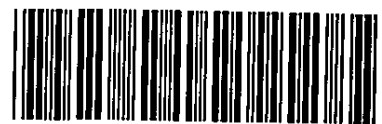


REGISTERED NUMBER 6413960

LAKESTAR MEDIA LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

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LAKESTAR MEDIA LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2013

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LAKESTAR MEDIA LIMITED

DIRECTORS' AND ADVISERS FOR THE YEAR ENDED 31 DECEMBER 2013

DIRECTORS

MJ Jackson
SA Little
N McKay

COMPANY SECRETARY

L Bean

REGISTERED OFFICE

Bonis Hall
Prestbury
Macclesfield
Cheshire
SK10 4EF

Registered in England No 6413960

BANKERS

Lloyds TSB Bank PLC
PO Box 17328
11-15 Monument Street
London
EC3V 9JA

LAKESTAR MEDIA LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their strategic report on Lakestar Media Limited ("the Company") registered number 6413960 for the year ended ended 31 December 2013

PRINCIPAL ACTIVITIES

Lakestar Media Limited provide 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 over 85% of revenue. The company also offers display, social media, affiliate marketing and performance marketing.

BUSINESS REVIEW, RESULTS AND DIVIDENDS

The trading results for the year ended 31 December 2013 are shown in the attached profit and loss account and show a profit of £1,021,000 (2012 £1,066,000) and turnover of £5,969,000 (2012 £6,355,000). The company has cash reserves at the year end of £2,284,000 (2012 £1,353,000) and net assets of £3,254,000 (2012 £2,233,000).

2013 was the first full year of trading since being acquired by McCann-Erickson Network Limited, a wholly owned subsidiary of Interpublic Group of Companies, Inc.

Focusing on Continuing Operations the company's key performance indicators, being revenue, operating profit and operating margin, are as follows:

	2013 £'000	2012 £'000
Revenue	4,055	3,619
Operating profit	1,002	1,178
Operating margin (%)	25%	33%

The company continued to deliver revenue growth in 2013. This has been delivered through a combination of organic growth and new business wins, a proportion of which is a result of being acquired by McCann in 2012.

Operating profit and margin have been adversely impacted by centralised support fees from the Interpublic Group as well as bad debt write offs incurred as a direct result of the impact of the economic downturn on clients, particularly those in the retail sector.

During 2013 the company won some prestigious accounts with recognised brands. The company was a finalist in the Dadi awards and also shortlisted for the UK & European Search Awards.

FUTURE OUTLOOK AND STRATEGY

The market in 2014 remains challenging and the sectors in which the majority of the company's clients operate are showing no significant signs of improvement. However the company remains in a strong position to deliver revenue growth through enhanced product offerings and continued integration with the McCann Worldgroup network.

The current year has started well with healthy new business conversion and organic growth from current clients.

Continued investment in salary costs will be made in 2014 to service the growth, and the increase in resources will ensure Lakestar can continue to offer its clients excellent results, service, transparency and value.

PRINCIPAL RISKS AND UNCERTAINTIES

Lakestar Media Limited is a wholly owned subsidiary of Interpublic, Inc. The principal risks and uncertainties of Interpublic, 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.

On behalf of the board



MJ JACKSON
Director
9th June 2014

LAKESTAR MEDIA LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their report and the financial statements of the company for the year ended 31 December 2013

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
N McKay

At no time during the year has any director had a material interest in a contract with the company, in relation to the business of the company or the individual

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 2013 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

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 PERSONS

Due consideration is given to applications for employment of disabled persons having regard to the particular aptitudes and abilities of the applicants concerned. Arrangements are made, wherever possible, 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

FINANCIAL RISK MANAGEMENT

The company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk and interest rate cash flow risk

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department. The department monitors circumstances to determine where it would be appropriate to use financial instruments to manage financial risks

Price risk

The company is exposed to vendor price risk as a result of its operations. However, the directors consider the risks to be minimal and that the costs of managing any exposure to vendor price risk exceed any potential benefits. The directors will continue to monitor the appropriateness of this policy. The company has no exposure to equity securities price risk as it holds no listed or other equity investments

Credit risk

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

Liquidity risk

The company has no debt finance

Interest rate cash flow risk

The company has interest bearing assets including cash balances, all of which earn interest at variable rates. The company places cash on short term deposit depending on the availability of funds

