dentsu AEGIS network

Dentsu Aegis Network Ltd

Report and Financial Statements

31 December 2014

Dentsu Aegis Network Ltd

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Dentsu Aegis Network Ltd

Directors

Timothy Andree
Jerry Buhlmann
Tadashi Ishii
Yuzuru Kato
Kunihiro Matsushima
Nigel Morris
Shoichi Nakamoto
Nick Priday
Nicholas Rey
Valerie Scoular
Nicholas Waters

Company secretary

Andrew Moberly

Ultimate parent entity

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London NW1 3BF
Tel: 020 7070 7700

Registered number

1403668 England and Wales

Auditors

Ernst & Young LLP
London

Solicitors

Slaughter and May
One Bunhill Row
London EC1Y 8YY

Dentsu Aegis Network Ltd

Strategic Report

The Directors present their Strategic Report on the Group for the year ended 31 December 2014.

Principal activity

The principal activity of Dentsu Aegis Network Ltd ("the Company") is that of a holding company based in London. Its subsidiaries and related companies provide a broad range of customer solutions across Media and Digital including planning and buying, creative solutions and communication strategies through its branded businesses across the global markets in which it operates. The Company and its subsidiaries, collectively the consolidated Dentsu Aegis Network Ltd Group, are referred to as the "the Group".

Strategic Objectives

The strategic objectives of the Group are:

- Increasing our exposure to faster-growing regions;
- Growing our digital profile and capability;
- Broadening our service offering across all of our clients;
- Growing our international client and new business profile; and
- Strengthening our leading position in the top 20 markets, in particular China and the US.

These strategic objectives continue to be supported by a focus on small to mid-size value-enhancing acquisitions.

Key Performance Indicators

During 2014 the Group has continued to perform well, with the following performance against major Key Performance Indicators, which align to the Group's strategic objectives:

- Organic revenue growth of 11.4% (2013: 4.2%)
- Digital revenue up to 45% of the Group's revenue in 2014 (2013: 42%)
- Businesses in faster-growing regions and North America continue to perform well, generating 58.7% of the Group's revenue (2013: 55.5%)
- Around £144.3m invested in 17 new acquisitions and £0.2m invested in 3 further investments

Operating Review

Overview

In 2014, the Group delivered organic revenue growth of 11.4% (2013: 4.2%). This strong growth was driven by a unique operating model, which continues to be compelling and relevant for our international clients.

Our operating model, enabled by a "One P&L" per market structure, is based on our unique ability to offer clients specialist capabilities on an integrated basis, and has continued to drive our new business performance. Furthermore Dentsu Aegis Network continues to be well positioned, ahead of the peer group, in faster-growing business areas and geographies. The Group continued to increase the proportion of revenue generated through its digital capabilities to 45% from 42% in 2013, through a combination of targeted acquisitions and a focus on placing digital media at the centre of our client offering.

Following the acquisition of Aegis Group plc by Dentsu Inc in March 2013, Dentsu Aegis Network was established as a governance body overseeing the operations of Aegis Media and Dentsu Network, Dentsu Inc's legacy international business. The Group made excellent progress in 2014 in maintaining its new business momentum from previous years. New business wins during the year included Mastercard, Microsoft, Burger King and AB InBev.

In 2014, the Group generated revenue of £1,502.0m, an increase of 13.6% or 21.9% at constant currency. Continuing growth is supported by 58.7% of revenue generated in faster-growing regions and North America.

The Group continues to invest in targeted acquisitions, with around £144.5m spent in initial consideration on 20 bolt-on acquisitions and investments in 2014, to supplement the Group's footprint in faster growing regions and broaden the Group's service offerings in more markets. In November 2014 the Group acquired the Dentsu Holdings US Group from its ultimate parent company Dentsu Inc. for consideration of £279.0m ordinary shares and £288.9m redeemable preference shares in the DAN Ltd Group.

In 2014, there was an increase in Group underlying headcount, excluding the addition of employees brought into the business via acquisition, of 21.7%, from the end of 2013.

EMEA

EMEA revenue increased by 7.9% at reported rates and by 15.0% at constant currency to £760.4m, and delivered organic revenue growth of 9.8%. Despite continuing low growth across many Western Europe markets, we outperformed in those countries where we have leading market positions. The UK, France, Spain, the Netherlands and the Nordics performed particularly well during the year. In Eastern Europe, there were good performances in Russia, Poland and across many of the small markets across the sub-region, but we remain vigilant about any future potential impact resulting from the political instability in parts of the region. Our businesses across the Middle East and Africa delivered good growth.

Americas

Americas revenue increased by 34.3% at reported rates and by 44.3% at constant currency to £421.9m, and delivered organic revenue growth of 12.4%. Our business in the US, the world's largest advertising market, delivered another strong performance, supported by a number of significant global new business wins, which are being managed and led out of the U.S. Canada also delivered a very good performance. We performed well across Latin America, with Brazil and Argentina delivering particularly good performances.

APAC

APAC revenue increased by 5.2% at reported rates and by 14.8% at constant currency to £319.7m, and delivered organic revenue growth of 14.3%. China delivered excellent growth for the year, which was a great achievement, given the significant integration activities undertaken there during the year. Our business in Australia delivered a strong performance in a relatively low growth market. Elsewhere, India, Indonesia, Vietnam and the Philippines performed well, as international clients continue to invest an increasing proportion of their marketing budgets in these fast-growing markets.

Financial review

The Group generated revenue of £1,502.0m (2013: £1,322.5m), and operating profit from continuing operations of £134.5m (2013: £158.6m). Profit from continuing operations before tax was £104.8m (2013: £157.4m).

The balance sheet shows a strong funding position, and net assets of £750.9m (2013: £626.4m). We ended the year comfortably within our financial covenants, with undrawn available credit facilities of £500.0m (2013: £450.0m). Cash inflows from operating activities during the year were primarily used to invest in new acquisitions, settle deferred acquisition payments and invest in capital assets.

Future Developments

The Directors continue to focus on achieving the strategic targets of the Group, including organic revenue growth and exposure to faster growing regions and Digital.

Dentsu Aegis Network Ltd
Strategic Report (continued)

Principal risks and uncertainties

Risk management approach

The Group recognises the importance of effective risk management processes and systems. The Board is ultimately responsible for risk management and determining the nature and extent of the risks it is willing to take in achieving its strategic objectives. It delegates day to day risk management to its Risk Committees, which report into the Dentsu Aegis Network Audit Committee. There are currently two Risk Committees, the Dentsu Aegis Network Operational Risk Committee, chaired by the Group CEO, which focuses primarily on strategic and trading risks, and the Dentsu Aegis Network Functional Risk Committee, chaired by the Group CFO, which focuses on corporate and Group function risks. The work of the Risk Committees was regularly reviewed by the Audit Committee during 2014.

The Group strategy aims to deliver continued growth whilst managing strategic risk by diversifying client base, country and media. To back this, the Group maintains a strong, flexible balance sheet and ensures that it remains comfortably within its financial covenants.

