

# Lakestar Media Limited

## Directors' Report, Strategic Report and Financial Statements

Year ended 31 December 2015

Registered Number: 6413960



## **Strategic Report for the year ended 31 December 2015**

The directors present their strategic report of Lakestar Media Limited (the "Company"), registered number 6413960 for the year ended 31 December 2015

### **Principal activities and review of the business**

Lakestar Media Limited provides a range of digital marketing services in the United Kingdom. The core service offerings are SEO (Search Engine Optimisation) and PPC (Pay Per Click) and these two services account for around 80% of revenue. The Company also offers display, social media, affiliate marketing and performance marketing. The Company's profit for the year is £802,000 (2014 profit of £990,000) and generated turnover of £4,547,000 (2014 £7,892,000). The Company has cash reserves at the year end of £4,399,000 (2014 £3,830,000) and net assets of £5,046,000 as at 31 December 2015 (2014 net assets of £4,244,000).

### **Key performance indicators**

The following are key performance indicators of the business

#### **Revenue**

Revenue for the year £3,334,000 (2014 £4,072,000)

#### **Operating Margin (%)**

Ratio of operating profit to gross income in the year 25% (2014 24%)  
(expressed as a percentage and excluding exceptional and one-off items)

#### **Operating profit**

Operating profit for the year £839,000 (2014 profit £964,000)  
(adjusted for one off and exceptional items)

### **Principal risks and uncertainties**

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of The Interpublic Group of Companies, Inc. and are not managed separately. These risks are discussed in The Interpublic Group of Companies, Inc. annual financial statements for the year ended 31 December 2015, which does not form part of this report. Copies of The Interpublic Group of Companies, Inc. consolidated financial statements can be obtained from

The Interpublic Group of Companies, Inc.  
909 Third Avenue  
New York, NY 10022 U S A

### **Strategy and future developments**

The market in 2016 continues to be a challenge, as changes in digital technology continue to shape the landscape of the industry. The company remains in a strong position following the maturity of the SEO and CRO offerings, further developed in conjunction with McCann Manchester Ltd.

Lakestar Media merged with McCann Manchester in the first quarter of 2016, bringing to market a best-in-class, fully integrated digital proposition. An enhanced and broader digital product, coupled with investment and growth in specialist talent, will continue to drive 2016 strategic objectives alongside McCann Worldgroup.

On behalf of the Board



E Wann  
Director

27 July 2016

# **Lakestar Media Limited**

## **Directors' Report for the year ended 31 December 2015**

The directors present their report and the financial statements of Lakestar Media Limited (the "Company") registered number 6413960 for the year ended 31 December 2015

### **Future developments**

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

### **Dividends**

The Directors did not recommend the payment of a dividend during the year

### **Objectives and policies**

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

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

### **Financial risk management**

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

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Company's finance department. The department follows the policy and procedures manual provided by The Interpublic Group of Companies, Inc that sets out specific guidelines to manage credit and liquidity risks. Interest rate cash flow risk is managed by The Interpublic Group of Companies, Inc.

### **Credit risk**

The Company has implemented policies to monitor customer debt levels and to ensure that excessive credit is not extended to any particular customer. This provides the business with visibility of balances and ensures that no further credit is extended in cases where this is not merited. The company also has credit insurance where appropriate. The maximum exposure to credit risk at 31 December 2015 was mainly as follows: trade debtors £623,000, amounts owed by group undertakings £375,000, other debtors £7,000 and prepayments and accrued income £144,000 (2014: £999,000, £31,000, £11,000, £211,000 respectively).

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

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

### **Liquidity risk**

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

# **Lakestar Media Limited**

## **Directors' Report for the year ended 31 December 2015 (continued)**

### **Political donations**

The Company made no political donations in 2015 (2014 nil)

### **Branches outside the UK**

The Company has no branches outside the UK

### **Disabled employee note**

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

### **Employee involvement**

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

### **Directors**

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

MJ Jackson  
SA Little  
E Wann

### **Events post statement of financial position**

Since the year end the following material event occurred

On 31st March 2016, the trade and assets of the Company were transferred to the ownership of McCann Manchester Limited, another subsidiary company of McCann-Erickson Network Limited, at a consideration of £7,928,695 (market value)

**Directors' Report for the year ended 31 December 2015 (continued)**

**Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the Company's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102, The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102)

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

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements,
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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

The directors acknowledge their responsibilities for

- ensuring that the Company keeps adequate accounting records which comply with section 386 of the Companies Act 2006,
- preparing financial statements which give a true and fair view of the state of the affairs of the Company at 31 December 2015 and its profit or loss for the year then ended in accordance with the requirement of section 394 of the Companies Act 2006, and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements so far as applicable to the Company, and
- the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