LAKESTAR MEDIA LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

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

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

On behalf of the board



MJ JACKSON
Director
9th June 2014

LAKESTAR MEDIA LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
		Total	Total
		£'000	£'000
TURNOVER	2	5,969	6,355
COST OF SALES		(1,914)	(2,736)
REVENUE		4,055	3,619
Administrative expenses		(3,053)	(2,441)
OPERATING PROFIT		1,002	1 178
Interest receivable and similar income	3	12	2
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	1,014	1,180
TAX ON PROFIT ON ORDINARY ACTIVITIES	7	7	(114)
PROFIT FOR THE YEAR	13	1,021	1,066

All results derive from continuing operations

There is no material difference between the profit on ordinary activities before taxation and the profit for the current year and prior year stated above and their historical cost equivalents

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

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

LAKESTAR MEDIA LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2013

	<u>Notes</u>	<u>2013</u> <u>£'000</u>	<u>2012</u> <u>£'000</u>
FIXED ASSETS			
Tangible assets	8	<u>132</u>	<u>178</u>
CURRENT ASSETS			
Work in progress		371	91
Debtors - Due within one year	9	<u>1,372</u>	<u>1,342</u>
Cash at bank and in hand		<u>2,284</u>	<u>1,353</u>
		4,027	2,786
CREDITORS Amounts falling due within one year	10	<u>(905)</u>	<u>(731)</u>
NET CURRENT ASSETS		<u>3,122</u>	<u>2,055</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,254	2,233
PROVISIONS FOR LIABILITIES	11	<u>-</u>	<u>-</u>
NET ASSETS		<u>3,254</u>	<u>2,233</u>
CAPITAL AND RESERVES			
Called up share capital	12	-	-
Profit and loss account	13	<u>3,254</u>	<u>2,233</u>
TOTAL SHAREHOLDERS' FUNDS	14	<u>3,254</u>	<u>2,233</u>

The notes on pages 7 to 11 form part of the financial statements

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 2013 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 2013 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 11 were approved by the Board of Directors on 9th June 2014 and were signed on its behalf by



MJ JACKSON
Director
Lakestar Media Limited
Registered Company Number 6413960

LAKESTAR MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1 ACCOUNTING POLICIES

Basis of accounting

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 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.

Turnover

Turnover represents amounts receivable from clients exclusive of value added tax, in respect of billings for digital marketing 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.

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.

Operating leases

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

Tangible assets and depreciation

Tangible fixed 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:

Leasehold improvements	16.7%
Fixtures, fittings and office & computer equipment	10 - 33.33%

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.

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.

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.

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.

LAKESTAR MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

2 TURNOVER

Geographical Analysis

	<u>2013</u>	<u>2012</u>
	<u>£'000</u>	<u>£'000</u>
United Kingdom	5,969	6,355
Less cost of sales	<u>(1,914)</u>	<u>(2,736)</u>
Revenue	<u>4,055</u>	<u>3,619</u>

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

	<u>2013</u>	<u>2012</u>
	<u>£'000</u>	<u>£'000</u>
Interest receivable from overnight deposits	<u>12</u>	<u>2</u>

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging

	<u>2013</u>	<u>2012</u>
	<u>£'000</u>	<u>£'000</u>
Auditors' remuneration for audit services	-	9
Auditors' remuneration for audit related services	13	3
Depreciation - owned assets	46	46
Operating lease rentals - office & office related	<u>121</u>	<u>117</u>

5 EMPLOYEES

Staff costs, including directors' emoluments

	<u>2013</u>	<u>2012</u>
	<u>£'000</u>	<u>£'000</u>
Wages and salaries	1,662	1,514
Social security costs	<u>175</u>	<u>165</u>
	<u>1,837</u>	<u>1,679</u>
	<u>Number</u>	<u>Number</u>
The monthly average number of employees during the year was	<u>52</u>	<u>53</u>

6 DIRECTORS' EMOLUMENTS

Directors' emoluments, all of which were in respect of services as directors for the year, amounted to £149,000 (2012: £149,000).