A summary of our principal risks is as follows:

Risk	Risk description	Potential risk impact	Risk management strategy	Risk mitigation actions
Maintaining strong client relationships	Loss of key clients and failure to win new clients.	Lost profit. Subsequent loss of key managers.	Ensuring we remain a highly competitive organisation to help us win new clients and continue to provide a high quality service to our existing clients.	We have dedicated client relationship teams in place, as well as global client management teams established in regional offices. We develop multiple services, with an emphasis on innovation for our clients.
Managing counterparty risk	Counterparty risks include the loss of income from clients who have cash flow or insolvency problems and potential media buying liabilities in markets where we act as principal.	Lost profit due to bad debt.	Maintaining and developing robust financial and operating systems to ensure we minimise any potential loss of income from third parties.	Due diligence, including credit risk, is undertaken for all new clients and written contracts must be in place before starting any significant work. Ongoing monitoring of existing clients. Group policy requires credit limits to be imposed for all new commercial clients. Global credit insurance policy in place covering the vast majority of our clients.
Managing competitive risk	The agency sector is highly competitive.	Lost profit Subsequent loss of key managers.	Attracting and retaining high quality people who can deliver high quality service to clients. The Group's global network brands operate through one P&L and one operating model per country with a full range of integrated, and specialist, services, providing competitive differentiation.	We put major focus on maintaining and building long term client relationships, investing in major clients. We seek to maintain a cost base at least as efficient as any of our competitors. We place emphasis on innovation.

Principal risks and uncertainties (continued)

Risk	Risk description	Potential risk impact	Risk management strategy	Risk mitigation actions
Ensuring strong talent management	Loss of key employees and failure to attract high quality people.	Lost profit.	Talent management is a key priority to ensure we have a strong pipeline of people to develop as our future leaders. We also aim to ensure we are well placed to continue to attract high quality people.	We made significant investment in 2014 to make the Group an attractive place to work. We make developing our future leaders by career planning and training a priority. In particular our Route 500 is a programme for high-potential employees.
Weak economic conditions	Weak economies can lead clients to cut back on media investment and squeeze margins.	Lost profit.	The Group is a diversified business with a strategy to grow our exposure to areas that are less likely to be affected by macro-economic challenges, including faster-growing geographic regions and digital.	Diversify our business into faster-growing product areas and markets. Regular monthly detailed reporting by business units to senior management ensures that senior executives understand local performance. There are regular reforecasts of financial performance presented to the Board. Were sales to slow, controls over costs and working capital would be tightened further to mitigate the loss of profit.
Maintaining a sound financial position	Insufficient liquidity and funding requirements to support the Group's liabilities and manage the growth of the business.	Lack of funds for current operations and future growth.	Maintaining sufficient funding, with secure access to banking facilities, to meet our liabilities and to fund the growth of the business. From a cost perspective, ensuring a cost management culture is integrated throughout the organisation.	We have cash pooling arrangements in place for larger businesses with relationship banks. We maintain daily cash reporting for all operations. We have minimum headroom limits and monitor these regularly. We maintain regular communication with relationship banks and noteholders.

Principal risks and uncertainties (continued)

Risk	Risk description	Potential risk impact	Risk management strategy	Risk mitigation actions
Managing the targeting and pursuit of acquisition opportunities	Acquisitions need to be value creating and support the Group strategy.	Loss of profit.	Targeting acquisitions which are aligned with the Group's strategy and culture, as well as ensuring they meet specific financial criteria.	We maintain a pipeline of potential targets across a diverse range of geographies and product offerings. All acquisitions require approval by an internal acquisitions committee chaired by the Group CEO. Larger acquisitions have to be agreed by the Board. We aim to limit the initial consideration and pay the consideration over time through earn-out payment structures. There is a Group M&A team in place to support local management in sourcing and acquiring targets. Acquisitions need to promise to deliver a rate of return of at least 30% above our weighted average cost of capital and need to achieve earnings enhancement in the first full year of ownership.
Ensuring acquisitions are fully integrated	Unsuccessful integration of acquired companies	Management distraction	Post acquisition integration plans in place for all newly acquired entities to ensure they are properly integrated into the Group.	We monitor and report on the integration process tracked at three months and one year, providing additional assistance to those entities requiring more support. We aim to re-brand acquired businesses in the first full year of ownership.
Managing the security of data	Unauthorised access to, or inappropriate use of client, employee or other confidential data.	Lost profit, loss of clients and potential reputational damage.	Ensuring robust IT and financial reporting systems in place, in line with best practice data security and compliance regulations, and based on strict internal policies and procedures.	External access to information is protected by the IT security framework which is regularly assessed through vulnerability testing and IT security audits. We insist on confidentiality clauses in employee and supplier contracts.

Principal risks and uncertainties (continued)

Risk	Risk description	Potential risk impact	Risk management strategy	Risk mitigation actions
Ensuring legal and regulatory compliance	The Group may be unprepared for legislative and regulatory changes.	Lost profit Loss of license to operate and/or market damage to management reputation and credibility.	Ensuring compliance with a range of legal and contractual requirements around the world.	The Group Legal team continually monitors changes in regulation with a view to changing Group policies and communicating the changes before they come into force. This team includes a specialist compliance lawyer. Online compliance training packages have been developed to supplement face-to-face training. We have established a regulatory intranet which is utilised as a tracking tool for new and updated regulation and an internal newsletter which updates employees on developments in the area of compliance.
Managing corporate responsibility risks	The Group is unable to respond to the changing regulatory environment around environmental and community responsibility, unable to meet its clients' and employees' sustainability requirements or unable to fulfil stakeholder expectations.	Lost profit Reputational damage.	Integrating Corporate Responsibility considerations in Group policies and procedures and developing ambitious targets and programmes to turn Corporate Responsibility risks into opportunities.	Development of a network of Corporate Responsibility champions in each market to ensure local compliance through standardised reporting, to develop local action plans to achieve our targets, and to raise awareness.

By order of the Board

Andrew Moberly
Company Secretary
8 May 2015

Dentsu Aegis Network Ltd

Directors' Report

The Directors present their report and the audited financial statements of the Company (registered number 1403668) for the year ended 31 December 2014.

Acquisition of DHUSA Group from Parent Company

In November 2014 the Group acquired the Dentsu Holdings US Group from its ultimate parent company Dentsu Inc for consideration of £279.0m ordinary shares and £288.9m redeemable preference shares in the DAN Ltd Group.

Disposal of Aegis Media Japan to Parent Company

In January 2015 the Group disposed of the Aegis Media Japan Group to its ultimate parent company Dentsu Inc for nil consideration. This is treated as a Disposal Group held for sale as at 31 December 2014.

Branches outside the UK

The Company has a branch in Luxembourg.

Future Developments

The discussion of future developments of the Company has been included in the Strategic Report.

Dividend

No dividends were declared or paid for the year 2014 or 2013.

Financial instruments

Information about the use of financial instruments by the Company and its subsidiaries is given in Note 17 to the financial statements and in the Principal Risks and Uncertainties section above.

