due from Group undertakings	**816**	734
Trade debtors	**30,899**	20,293
Deferred tax asset	**708**	1,113
Prepayments and accrued income	**610**	603
	33,033	22,743

The deferred tax asset comprises	2014 £'000	2013 £'000
Accelerated capital allowances	**671**	812
Short term timing differences	**37**	301
Total deferred tax asset	**708**	1,113

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

Assets at start of the year	1,113	930
- Prior year adjustment		(258)
- Deferred tax (charge)/credit in profit and loss account (note 7)	(361)	441
- Rate change on opening balance	(44)	
	708	1,113

10 Marketable securities

	2014 £'000	2013 £'000
Marketable Securities	**14**	0

The marketable securities have been granted in settlement of the debt held with American Airlines at the point they filed for Chapter 11 in the U S A The market value of the marketable securities is not materially different from their carrying value

11 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Amounts due to Group undertakings	**2,840**	405
Corporation tax	**144**	144
Trade creditors	**11,263**	15,249
Other creditors including taxation and social security	**3,805**	3,518
Accruals and deferred income	**8,798**	5,072
	26,850	24,388

In respect of amounts owed to other group undertakings, these amounts are not interest bearing and are repayable on demand

12 Long Term Incentive Plans

The Interpublic Group of Companies, Inc Issue stock and cash based incentive awards to our employees under a plan established by The Interpublic Group of Companies, Inc McCann Manchester Limited, along with other companies in the Interpublic group, participates in the Interpublic Group of Companies, Inc Long Term Incentive Plans (LTIP) Refer to The Interpublic Group of Companies, Inc 2013 Form 10-K for further disclosures related to its share-based incentive plans

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

	2014	2013
	£'000	£'000
Total expense recognised for equity-settled share based transactions	**50**	0
Total expense recognised for cash-settled share based transactions	**0**	25
Total expense recognised for share based transactions	**50**	25
Closing liability for cash-settled share based transactions	**0**	0
Closing liability /other reserves for equity-settled share based Transactions	**0**	0

Cash Settled Time Based Restricted Stock Units

Under the LTIP, 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

Stock-based compensation expense related to these units is amortised 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

12 Long Term Incentive Plans (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		2013	
	Number of units	Weighted average fair value per unit (£)	Number of units	Weighted average fair value per unit (£)
Outstanding as at 1 January	-	-	7,396	6 82
Vested during the year	-	-	-	-
Granted during the year	-	-	-	-
Released during the year	-	-	(7,396)	6 82
Outstanding as at 31 December	-	-	-	-

Cash payments of £nil were made in 2014 (2013 £62,621) in respect of restricted stock units distributed to participants Compensation expense in connection with the stock awards was £nil (2013 £24,638) Total accrued liability in relation to unvested units as at 31 December 2014 is £nil (2013 £nil)

13 Called up share capital

	2014 Number (000's)	2013 Number (000's)	2014 £'000	2013 £'000
Authorised				
Ordinary shares of £ 1 each	23	23	23	23
Allotted and fully paid				
Ordinary shares of £ 1 each	23	23	23	23

14 Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2014	5,245	38,779	44,024
Profit for the year	0	3,514	3,514
At 31 December 2014	**5,245**	**42,293**	**47,557**

15 Reconciliation of movement in equity shareholders' funds

	2014 £'000	2013 £'000
Opening shareholders' funds at 1 January	44,047	40,975
Profit for the year	3,514	3,072
Closing shareholders' funds at 31 December	**47,561**	44,047

16 Pensions

Defined contribution scheme

The Company participates in a defined contribution pension scheme The assets of the scheme are held separately from those of the Company in an independently administered fund The pension cost represents contributions payable by the Company to the fund and amounted to £565,000 (2013 £ 289,000) As at 31 December 2014 contributions of £54,390 (2013 £29,922) had not been paid over to the pension schemes

Defined benefit scheme

The Company, along with other companies in The Interpublic Group of Companies, Inc also participates in the Interpublic Pension Plan ("the Plan"), which is a defined benefit plan providing benefits based on members' service and pensionable earnings McCann Manchester Limited, along with other companies in the Group, is unable to identify its share of the underlying assets and liabilities in the Plan and so accounts for its participation in the Plan as a defined contribution plan, with contributions payable being charged to the profit & loss account in the period to which they relate, in accordance with FRS17

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%	
Rate of price Inflation	2 6%	
Rate of pay increases (before promotional increases)	3 3%	
Rate of pension increases	3 2%	(benefits up to 30 June 2007)
Rate of pension increases	2 1%	(benefits from 1 July 2007)
Benefits subject to an annual cap of	5 0%	(benefits up to 30 June 2007)
Benefits subject to an annual cap of	2 5%	(benefits from 1 July 2007)

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

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

The cost of contributions to the Plan by the Company amounted to £1,426,000 during the year (2012 £900,000)

17 Operating Lease Commitments

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

Group

	2014	2013
	£000's	£000's
Buildings		
Lease expiring		
- within one year	**-**	-
- within two to five years	**54**	36
	54	36
Other		
Lease expiring		
- within one year	**12**	55
- within two to five years	**62**	10
	74	65

18 Contingent liabilities

The Company is party to group banking arrangements whereby the bank has the right to offset positive cash balances against borrowings on other group companies

19 Ultimate parent undertaking and controlling party

The immediate parent undertaking is McCann-Erickson Network Limited, a company registered in England and Wales

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, SW1W OBD