**Audit exemption**

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

- a) that for the year ended 31 December 2015 the Company was entitled to the exemption from a statutory audit under section 479A of the Companies Act 2006 relating to subsidiary companies, and
- b) that no notice has been deposited under section 476 of the Companies Act 2006 in relation to the financial statements for the financial year

On behalf of the Board



E Wann  
Director  
27 July 2016

## Lakestar Media Limited

### Statement of comprehensive income

For the year ended 31 December 2015

		2015	2014
	Note	£000's	£000's
Turnover	5	4,547	7,892
Cost of sales		(1,213)	(3,820)
Revenue		3,334	4,072
Administrative expenses	6 & 8	(2,495)	(3,108)
Operating profit	6	839	964
Interest receivable and similar income	7	31	25
Profit on ordinary activities before taxation	6	870	989
Tax on profit on ordinary activities	10	(68)	1
Profit and total comprehensive income for the financial year		802	990

All operations are continuing

**Statement of financial position**  
**As at 31 December 2015**

	Note	2015 £000's	2014 £000's
<b>Fixed assets</b>			
Tangible assets	11	79	118
<b>Current assets</b>			
Work in progress		314	79
Debtors amounts falling due within one year	12	1,149	1,252
Cash at bank and in hand		4,399	3,830
		5,862	5,161
Creditors amounts falling due within one year	13	(895)	(1,035)
<b>Net assets</b>		5,046	4,244
<b>Capital and reserves</b>			
Called up share capital	14	-	-
Retained earnings		5,046	4,244
<b>Total equity</b>		5,046	4,244

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 2015 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 2015 and of its profit or loss for the year then ended in accordance with the requirement of section 394 of the Companies Act 2006, and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements so far as applicable to the Company

The notes on pages 9 to 23 are an integral part of these financial statements

The financial statements on pages 6 to 8 were authorised for issue by the board of directors on 27 July 2016 and were signed on its behalf



E Wann  
Director  
Lakestar Media Limited  
Registered No 6413960

**Statement of changes in equity  
for the year end 31 December 2015**

	<b>Called up share capital</b>	<b>Retained earnings</b>	<b>Total Equity</b>
	£000's	£000's	£000's
At 1 January 2014	-	3,254	3,254
Profit for the financial year and total comprehensive income	-	990	990
<b>At 31 December 2014</b>	<b>-</b>	<b>4,244</b>	<b>4,244</b>
<b>At 1 January 2015</b>	<b>-</b>	<b>4,244</b>	<b>4,244</b>
Profit for the financial year and total comprehensive income	-	802	802
<b>At 31 December 2015</b>	<b>-</b>	<b>5,046</b>	<b>5,046</b>



**Notes to the financial statements for the year ended 31 December 2015**

**1 General information**

Lakestar Media Limited provides a range of digital marketing services in the United Kingdom. The core service offerings are SEO (Search Engine Optimisation) and PPC (Pay Per Click). The Company is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is Bonis Hall, Bonis Hall Lane, Prestbury, Macclesfield, Cheshire, SK10 4EF.

**2 Statement of compliance**

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

**3 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Company has adopted FRS 102 in these financial statements. Details of the transition to FRS 102 are disclosed in note 18.

**a) Basis of preparation**

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

**b) Going concern**

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

**c) Exemptions for qualifying entities under FRS 102**

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

**d) Revenue recognition**

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

Client contracts are complex arrangements that may include provisions for incentive compensation and vendor rebates and credits. The Company's largest clients are multinational entities and, as such, the Company 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 Company enters into global, regional and local agreements. Agreements of this nature are reviewed by The Interpublic Group of Companies, Inc. corporate legal counsel to determine the governing terms to be followed by the offices and agencies involved.

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

**Notes to the financial statements for the year ended 31 December 2015 (Continued)**

**3 Summary of significant accounting policies (continued)**

**d) Revenue recognition (Continued)**

**▪ Fees**

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

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

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

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

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

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

**▪ Interest income**

Interest income is recognised using the effective interest rate method.

**e) Employee benefits**

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

**i) Short term benefits**

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

**Notes to the financial statements for the year ended 31 December 2015 (Continued)**

**3 Summary of significant accounting policies (continued)**

**e) Employee benefits (continued)**

**ii) Pension costs**

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

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from the Company in an independently administered fund. The pension cost charge disclosed in note 17 represents contributions payable by the Company to the fund.

**iii) Annual bonus plan**

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

**f) Foreign currencies**

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

**g) Borrowing costs**

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

**h) Leases**

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

**i) Lease incentives**

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

**j) Exceptional items**

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

**k) Taxation**

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

Current and deferred taxation assets and liabilities are not discounted.