Post-balance sheet events

The Directors are not aware of any significant post-balance sheet events that require disclosure in the financial statements other than those disclosed in Note 29 to the financial statements.

Donations

The Group made charitable donations of £0.5m during the year (2013: £0.5m). No political donations were made during the year.

Corporate Governance

The Group is governed by the Dentsu Aegis Network Board, which is made up of 11 Directors who are collectively responsible for the overall success of the Group and for the creation of long-term shareholder value. The Board meets at least 4 times a year and more frequently if business needs require. The list of matters reserved to the Board for decision includes:

- Group strategy, annual budget and operating plans
- Reporting to shareholders
- Dividend policy
- Matters relating to share capital
- Major capital projects, investments and commitments

The governance of the Group is supported by the Audit Committee, which reviews the internal control framework of the Group, working as necessary with the external auditors, internal auditors and the Company's risk committees and reviewing both internal and external reporting. The Committee, whose members are drawn from the Board, meets 4 times a year. Meetings are generally attended by the Group Chairman, CEO and CFO, the external auditors, the Director of Risk and Audit and others including the former chairman of the Aegis Group plc Audit Committee, who acts as a consultant to the Committee. The Committee also meets privately with the internal and external auditors on a number of occasions.

The Board is also supported by the Compensation Committee in matters related to remuneration within the Group. The Committee, whose members are drawn from the Board, meets 4 times a year and its meetings are generally attended by the Group Chairman, CEO and Chief Financial Officer.

Directors

The Directors in office during the year were as set out below. One director was appointed in 2014.

Name	Title	Appointment date
Timothy Andree	Executive Chairman, Dentsu Aegis Network and Executive Vice President, Dentsu Inc.	
Jerry Buhlmann	CEO, Dentsu Aegis Network	
Tadashi Ishii	President & CEO, Dentsu Inc.	
Yuzuru Kato	Executive Vice President, Dentsu Inc.	Appointed 17 February 2014
Kunihiro Matsushima	Senior Vice President, Dentsu Inc.	
Nigel Morris	CEO Americas and EMEA, Dentsu Aegis Network	
Shoichi Nakamoto	Senior Executive Vice President & CFO, Dentsu Inc.	
Nick Priday	CFO, Dentsu Aegis Network	
Nicholas Rey	Member of the Board, Dentsu Aegis Network	
Valerie Scoular	Global HR Director, Dentsu Aegis Network	
Nicholas Waters	CEO Asia Pacific, Dentsu Aegis Network	

Directors' indemnities

A qualifying third party indemnity ("QTPI"), as permitted by the Articles of Association and sections 232 and 234 of the Companies Act 2006, has been granted by the Company to each of its Directors. Under the QTPIs the Company undertakes to indemnify each director against liability to third parties (excluding criminal and regulatory penalties) and to pay Directors' costs as incurred, provided that they are reimbursed to the Company if the director is convicted or, in an action that is brought by the Company, judgement is given against the director. Directors resigning from the Board continue to have the benefit of the QTPI for potential liability to third parties that occurred prior to their resignation.

Employment policies

The Group operates throughout the world and therefore has developed employment policies that meet local conditions and requirements. These policies are based on the best traditions and practices in any given country in which it operates.

Human rights, diversity and disability

The Group has a series of human resources policies that require its employees to act respectfully and responsibly at all times. These policies include policies on human rights, diversity and disability.

We are committed to treating each employee and applicant fairly and equitably. Employment decisions are based on merit, experience and potential, without regard to race, nationality, sex, marital status, age, religion or sexual orientation. We are committed to following the applicable labour and employment laws in all of the jurisdictions in which we operate.

We believe that disabled people have the same rights as anyone else to become, and continue to be, employees of the Group. Wherever possible, we provide the same opportunities for disabled people as for others. If any of our employees become disabled we make every effort to keep them in the Group's employment, with appropriate training where necessary.

Employee involvement

We have employee consultation processes throughout our business in accordance with local laws. In addition, we update all of our employees on a regular basis with Group developments and progress through newsletters, internal publications, senior management notes and face-to-face meetings.

Auditors

Ernst & Young LLP were appointed as auditors in June 2011 and have expressed their willingness to continue in office as auditors.

Directors' confirmation

Each of the Directors at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware
- the director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Going concern

The Group's business activities, together with factors likely to affect its future development, performance and financial position and commentary on the Group's financial results, its cash flows, liquidity requirements and borrowing facilities are set out in the Directors' Report, the Strategic Report and in the accompanying Financial Statements.

The Board is satisfied that the Group balance sheet remains strong. The Group remains well-financed with considerable cash and covenant headroom. The Group has sufficient liquidity to meet its obligations with its £500m revolving credit facility remaining undrawn.

During 2014 the Group has continued to generate positive operating cash inflows from operations before tax, acquisitions and capital expenditure.

The main factors contributing to these cash inflows are the retention and growth of the customer base, terms of trade with customers and suppliers and the continuing management of working capital within the Group. The Board has concluded that the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, indicate that the Group has sufficient funding to operate within the terms of its available facilities.

The Board has considered various alternative operating and funding strategies should these be necessary and is satisfied that a range of actions including cost reduction activities could be adopted if and when necessary.

After making these enquiries, the Board is satisfied that the Group has sufficient resources to continue in operational existence for the foreseeable future and for this reason the going concern basis continues to be adopted in preparing the financial statements for 2014. Furthermore, no material uncertainties related to events or conditions that may cast a significant doubt about the ability of the Group to continue as a going concern have been identified by the Directors.

By order of the Board

Andrew Moberly
Company Secretary
8 May 2015

Directors' Responsibilities

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

Company law requires the Directors to prepare Group financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the parent company 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 accounts 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 the period.

In preparing the parent company and the Group financial statements, the Directors are required to:
- present fairly the financial position, financial performance and cash flows of the Group
- select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently
- make judgments that are reasonable
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group'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 also responsible for preparing the Directors' report in accordance with the Companies Act 2006 and applicable regulations.

