

Lakestar Media Limited

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

(Registered Number: 6413960)

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Lakestar Media Limited

Strategic report for the year ended December 2014

The directors present their strategic report and the financial statements of Lakestar Media Limited ("the Company") registered number 6413960 for the year ended 31 December 2014

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 around 80% of revenue. The company also offers display, social media, affiliate marketing and performance marketing.

Business review and results

The company's profit for the year is £990,000 (2013 profit of £1,021,000) and the company generated turnover of £7,892,000 (2013 £5,969,000). The Company has cash reserves at the year end of £3,830,000 (2013 £2,284,000) and net assets of £4,244,000 as at 31 December 2014 (2013 net assets of £3,254,000).

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

Key performance indicators ("KPIs")

The following are key performance indicators of the business:

Revenue

Revenue for the year £4,072,000 (2013 £4,055,000)

Operating Margin (%)

Ratio of operating profit to gross income in the year 24% (2013 25%)
(expressed as a percentage and excluding exceptional and one-off items)

Operating profit

Operating profit for the year £964,000 (2013 profit £1,002,000)
(adjusted for one off and exceptional items)

The company delivered flat revenue growth in 2014. Strong performance across new business wins and organic growth were offset by client losses as the market explored in-house strategies.

Operating profit improved in the year. Tight controls and due diligence around the taking on of new clients resulted in decreased operating expenditure on bad debts, allowing further investment in salary costs, whilst maintaining operating margin.

During 2014 the company won some prestigious accounts with recognised brands, delivering a nationally accredited campaign, "Commended" for Best Use of Search at the Big Chip Awards.

Lakestar Media Limited

Strategic report for the year ended December 2014 (Continued)

Future Outlook & Strategy

The market in 2015 continues to be a challenge as the digital industry continues to evolve. The company remains in a strong position following the development of a new integrated product offering (CRO) in collaboration with McCann Manchester.

The current year moves forward with a new strategic vision. Support, development and growth of talent, providing best in class and next generation products. This will be coupled with further synergies with McCann Worldgroup network to drive 2015 objectives.

Principal risks and uncertainties

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

By order of the Board



E Wann
Director
18 June 2015

Lakestar Media Limited

Directors' report for the year ended December 2014

The directors present their report and the financial statements of Lakestar Media Limited ("the Company") registered number 6413960 for the year ended 31 December 2014

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 (resigned 17 December 2014)
E Wann (appointed 17 December 2014)

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 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

Financial Risk Management

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk 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 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.

Lakestar Media Limited

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

Statement of directors' responsibilities

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

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

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

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

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors acknowledge their responsibilities for

- ensuring that the company keeps adequate accounting records which comply with section 386 of the Companies Act 2006, and
- preparing financial statements which give a true and fair view of the state of the affairs of the company at 31 December 2014 and of its profit or loss for the year then ended in accordance with the requirement of section 394 of the Companies Act 2006, and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements so far as applicable to the company.

By order of the Board



E Wann
Director
18 June 2015

Lakestar Media Limited

Profit and loss account for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Turnover	2	7,892	5,969
Cost of sales		(3,820)	(1,914)
Gross profit		4,072	4,055
Administrative expenses		(3,108)	(3,053)
Operating profit		964	1,002
Interest receivable and similar income	3	25	12
Profit on ordinary activities before taxation	4	989	1,014
Tax on profit on ordinary activities	7	1	7
Retained profit for the year	12	990	1,021

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

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

All results derive from continuing operations

The accompanying notes form an integral part of these financial statements

Lakestar Media Limited

Balance Sheet as at 31 December 2014

	Notes	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	8	118	132
Current assets			
Work in progress		79	371
Debtors due within one year	9	1,252	1,372
Cash at bank and in hand		3,830	2,284
		5,161	4,027
Creditors amounts falling due within one year	10	(1,035)	(905)
Net current assets		4,126	3,122
Total assets less current liabilities		4,244	3,254
Net assets		4,244	3,254
Capital and reserves			
Called-up share capital	11	0	0
Profit and loss account	12	4,244	3,254
Shareholders' funds	13	4,244	3,254

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 14 were approved by the board of directors on 18 June 2015 and signed on its behalf by



E Wann
Director
Lakestar Media Limited
Registered Company Number 6413960

Lakestar Media Limited

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 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 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

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) 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	16.7%
Fixtures, fittings and office & computer equipment	10%-33.3%

e) 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

Lakestar Media Limited

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

f) 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.

g) 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.

h) 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.

i) 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.