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

The charge for taxation which has been provided at 23.25% (2012: 24.5%) is based on the results for the year and comprised

	<u>2013</u>	<u>2012</u>
	<u>£'000</u>	<u>£'000</u>
UK corporation tax	-	128
- Current year	-	-
- Adjustments in respect of prior years	<u>(5)</u>	<u>-</u>
Total Current Tax	<u>(5)</u>	<u>128</u>
Deferred Taxation		
Origination and reversal of timing differences	(3)	(13)
Adjustments in respect of prior years	1	-
Rate change on opening balance provided	<u>0</u>	<u>(1)</u>
Total deferred tax	<u>(2)</u>	<u>(14)</u>
Tax charge on profit on ordinary activities	<u>(7)</u>	<u>114</u>

LAKESTAR MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

7 TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The standard effective rate of corporation tax in the UK is 23.25% for the year ended 31 December 2013 (2012: 24.5%).
The current tax charge is lower than 23.25% (2012: higher 24.5%) for the reasons set out below

	2013 £'000	2012 £'000
Profit on ordinary activities before taxation	1,014	1,180
Profit on ordinary activities multiplied by standard rate in the UK 23.25% (2012: 24.5%)	236	289
Effects of		
Expenses not deductible for tax purposes	4	6
Accelerated capital allowances and other timing differences	3	23
Short term timing differences	-	(9)
Group Relief for nil consideration	(243)	(181)
Current tax charge for the year	(0)	128

Factors affecting current and future tax charges

A change to the UK Corporation Tax rate reducing it from 24% to 23% effective from 1 April 2013 was enacted in the Finance Act 2012. Further reductions to 21% effective from 1 April 2014, and to 20% effective from 1 April 2015 were enacted in Finance Act 2013. Deferred tax expected to reverse in the year to 31 December 2014 has been measured using the corporation tax rate for the period of 21.5% (2012: 23.25%).

The overall impact of the change in tax rate from 21% to 20% by 2015 would be the reversal of timing differences at an effective rate of 20.25% in 2015 and 20% in 2016. If applied to the provided deferred tax balance at 31 December 2013, this would reduce the provided deferred tax by £287 (being a reduction of £239 recognised in 2015 and £48 thereafter).

8 TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Furniture & fittings £'000	Office & computer equipment £'000	Total £'000
COST				
At 1 January 2013	107	54	91	252
Additions	-	4	1	5
Disposals	-	-	(11)	(11)
At 31 December 2013	107	58	81	246
ACCUMULATED DEPRECIATION				
At 1 January 2013	10	20	44	74
Charge for the year	18	6	22	46
Disposals	-	-	(6)	(6)
At 31 December 2013	28	26	60	114
NET BOOK VALUE				
At 31 December 2013	79	32	21	132
At 31 December 2012	97	34	47	178

9 DEBTORS

Amounts falling due within one year

	2013 £'000	2012 £'000
Trade debtors	1,207	1,213
Amounts owed by group undertakings	46	5
Deferred tax asset	4	3
Corporation tax	6	-
Other debtors	-	13
Prepayments and accrued income	109	108
	1,372	1,342

LAKESTAR MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

10 CREDITORS Amounts falling due within one year

	2013	2012
	£'000	£'000
Trade creditors	525	117
Amounts owed to other group undertakings	21	13
Corporation tax	-	128
Other taxation and social security	297	377
Accruals and deferred income	62	96
	<u>905</u>	<u>731</u>

11 PROVISIONS FOR LIABILITIES

	2013	2012
	£	£
Deferred Tax	<u>-</u>	<u>-</u>

12 CALLED UP SHARE CAPITAL

	2013	2012
	£	£
Allotted, called up and fully paid		
3,720 Ordinary Shares of £0.01 each	37	37
6,280 Executive Shares of £0.01 each	63	63
	<u>100</u>	<u>100</u>

13 PROFIT AND LOSS ACCOUNT

	Profit and loss account £'000
Balance at 1 January 2013	2,233
Profit for the financial year	1,021
	<u>3,254</u>
Balance at 31 December 2013	<u>3,254</u>

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013	2012
	£'000	£'000
Profit for the financial year	1,021	1,066
Net addition to shareholders' funds	1,021	1,066
Opening shareholders' funds	2,233	1,167
Shareholders' funds at 31 December	<u>3,254</u>	<u>2,233</u>

15 LEASING OBLIGATIONS

At the end of the year there were annual commitments under non-cancellable operating leases expiring as follows

	2013	2012
	Buildings £'000	Buildings £'000
Within one year	-	-
Between one and five years	130	130
	<u>130</u>	<u>130</u>

16 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

LAKESTAR MEDIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

17 PARENT UNDERTAKINGS

The immediate parent undertaking is McCann-Enckson Network Limited

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 Ground Floor, 84 Eccleston Square, London, SW1V 1PX.