By order of the Board

Jerry Buhlmann
Chief Executive Officer
8 May 2015

Nick Priday
Chief Financial Officer
8 May 2015

We have audited the financial statements of Dentsu Aegis Network Ltd for the year ended 31 December 2014 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and their related notes 1 to 29 and the Parent Company Balance Sheet and its related notes 1 to 14. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 14, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December, 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Richard Addison (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

8 May, 2015

Dentsu Aegis Network Ltd

Consolidated income statement

For the year ended 31 December 2014

	Notes	31 December 2014 £m	31 December 2013 £m
Turnover from continuing operations		14,350.3	13,577.2
Revenue from continuing operations		1,502.0	1,322.5
Operating expenses		(1,367.5)	(1,163.9)
Operating profit from continuing operations	4	134.5	158.6
Share of results of associates		1.6	(1.4)
Profit from continuing operations before interest and tax		136.1	157.2
Investment income	6	7.2	6.5
Finance costs	7	(38.5)	(6.3)
Net finance (costs) / income		(31.3)	0.2
Profit from continuing operations before tax		104.8	157.4
Tax	8	(41.8)	(54.8)
Profit for the period from continuing operations		63.0	102.6
Discontinued operations			
Gain / (Loss) for the period from discontinued operations		1.5	(4.7)
Gain on disposal of discontinued operations after tax		-	51.7
Profit for the financial year		64.5	149.6
Attributable to:			
Equity holders of the parent (continuing Group)		53.2	100.4
Non-controlling interests (continuing Group)		9.8	2.2
Equity holders of the parent (discontinued operations)		1.5	49.2
Non-controlling interests (discontinued operations)		-	(2.2)
		64.5	149.6

The accompanying notes form an integrated part of the consolidated financial statements

Dentsu Aegis Network Ltd

Consolidated statement of comprehensive income

For the year ended 31 December 2014

	2014	2013
	£m	£m
Profit for the period	**64.5**	149.6
Other comprehensive income that may be subsequently reclassified to profit or loss:		
Currency translation differences on foreign operations:		
- Group	(88.3)	(80.8)
- Non-controlling interests	(0.9)	(0.3)
Net investment hedges of foreign operations	(7.4)	1.3
Available-for-sale investments: movements taken to equity	-	0.6
Cash flow hedges: movements taken to equity	(22.1)	25.8
Tax movements taken to equity	4.5	(4.6)
Net other comprehensive income that may be subsequently reclassified to profit or loss	(114.2)	**(58.0)**
Other comprehensive income that will not subsequently be reclassified to profit or loss:		
Re-measurement losses on defined benefit plans	(1.5)	(0.6)
Net other comprehensive income that will not subsequently be reclassified to profit or loss	(1.5)	(0.6)
Other comprehensive expense for the year, net of tax	(115.7)	(58.6)
Total comprehensive (expense) / income for the financial year, net of tax	(51.2)	91.0
Attributable to:		
Equity holders of the parent	(60.1)	91.3
Non-controlling interests	8.9	(0.3)
	(51.2)	91.0

Dentsu Aegis Network Ltd
Consolidated balance sheet
At 31 December 2014

	Notes	2014 £m	2013 £m
Non-current assets			
Goodwill	10	**1,786.9**	1,311.0
Intangible assets	11	**280.8**	208.4
Property, plant and equipment	12	**125.6**	83.8
Interests in associates and joint ventures	13	**21.6**	41.2
Deferred tax assets	18	**29.8**	21.8
Available-for-sale financial assets	14	**32.9**	2.5
Derivative financial assets	17	**8.5**	8.3
Other financial assets	17	**14.2**	5.0
		2,300.3	1,682.0
Current assets			
Work in progress		**43.8**	16.5
Trade and other receivables	15	**3,856.3**	3,200.0
Derivative financial assets	17	**0.6**	1.1
Other financial assets		**6.1**	1.7
Cash and short-term deposits	17,25	**837.4**	677.3
		4,744.2	3,896.6
Total assets		**7,044.5**	5,578.6
Current liabilities			
Trade and other payables	16	**(4,514.8)**	(3,698.5)
Borrowings	17	**(152.1)**	(265.5)
Derivative financial liabilities	17	**(4.2)**	(3.0)
Provisions	19	**(0.5)**	(1.0)
Current tax liabilities		**(30.2)**	(26.3)
		(4,701.8)	(3,994.3)
Net current assets / (liabilities)		**42.4**	(97.7)
Non-current liabilities			
Borrowings	17	**(1,166.2)**	(608.2)
Other non-current liabilities	17,23	**(225.2)**	(237.0)
Derivative financial liabilities	17	**(100.8)**	(45.8)
Provisions	19	**(18.6)**	(1.4)
Deferred tax liabilities	18	**(81.0)**	(65.5)
		(1,591.8)	(957.9)
Total liabilities		**(6,293.6)**	(4,952.2)
Net assets		**750.9**	626.4
Equity			
Share capital	20	**78.5**	72.2
Share premium account	21	**724.0**	404.3
Other equity reserves		**0.2**	0.2
Foreign currency translation reserve		**(195.8)**	(100.1)
Retained earnings		**216.5**	278.3
Potential acquisition of non-controlling interests		**(102.3)**	(40.8)
Equity attributable to equity holders of the parent		**721.1**	614.1
Non-controlling interests		**29.8**	12.3
Total equity		**750.9**	626.4

These financial statements were approved by the Board of Directors on 8 May 2015 and were signed on its behalf by:

Jerry Buhlmann (Chief Executive Officer)

Nick Priday (Chief Financial Officer)

Dentsu Aegis Network Ltd
Consolidated cash flow statement
At 31 December 2014

	Notes	2014 £m	2013 £m
Cash flows from operating activities			
Cash inflow from operations	25	265.4	103.1
Income taxes paid		(55.0)	(43.5)
Net cash inflow from operating activities		210.4	59.6
Investing activities			
Interest received		7.2	6.5
Dividends received from associates		1.4	2.5
Net cash paid on purchase of subsidiaries		(100.0)	(45.5)
Net cash (paid) / received on disposal of subsidiaries		(3.7)	73.8
Net cash invested in associates and joint ventures		-	(2.9)
Payments of deferred consideration on current and prior period acquisitions		(62.8)	(58.2)
Purchase of property, plant and equipment and intangible assets		(65.1)	(59.2)
Proceeds from disposal of property, plant and equipment and intangible assets		0.5	2.1
Other investing activities		(6.7)	(1.5)
Net cash outflow from investing activities		(229.2)	(82.4)
Financing activities			
Dividends paid to non-controlling shareholders		(7.4)	(2.9)
Net cash paid on purchase of additional stakes in existing subsidiaries		(1.2)	(5.4)
Interest and other financial charges paid		(26.2)	(65.0)
Proceeds from borrowings		342.0	652.7
Repayments of loans		(122.9)	(279.8)
Proceeds on issue of ordinary share capital		47.0	3.5
Other financing activities		(1.3)	(3.0)
Net cash outflow from financing activities		230.0	300.1
Net increase in cash and cash equivalents	25	211.2	277.3
Translation differences		(22.1)	(18.0)
Cash and cash equivalents at beginning of financial year	25	641.6	382.3
Cash and cash equivalents at end of financial year		830.7	641.6
Represented by:			
Cash and short-term deposits		837.4	677.3
Bank overdrafts	25	(6.7)	(35.7)
Cash and cash equivalents at end of financial year		830.7	641.6

	1 January 2014 £m	Cash flow £m	Other non-cash movements £m	Exchange movements £m	**31 December 2014 £m**
Analysis of net debt					
Cash and cash equivalents	641.6	211.2	-	(22.1)	**830.7**
Gross debt net of issue costs	(838.0)	(206.3)	(235.6)	(31.7)	**(1,311.6)**
Total	(196.4)	4.9	(235.6)	(53.8)	**(480.9)**