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

**Notes to the financial statements for the year ended 31 December 2015 (Continued)**

**3 Summary of significant accounting policies (continued)**

**k) Taxation (continued)**

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

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

Deferred tax is measured at the average tax rates and laws that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is measured on a non-discounted basis in line with FRS 102.

**l) Tangible assets**

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

Freehold 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

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

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

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

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

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

**Notes to the financial statements for the year ended 31 December 2015 (Continued)**

**3 Summary of significant accounting policies (continued)**

**m) Impairment of non-financial assets**

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

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

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

**n) Related party disclosures**

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

**o) Work in progress**

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

**p) Provisions**

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

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

Provision is not made for future operating losses.

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

**Notes to the financial statements for the year ended 31 December 2015 (Continued)**

**3 Summary of significant accounting policies (continued)**

**q) Financial instruments**

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

**(i) Financial assets**

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

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

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

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

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

**(ii) Financial liabilities**

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

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

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

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

**Notes to the financial statements for the year ended 31 December 2015 (Continued)**

**3 Summary of significant accounting policies (continued)**

**r) Deferred income**

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

**s) Netting off policy**

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

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

**t) Share capital**

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

**u) Distributions to equity holders**

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

**Notes to the financial statements for the year ended 31 December 2015 (Continued)****4 Critical accounting estimates and assumptions**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets (note 3)

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the property, plant and equipment, and note 3(i) for the useful economic lives for each class of assets.

(ii) Financial instruments

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

(iii) Impairment of trade and other debtors (note 12)

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 12 for the net carrying amount of the debtors and associated impairment provision.

**5 Turnover**

	2015 £000's	2014 £000's
<b>Turnover by origin</b>		
United Kingdom	4,547	7,892

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



# Lakestar Media Limited

## Notes to the financial statements for the year ended 31 December 2015 (Continued)

### 6 Operating profit

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

	2015 £000's	2014 £000's
<b>Salaries and wages (including directors)</b>	1,403	1,750
<b>Pension cost (note 17)</b>		
- Defined contribution	1	-
<b>Severance expenses</b>	8	137
<b>Depreciation</b>		
- Tangible assets	52	39
<b>Remuneration of auditors</b>		
- Non statutory audit fees	-	-
- Non audit services	-	12
<b>Bad debt - provision (decrease)/ increase</b>	(29)	33
<b>Loss on disposal</b>	-	-
<b>Exchange loss</b>	1	2
<b>Operating lease rentals</b>		
- plant and machinery	-	-
- office space	121	121

### 7 Interest receivable and similar income

	2015 £000's	2014 £000's
Interest receivable and similar income	31	25

### 8 Employee costs

	2015 £000's	2014 £000's
Salaries and wages (including directors)	1,403	1,750
Social security costs	138	176
Pension costs (note 17)	1	-
Severance expense	8	137
Share based payments costs	-	-
Miscellaneous, non-share based incentives and other costs	17	20
<b>Employee costs</b>	<b>1,567</b>	<b>2,083</b>

Notes to the financial statements for the year ended 31 December 2015 (Continued)

**8 Employee costs (continued)**

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

	2015	2014
United Kingdom	47	56

**Key management compensation**

The key management that control the company's activities and resources are not employed by the company

**9 Directors' emoluments**

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

	2015 £000's	2014 £000's
Aggregate emoluments, including benefits in kind	-	285
Highest paid director	2015 £000's	2014 £000's
Aggregate emoluments, including benefits in kind	-	285

Retirement benefits are accruing to no directors under a defined contribution scheme (2014 none)

During the year no directors exercised share options (2014 none)

Notes to the financial statements for the year ended 31 December 2015 (Continued)

10 Tax on profit on ordinary activities

	2015 £000's	2014 £000's
<b>Current taxation</b>		
UK corporation taxation	69	-
Foreign taxation		
	69	-
Adjustments in respect of prior years		
- UK corporation taxation	-	-
- Foreign taxation	-	-
	-	-
<b>Total current taxation</b>	<b>69</b>	<b>-</b>
<b>Deferred taxation</b>		
Adjustments in respect of prior years	-	-
Origination & reversal of timing differences	(2)	(1)
Effect of change in the tax rate	1	-
<b>Total deferred taxation</b>	<b>(1)</b>	<b>(1)</b>
<b>Tax on profit on ordinary activities</b>	<b>68</b>	<b>(1)</b>

Factors affecting the tax charge for the year

The tax assessed for the year is lower (2014 = lower) than the standard rate of corporation tax in the UK of 20.25% (2014 21.5%). The difference is explained below

	2015 £000's	2014 £000's
<b>Profit on ordinary activities before taxation</b>	<b>870</b>	<b>990</b>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.25% (2014 21.5%)	176	213
Effects of		
Expenses not deductible for taxation purposes	5	3
Group relief for nil consideration	(114)	(217)
Double tax relief	-	-
Foreign taxation	-	-
Adjustments in respect of prior years	-	-
Unrecognised deferred tax	-	-
Effect of change in tax rate	1	-
<b>Total tax for the year</b>	<b>68</b>	<b>(1)</b>

Notes to the financial statements for the year ended 31 December 2015 (Continued)

10 Tax on profit on ordinary activities (continued)

A reduction in the rate of UK corporation tax from 21% to 20% took effect from 1 April 2015. Further reductions in the main rate of UK corporation tax to 19% from 1 April 2017, and then to 18% from 1 April 2020 were substantively enacted on 26 October 2015.