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.

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

2 Turnover

	2014 £'000	2013 £'000
By geographical region		
UK	7,892	5,969
Less Cost of Sales	(3,820)	(1,914)
	4,072	4,055

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

3 Interest receivable

	2014 £'000	2013 £'000
Interest receivable from overnight deposits	25	12

4 Profit on Ordinary Activities before Taxation

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

	2014 £000's	2013 £000's
Salaries and wages (note 5)	2,183	1,837
Severance expenses	137	-
Depreciation (note 8)		
- Tangible fixed assets	39	46
Remuneration of auditors'		
- Auditors' remuneration for non-Statutory audit services	12	13
Bad debt - provision increase	33	190
Exchange loss	2	1
Operating lease rentals		
- Office space	121	121

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

5 Employee costs

	2014 £'000	2013 £'000
Staff costs, including directors' emoluments		
Salaries and wages	1,870	1,662
Social security costs	176	175
Severance expense	137	0
Employee costs	2,183	1,837

The average number of employees (including directors) during the year was 56 (2013 52)

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	56	52
Average number employed	56	52

6 Directors' emoluments

Directors' emoluments, all of which were in respect of services as directors for the year, amounted to £285,000 (2013 - £149,000) 2014 figure includes compensation for loss of office of £137,000

7 Tax on profit on ordinary activities

The charge / (credit) 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	(5)
Total current tax	0	(5)
Deferred taxation		
Origination & reversal on timing differences	(1)	(3)
Adjustment in respect of prior year		1
Rate change on opening balance provided	0	0
Total deferred taxation	(1)	(2)
Tax on profit on ordinary activities	(1)	(7)

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

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

The current tax charge is lower than 21 50% (2013 lower 23 25%) for the reasons set out below

	2014 £'000	2013 £'000
(Loss)/Profit on ordinary activities before taxation	989	1,014
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21 50% (2013 23 25%)	213	236
Effects of		
Expenses not deductible for taxation purposes – other	1	4
Capital allowances in excess of depreciation	3	3
Other short term timing differences	0	0
Group relief for nil consideration	(217)	(243)
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 1 April 2015 was enacted in the Finance Act 2013. Deferred tax expected to reverse in the year to 31 December 2015 has been measured using the corporation tax rate for the period of 20 25% (2014 21 5%)

7 Tax on profit on ordinary activities (continued)

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 £67 (being a reduction of £67 recognised in 2016)

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

8 Tangible assets

	Leasehold improvements £'000	Computer equipment £'000	Fixtures & fittings £'000	Total £'000
Cost				
At 1 January 2014	107	81	58	246
Additions	0	20	5	25
Disposals	0	0	0	0
At 31 December 2014	107	101	63	271
Accumulated depreciation				
At 1 January 2014	28	60	26	114
Charge for year	18	13	8	39
Disposals	0	0	0	0
At 31 December 2014	46	73	34	153
Net book amount				
At 31 December 2014	61	28	29	118
At 31 December 2013	79	21	32	132

9 Debtors: due within one year

Amounts falling due within one year

	2014 £'000	2013 £'000
Amounts due from Group undertakings	31	46
Trade debtors	999	1,207
Deferred tax asset	5	4
Corporation tax	6	6
Prepayments and accrued income	211	109
	1,252	1,372

10 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Amounts due to Group undertakings	40	21
Corporation tax	0	0
Trade creditors	634	525
Other creditors including taxation and social security	307	297
Accruals and deferred income	54	62
	1,035	905

Lakestar Media Limited

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

11 Called up share capital

	2014 Number	2013 Number	2014 £'s	2013 £'s
Allotted, called up and fully paid				
Ordinary shares of £ 0 01 each	3,720	3,720	37	37
Executive shares of £ 0 01 each	6,280	6,280	63	63

12 Profit and loss account

	£'000	Total £'000
At 1 January 2014	3,254	3,254
Profit for the year	990	990
At 31 December 2014	4,244	4,244

13 Reconciliation of movement in equity shareholders' funds

	2014 £'000	2013 £'000
Opening shareholders' funds at 1 January	3,254	2,233
Profit for the year	990	1,021
Closing shareholders' funds at 31 December	4,244	3,254

Lakestar Media Limited

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

14 Leasing Obligations

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

	2014 £000's	2013 £000's
Buildings		
Lease expiring		
- within one year	-	-
- within two to five years	130	130

15 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

16 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 0BD.