Dentsu Aegis Network Ltd
Consolidated statement of changes in equity
At 31 December 2014

	Share Capital	Own shares	Share premium account	Other equity reserves*	Foreign currency translation reserve	Retained earnings	Potential acquisition of non-controlling interests	Sub-total	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2013	64.5	(27.4)	400.9	11.3	(20.6)	(39.4)	(14.4)	374.9	4.3	379.2
Profit for the period	-	-	-	-	-	149.6	-	149.6	-	149.6
Currency translation differences on foreign operations	-	-	-	-	(80.8)	-	-	(80.8)	(0.3)	(81.1)
Net investment hedges of foreign operations	-	-	-	-	1.3	-	-	1.3	-	1.3
Available-for-sale investments: movements taken to equity	-	-	-	-	-	0.6	-	0.6	-	0.6
Cash flow hedges: movements taken to equity	-	-	-	-	-	25.8	-	25.8	-	25.8
Re-measurement loss recognised on defined benefit pension schemes	-	-	-	-	-	(0.6)	-	(0.6)	-	(0.6)
Tax movements taken to equity	-	-	-	-	-	(4.6)	-	(4.6)	-	(4.6)
Total comprehensive income and expense	-	-	-	-	(79.5)	170.8	-	91.3	(0.3)	91.0
New share capital subscribed	0.2	-	3.4	-	-	-	-	3.6	-	3.6
Shares awarded by ESOP	-	27.4	-	-	-	(26.3)	-	1.1	-	1.1
Reclass of convertible bond imputed interest	-	-	-	(1.9)	-	1.9	-	-	-	-
Convertible Bond conversion	7.5	-	-	(9.2)	-	181.3	-	179.6	-	179.6
Transactions with Non-Controlling Interest	-	-	-	-	-	(10.0)	(26.4)	(36.4)	11.2	(25.2)
Dividends	-	-	-	-	-	-	-	-	(2.9)	(2.9)
At 31 December 2013	72.2	-	404.3	0.2	(100.1)	278.3	(40.8)	614.1	12.3	626.4
At 1 January 2014	72.2	-	404.3	0.2	(100.1)	278.3	(40.8)	614.1	12.3	626.4
Profit for the period	-	-	-	-	-	54.7	-	54.7	9.8	64.5
Currency translation differences on foreign operations	-	-	-	-	(88.3)	-	-	(88.3)	(0.9)	(89.2)
Net investment hedges of foreign operations	-	-	-	-	(7.4)	-	-	(7.4)	-	(7.4)
Cash flow hedges: movements taken to equity	-	-	-	-	-	(22.1)	-	(22.1)	-	(22.1)
Actuarial loss recognised on defined benefit pension schemes	-	-	-	-	-	(1.5)	-	(1.5)	-	(1.5)
Tax movements taken to equity	-	-	-	-	-	4.5	-	4.5	-	4.5
Total comprehensive income and expense	-	-	-	-	(95.7)	35.6	-	(60.1)	8.9	(51.2)
New share capital subscribed	-	-	47.0	-	-	-	-	47.0	-	47.0
Acquisition of subsidiaries from parent undertaking	6.3	-	272.7	-	-	(99.6)	-	179.4	-	179.4
Transactions with Non-Controlling Interest	-	-	-	-	-	2.2	(61.5)	(59.3)	16.0	(43.3)
Dividends	-	-	-	-	-		-	-	(7.4)	(7.4)
At 31 December 2014	78.5	-	724.0	0.2	(195.8)	216.5	(102.3)	721.1	29.8	750.9

*The other equity reserves relate to the capital redemption reserve

1. General information

Dentsu Aegis Network Ltd (DAN Ltd) is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in in the Strategic Report.

These financial statements are presented in pounds sterling (GBP) because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 3.

2. Basis of preparation

The Dentsu Aegis Network Ltd Group is fully integrated into the Dentsu Aegis Network Group which comprises Dentsu Aegis Network Ltd, the companies directly owned by Dentsu Aegis Network Ltd and the Dentsu Network companies owned directly by Dentsu Inc. (the direct parent entity of Dentsu Aegis Network Ltd). However, any reference to DAN in these Group Financial Statements refers to the Dentsu Aegis Network Ltd Group of companies only.

The Group Financial Statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') adopted by the European Union. The financial statements have been prepared on the going concern basis of accounting for the reasons set out in the Directors' Report.

The Financial Statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out in note 3.

New IFRS accounting pronouncements

At the date of authorisation of these financial statements, the following Standards and Interpretations have not been applied in these financial statements which were in issue but not yet effective for the year:

- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception
- Amendments to IAS 1: Disclosure Initiative
- IFRS 9 - 'Financial Instruments'
- IFRS 15 'Revenue from contracts with customers'
- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures'
- Amendments to IAS 27, 'Separate financial statements' on the equity method
- IFRS 14 'Regulatory deferral accounts'
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38,'Intangible assets', on depreciation and amortisation
- Amendment to IFRS 11, 'Joint arrangements' on acquisition of lan interest in a joint operation (JO)
- Amendment to IAS 19 regarding defined benefit plans
- Amendments to IAS 16 and IAS 41: Bearer Plants
- IFRIC 21, 'Levies'
- Annual improvements 2012
- Annual improvements 2013
- Annual improvements 2014

The Group does not consider that these Standards and Interpretations will have a significant impact on the financial statements of the Group except for additional disclosures when the relevant standards come into effect.

2. Basis of preparation (continued)

Adoption of standards

In the current financial year, the Group has adopted the following standards and interpretations.

- IFRS 10, Consolidated financial statements'
- IAS 27 (revised 2011) 'Separate financial statements'
- IFRS 11, 'Joint arrangements'
- IAS 28 (revised 2011) 'Associates and joint ventures'
- IFRS 12, 'Disclosures of interests in other entities'
- Amendments to IFRS 10, 11 and 12 on transition guidance
- Annual improvements 2011
- Amendment to IAS 39 'Financial instruments: Recognition and measurement', on novation of derivatives and hedge accounting
- Amendments to IAS 36, 'Impairment of assets'
- Amendment to IAS 32, 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities

The adoption of these Standards has not led to any substantive changes in the Group's accounting policies.

3. Accounting policies

Principal accounting policies

The principal accounting policies set out below have been consistently applied to all the periods presented in this Annual Report.

Basis of consolidation

(a) Subsidiaries
The consolidated financial statements incorporate the results, cash flows and net assets of Dentsu Aegis Network Ltd and the entities controlled by it (its subsidiaries) drawn up to 31 December each year after eliminating internal transactions and recognising any non-controlling interests in those entities. Control is achieved when the Group:

a) Has power over the acquiree;
b) Is exposed, or has rights, to variable returns from its involvement with the acquiree; and
c) Has the ability to use its power to affect its returns.

The Group re-assesses whether or not it controls an acquiree if facts and circumstances indicate that there are changes to one or more of the three elements of control. When the Group has majority of voting rights of an acquiree, control is presumed.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Where subsidiaries are acquired or disposed of in the year, their results and cash flows are included from the effective date of acquisition or up to the effective disposal date.