11 Tangible assets

	Long leasehold & leasehold improvements	Computer equipment	Equipment, fixtures & fittings	Total
	£000's	£000's	£000's	£000's
<b>At 31 December 2014</b>				
<b>Cost</b>	107	101	63	271
<b>Accumulated depreciation</b>	46	73	34	153
<b>Net book value</b>	61	28	29	118
<b>Cost</b>				
1 January 2015	107	101	63	271
Additions	-	13	-	13
<b>31 December 2015</b>	107	114	63	284
<b>Accumulated depreciation</b>				
1 January 2015	46	73	34	153
Charge for year	34	12	6	52
<b>31 December 2015</b>	80	85	40	205
<b>Net book value</b>				
<b>31 December 2015</b>	27	29	23	79

12 Debtors

	2015 £000's	2014 £000's
Trade debtors	623	999
Amounts owed by group undertakings	375	31
Prepayments and accrued income	144	211
Corporation tax	-	6
Deferred taxation (see below)	7	5
	<b>1,149</b>	<b>1,252</b>

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

Trade debtors are stated after provisions for impairment of £14,000 (2014: £43,000).

# Lakestar Media Limited

## Notes to the financial statements for the year ended 31 December 2015 (Continued)

### 12 Debtors (continued)

#### Deferred taxation

	2015 £000's	2014 £000's
Accelerated capital allowances	7	6
Trading losses and non-trading deficits	-	-
Capital losses	-	-
Other short term timing differences	-	-
<b>Total deferred tax asset</b>	<b>7</b>	<b>6</b>

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

	£000's
At 1 January 2015	6
Credited to statement of comprehensive income	1
Credited to other comprehensive income	-
Transfers	-
Exchange adjustment	-
<b>At 31 December 2015</b>	<b>7</b>

The amount of the net reversal of deferred tax expected to occur in 2016 is £7,000. This primarily relates to the reversal of timing differences on tangible fixed assets through depreciation and capital allowances.

### 13 Creditors: amounts falling due within one year

	2015 £000's	2014 £000's
Trade creditors	449	634
Bank loans and overdrafts	-	-
Amounts owed to group undertakings	142	40
Corporation tax	69	-
Other creditors including taxation and social security	160	307
Accruals and deferred income	75	54
Incentive compensation plans	-	-
	<b>895</b>	<b>1,035</b>

Amounts owed 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.

**Notes to the financial statements for the year ended 31 December 2015 (Continued)**

**14 Called up share capital**

	2015 Number	2014 Number	2015 £'s	2014 £'s
<b>Allotted and fully paid.</b>				
Ordinary shares of £0.01 each	3,720	3,720	37	37
Executive shares of £0.01 each	6,280	6,280	63	63

**15 Capital and other commitments**

	2015 £000's	2014 £000's
<b>Operating lease commitments</b>		
As at 31 December 2015, the Company had the following total future minimum lease payment commitments under non-cancellable operating leases for each of the following periods		
<b>Payments due</b>		
- Not later than one year	38	130
- Later than one year and not later than five years	-	38
- Later than five years	-	-
<b>Total minimum lease commitments</b>	<b>38</b>	<b>168</b>

**16 Contingent liabilities**

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

**17 Pensions**

**Defined contribution scheme**

The Company participates in a number of defined contribution pension schemes. The assets of the schemes are held separately from those of the Company in an independently administered fund. The pension cost represents contributions payable by the Company to the fund and amounted to £1,000 (2014: £ nil). At 31 December 2015, £1,000 remained unpaid and accrued (2014, £ nil).

**18 Transition to FRS 102**

This is the first year that the Company has presented its results under FRS 102. The last financial statements prepared under the previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. There was no financial impact to transitioning to FRS 102.

**Notes to the financial statements for the year ended 31 December 2015 (Continued)**

**19 Company information**

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

**20 Ultimate parent undertaking and controlling party**

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

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

The Interpublic Group of Companies, Inc is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2015. The consolidated financial statements for The Interpublic Group of Companies, Inc can be obtained from 909 Third Avenue, New York, New York 10022. 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 0BD