Where a consolidated company is less than 100% owned by the Group, the non-controlling interest share of the results and net assets are recognised at each reporting date. The interests of non-controlling shareholders are ordinarily measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets, but may alternatively be initially measured at fair value. The choice of measurement is made on an acquisition-by-acquisition basis.

Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The Group does not have any individually material non-controlling interests and, on an aggregate basis, the Group's total NCI is immaterial as a percentage of net assets.

3. Accounting policies (continued)

Basis of consolidation (continued)

(a) Subsidiaries (continued)

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transaction between members of the Group are eliminated in full on consolidation.

Where a business combination is achieved in stages, on the date control is achieved the Group re-measures its previously held equity interest in the acquiree at its acquisition-date fair value, with any resulting gain or loss presented in profit or loss. Any amounts previously deferred in other comprehensive income are recognised on the same basis as if the Group had directly disposed of the equity interest.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to equity holders of the parent.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss or transferred directly to retained earnings as appropriate, in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of the reclassified investment.

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in the notes to the Company's separate financial statements.

The companies, Mediaagentur Dr. Pichutta GmbH & Co.KG, Wiesbaden, and explido GmbH & Co.KG, Augsburg, are included in the consolidated financial statements of Dentsu Aegis Network Ltd; as such we apply S264b HGB of the German Commercial Code.

(b) Associates

Associates are entities in which the Group has a participating interest, over whose operating and financial policies it exercises significant influence and which are neither subsidiaries nor joint ventures. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies. The accounting policies used by the Group's associates are the same as those used by the Group, as are the reporting dates in the majority of cases.

The Group's associates are accounted for using the equity method of accounting. Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill within the associate's carrying amount and is assessed for impairment as part of that investment. The Group's share of its associates' post-acquisition profits or losses and any impairment of goodwill is recognised in the income statement and as a movement in the Group's share of associates' net assets in the balance sheet. Its share of any post-acquisition movements in reserves is recognised either directly in equity or in other comprehensive income as appropriate. Losses of the associates in excess of the Group's interest in those associates are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. Accounting policies (continued)

Basis of consolidation (continued)

(b) Associates (continued)

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The Group does not have any individually material associates and, on an aggregate basis, the Group's total associate value is immaterial as a percentage of net assets.

(c) Joint arrangements

Joint arrangements are arrangements of which two or more parties have joint control. Joint ventures are investments in a joint arrangement whereby the Group exercises joint control along with third party and has rights to the net assets of the joint venture. Joint control is contractually agreed sharing of control of an arrangement, which exist only when decisions about the relevant activities require unanimous consent of the parties sharing control. Such investments are equity-accounted, using the same method of equity accounting as described in associates above.

The Group does not have any interests in joint operations.

Business combinations

Acquisitions of subsidiaries and businesses that are external to the Dentsu Inc. Group are accounted for using the acquisition method. The consideration for each acquisition is measured as the aggregate of the acquisition-date fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

Where applicable, the consideration for the acquisition includes contingent consideration, measured at its acquisition-date fair value. Subsequent changes in the fair value of contingent consideration are adjusted against the cost of the acquisition when they qualify as measurement period adjustments (see below), or otherwise are accounted for as fair value changes in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Revised (2010) are recognised at their fair value at the acquisition date. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts. Provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date. This includes the intangible assets that arise as part of the business combination. Where the value of these intangible assets is incomplete by the end of the reporting period, the full excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is attributed to Goodwill. During the measurement period the Goodwill is adjusted for the value of the business combination intangibles acquired, once completed.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

For acquisitions of subsidiaries and businesses under the common control of the Dentsu Inc. Group, the DAN Ltd Group has elected to adopt the Pooling of Interest method for acquisitions. The consideration for each acquisition is measured against the acquisition balance sheet and any surplus recognised in equity.

3. Accounting policies (continued)

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is achieved (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase.

Following initial recognition, goodwill is not amortised but is carried at cost less any accumulated impairment losses. Goodwill recognised under UK GAAP prior to the date of transition to IFRS is stated at net book value as at that date less any subsequent accumulated impairment losses.

Goodwill is allocated to disposals on a cash generating unit ("CGU") basis where entire CGUs are disposed.

Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Goodwill impairment

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units ("CGUs") expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. The Group's CGUs are given in note 10.

Intangible assets

Separately acquired intangible assets are capitalised at cost. Intangible assets acquired as part of a business combination are capitalised at fair value at the date of acquisition. Fair value is calculated based on the Group's valuation methodology, using discounted cash flows, charges avoided or replacement costs as appropriate.

An internally-generated intangible asset arising from the Group's development activities is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Where these criteria are met, the development expenditure is capitalised at cost. Where they are not met, development expenditure is recognised as an expense in the period in which it is incurred. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

3. Accounting policies (continued)

Intangible assets (continued)

Intangible assets (both internally generated and separately acquired) are amortised to residual values on a straight-line basis over the useful economic life of the asset as follows:

Software	20% to 50% per annum
Customer relationships	20% per annum
Patents and trademarks	Nil to 20% per annum
Non-compete agreements	14% to 50% per annum
Intellectual property	33% per annum
Other	10% to 50% per annum

Once acquired intangible assets have exceeded their useful economic lives, the cost and accumulated amortisation of the assets are removed from the balance sheet as an asset retirement.
Where an asset's useful life is considered indefinite, an annual impairment test is performed (see below).

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any recognised impairment losses. Depreciation is charged to write off the cost of these assets to their residual value over their expected useful lives, using the straight-line method, on the following basis:

Freehold buildings	1% to 5% per annum
Leasehold buildings	Over the period of the lease
Leasehold improvements	10% to 20% per annum or over the period of the lease, if shorter
Office furniture, fixtures, equipment and vehicles	10% to 50% per annum

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets (both internally generated and separately acquired) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

Inventory and work in progress

Work in progress is valued at cost, which includes directly attributable costs incurred on behalf of clients. Provision is made for irrecoverable costs where appropriate. Inventory and work in progress is held in the balance sheet at the lower of cost and net realisable value.

3. Accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where leasehold properties remain unutilised by the Group or where the Group is demonstrably committed to a period of non-utilisation, and such properties have not been sublet, provision is made in full for the outstanding rental payments together with other outgoings for the remaining period of the lease. This provision takes into account any future sublet income reasonably expected to be obtained. Future rental payments are charged against this provision in the period in which they are made.

From time to time the Group is exposed to claims which the Group vigorously defends. Provision for costs is made when the likelihood of a case proceeding is adjudged as probable. Disclosure is made of potentially material matters where, on the basis of legal advice, an adverse outcome cannot currently be judged as remote.

Turnover and revenue

Turnover represents amounts billable for media handled by the Group on behalf of clients, together with fees earned for media and research services provided, net of discounts, VAT and other sales-related taxes.

Revenue is the value of media and research fees and commission earned by the Group.

Media revenue arises in the form of fees and commissions for media services and performance related incentives. Fee and commission revenue is recognised when earned, principally when advertisements appear in the media over the period of the relevant assignments or agreements. Performance related income is recognised when it can be reliably estimated whether, and the extent to which, the performance criteria have been met.

For market research and media project businesses, revenue is recognised based on the stage of completion of each project, which is indicated by the satisfactory completion of a specific phase of a project. Provision is made for losses on a project as soon as it becomes clear that a loss will arise. Invoices raised during the course of a project are booked as deferred income in the balance sheet until such a time as the related revenue is recognised in the income statement.

Investment income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Deferred incentives

Liabilities are held in respect of deferred incentive payments to certain employees in relation to the Group's long term incentive scheme. The payment of these incentives is conditional on continued employment for specific periods and, in certain cases, on business performance. The present value of these incentive plans is determined using the projected unit credit method, in line with IAS 19, and an appropriate discount rate is applied, based on the opportunity cost of debt.

Retirement benefits

Retirement benefits for employees are principally provided by defined contribution schemes which are funded by contributions from Group companies and employees. The amount charged to the income statement is the contribution payable in the year by Group companies.

3. Accounting policies (continued)

Retirement benefits (continued)

In addition, the Group has a small number of other retirement benefit schemes, principally where required by statute in certain jurisdictions. These schemes are not considered by management to represent standard defined contribution schemes and do not vary significantly in terms of the Group's liability. However, IAS 19 requires that these schemes be disclosed as defined benefit schemes.

The re-measurement gains and losses of these schemes are recognised immediately in equity. The service cost to the Group and interest expense is recognised in the income statement in the period that they arise.

The liability recognised in the balance sheet in respect of defined benefit obligations is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme. The defined benefit obligation is calculated using the project unit credit method with actuarial valuations being carried out at each balance sheet date. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds approximating to the terms of the related liability.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). The consolidated financial statements are reported in Sterling, which is the functional currency of Dentsu Aegis Network Ltd and the presentational currency for the Group's consolidated financial statements.

In Group companies, the term 'foreign currencies' refers to currencies other than the entity's functional currency. Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Upon settlement, monetary assets and liabilities denominated in foreign currencies are re-translated at the rate ruling on the settlement date. Monetary assets and liabilities denominated in foreign currencies at the yearend are re-translated at the exchange rate ruling at the balance sheet date. Exchange differences arising upon re-translation at the settlement date or balance sheet date are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the re-translation of foreign currency borrowings used to provide a hedge against foreign currency investments, including goodwill, are recognised in other comprehensive income as long as the hedge remains effective.

For consolidation purposes, the trading results and cash flows arising in operations with non-Sterling functional currencies are translated into Sterling at average exchange rates for the period. Assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date. Exchange differences arising upon consolidation are recognised in other comprehensive income. In the event of the disposal of an operation the cumulative effect of such translation is reclassified to the income statement.

Leased assets

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease rentals are charged to the income statement over the lease term on a straight-line basis. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability and recognised as a reduction of rental expense on a straight-line basis.

Taxation

The tax expense represents the sum of current tax and deferred tax.

Current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Consolidated Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

3. Accounting policies (continued)

Taxation (continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax nor accounting profit.

Deferred tax is calculated for all business combinations in respect of intangible assets and properties. A deferred tax liability is recognised to the extent that the fair value of the assets for accounting purposes exceeds the value of those assets for tax purposes and will form part of the associated goodwill on acquisition.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, including interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or equity respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities under current legislation and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

Financial assets

Classification
Management determines the classification of its financial assets at initial recognition. The classifications include.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges.

Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current. The Group's financial assets at fair value through profit or loss comprise derivatives financial assets in the balance sheet.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and short term deposits' in the balance sheet.

3. Accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. The Group's available-for-sale financial assets are referred to as such in the balance sheet.

Held to maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that the Group intends and is able to hold to maturity and that do not meet the definition of loans and receivables and are not designated on initial recognition as assets at fair value through profit or loss or as available for sale. Held to maturity investments are measured at amortised cost. The Group's held to maturity financial assets are referred to as such in note 17a).

Recognition and measurement
The Group's financial assets principally include the following.

a) Cash and short-term deposits
Included within the loans and receivables classification, cash and short-term deposits include cash at bank and in hand and highly liquid deposits with an original maturity of three months or less which are subject to an insignificant risk of changes in value. In the Consolidated Cash Flow Statement, bank overdrafts are deducted from cash and short-term deposits to give cash and cash equivalents.

b) Trade receivables
Included within the loans and receivables classification, Trade receivables are initially recorded at the invoiced value and subsequently reduced by appropriate allowances for estimated irrecoverable amounts. Current trade receivables do not carry any interest charge. Interest may be charged on overdue balances.

c) Available-for-sale financial assets
Available-for-sale financial assets are initially measured at cost, including transaction costs, and at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the net profit or loss for the period. Impairment losses recognised in the income statement for equity instruments classified as available-for-sale are not subsequently reversed through profit or loss.

Impairment of financial assets
Financial assets, other than those at FVTPL 'Fair Value Through Profit and Loss', are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Offsetting of balances within financial assets
In line with IAS 32, the Group offsets cash deposits and overdrafts that are in cashpool arrangements with relationship banks. There are legal agreements in place and are legally enforceable. The Group does not offset other financial assets and liabilities. The amounts offset are presented gross in note 17.

3. Accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity

Classification
Management determines the classification of its financial liabilities at initial recognition according to the substance of the contractual arrangements entered into. The classifications include:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss are either designated in this category; or they are held for trading, such as an obligation for securities borrowed in a short sale which have to be returned in the future. Derivatives are also categorised as held for trading unless they are designated as hedges. The Group's financial liabilities at fair value through profit or loss comprise derivatives financial assets in the balance sheet.

Other financial liabilities measured at amortised cost using the effective interest method
Other financial liabilities measured at amortised cost using the effective interest method are non-derivative financial liabilities which are not designated on initial recognition as liabilities at fair value through profit or loss.

a) Bank borrowings
Interest-bearing bank loans and overdrafts are recorded at the value of proceeds received, net of direct issue costs. Direct issue costs are amortised over the period of the loans and overdrafts to which they relate. Finance charges, including premiums payable on settlement or redemption are charged to the income statement as incurred using the effective interest method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

b) Trade Payables
Trade payables are initially stated at fair value and subsequently at amortised cost.

c) Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares are classified as equity instruments. Equity instruments issued by the Company are recorded at the value of proceeds received, net of direct issue costs.

Derivative financial instruments
The Group's activities expose it to certain financial risks including changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures where they are considered to be significant. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are held at fair value at the balance sheet date. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges of future cash flows are recognised directly in other comprehensive income and the ineffective portion is recognised immediately in the income statement. Amounts deferred in this way are recognised in the income statement in the same period in which the hedged firm commitments or forecast transactions are recognised in the income statement.

3. Accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Derivative financial instruments

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise. Where such changes are intended to provide a natural hedge of a particular risk, the income statement classification reflects this.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gains or losses on the hedging instrument recognised in other comprehensive income are retained until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the income statement for the period. Note 17 includes further information on hedge accounting as applied by the Group.

Liabilities in respect of option agreements with non-controlling shareholders

The Group is party to a number of put and call options over the remaining non-controlling stakes in its subsidiaries. In accordance with IAS 39, put options are treated as derivatives over equity instruments and the amounts that are potentially to be paid for the stakes are recorded as financial liabilities at fair value on initial recognition, with a corresponding decrease in reserves. Fair value is calculated based on the discounted value of expected future payments.

Subsequent changes in the fair value of the liability are recognised as movements in the income statement. On exercise and settlement of a put option liability the cumulative amounts are removed from reserves, along with the de-recognition of non-controlling interests.

Fair value measurement

The Group applies the requirements of IFRS 13 Fair Value Measurement. In accordance with its provisions, all assets and liabilities which are measured at fair value are classified within the hierarchy levels of 1,2,3 as defined in note 17.

The Group assesses whether there have been any transfers between the hierarchy levels through an annual review. In this review, there is an assessment of whether there have been any changes to the nature of the inputs in each level.

Credit value adjustments and debt value adjustments are derived by the Group and applied to the valuation of the respective financial instruments in order to reflect the credit risk of the derivative counter-party.

Accounting estimates and uncertainties

The Group makes estimates and judgements concerning the future and the resulting estimates may, by definition, vary from the related actual results. The Directors consider the critical accounting estimates and judgements to be:

- Revenue recognition
  Judgement is required in selecting the appropriate timing and amount of revenue recognised, particularly where the Group recognises performance related income. Revenue is only recognised when it can be reliably estimated using customer specific information and, where there is a performance related element, to the extent to which the performance criteria have been met.

  The likelihood of collection of trade receivables also requires judgement to be applied. The Group monitors the levels of provisioning required based on historical trends and by detailed review of individually significant balances.

3. Accounting policies (continued)

Accounting estimates and uncertainties (continued)

- **Contingent deferred consideration and put option payments in respect of acquisitions**
  The Group determines the amount of deferred consideration to be recognised according to the formulae agreed at time of acquisition, normally related to the future earnings of the acquired entity. Estimates of the expected future earnings of the acquired entity therefore affect the valuation of deferred consideration. The liability for deferred consideration is reviewed at each balance sheet date and revaluation entries are applied, if required, to deferred consideration and either goodwill or profit or loss in accordance with the Group's accounting policy for business combinations, discussed above.

  Deferred consideration liabilities are discounted to their fair value in accordance with IFRS 3 and IAS 37. The difference between the fair value of these liabilities and the actual amounts payable is charged to the income statement as a notional finance cost.

  Key areas of judgement in calculating the fair value of the put option liabilities are the expected future cash flows and earnings of the acquired entity and the discount rate.

- **Valuation of intangible assets**
  The Group exercises judgement in determining the fair value of identifiable assets, liabilities and contingent liabilities assumed in business combinations. In calculating the fair values of intangibles the Group makes assumptions on the timing and amount of future cash flows generated by the assets it has acquired, the appropriate discount rates and the useful economic lives of the assets purchased.

- **Impairment**

  In determining whether an impairment loss has arisen on goodwill or intangible assets the Group makes judgements over the value in use of its CGUs. In calculating the value in use of a CGU the Group makes estimates of future forecast cash flows and discount rates to derive a net present value of these cash flows and determine if an impairment has occurred. Key areas of judgement include the determination of the long term growth rate applicable to each CGU and the determination of the CGUs themselves. See note 10 for further details.

- **Taxation**

  Tax laws that apply to the Group's businesses may be amended by the relevant authorities, for example as a result of changes in fiscal circumstances or priorities. Such potential amendments and their application to the Group are regularly monitored and the requirement for recognition of any liabilities assessed where necessary.

  Being a multinational Group with tax affairs in many geographic locations inherently leads to a highly complex tax structure which makes the degree of estimation and judgement more challenging. The resolution of issues is not always within the control of the Group and is often dependent on the efficiency of legal processes. Such issues can take several years to resolve. The Group takes a conservative view of unresolved issues, however the inherent uncertainty regarding these items means that the eventual resolution could differ significantly from the accounting estimates and therefore may impact the Group's results and future cash flows.

- **Deferred tax**

  The key area of judgement in respect of deferred tax accounting is the assessment of the expected timing and manner of realisation or settlement of the carrying amounts of assets and liabilities held at the balance sheet date. In particular, assessment is required of whether it is probable that there will be suitable future taxable profits against which any deferred tax assets can be utilised.

4. Operating profit

Operating profit for the Continuing Group has been arrived at after charging/(crediting):

	Year ended 2014	Year ended 2013
	£m	£m
Net foreign exchange gains	(1.5)	(1.5)
Revaluation gain on disposal group held for sale	(2.4)	
Depreciation of property, plant and equipment	25.1	21.2
Amortisation of intangible assets included in operating expenses	73.9	65.9
Gain on disposal of subsidiaries	3.8	-
Operating lease expense	66.8	63.1
Staff costs	908.6	769.3

All comparatives exclude discontinued operations.

A detailed analysis of auditors' remuneration charged to operating profit from continuing operations is provided below

	2014	2014	2013	2013
	£m	%	£m	%
Audit fees				
Fees payable to the Company's auditors for the audit of the company's annual accounts	0.2	4.1%	0.2	6.1%
- The audit of the Company's subsidiaries pursuant to legislation	3.3	67.3%	2.2	66.7%
Total audit fees	3.5	71.4%	2.4	72.7%
Non audit fees				
- Quarterly reviews	0.2	4.1%	0.1	3.0%
- Tax services	0.7	14.3%	0.4	12.1%
- Other services	0.5	10.2%	0.4	12.1%
Total non-audit fees	1.4	28.6%	0.9	27.3%
Total fees paid to the Company's auditors	4.9	100.0%	3.3	100.0%

5. Staff costs

The average monthly number of employees was:

	2014	2013
	Number	Number
DAN Operations	17,748	15,079
Corporate	135	59
	17,883	15,138

Comparatives exclude discontinued operations.

5. Staff costs (continued)

Staff costs consist of:

	2014 £m	2013 £m
Wages, salaries, bonus and benefits	788.9	666.2
Social security costs	101.2	87.4
Other pension costs	18.5	15.7
	908.6	769.3

Comparatives exclude discontinued operations.

Remuneration of key management personnel

The following is the compensation of key management personnel of the Group, being the Directors.

Remuneration of key management personnel

	Aggregate		Highest paid director	
	2014	2013	2014	2013
	£m	£m	£m	£m
Salaries and fees	5.6	6.6	2.1	3.1
Social security costs	1.5	1.0	0.6	0.5
Other short term employee benefits	0.3	0.2	-	0.1
Post-employment benefits	0.7	0.5	0.2	0.2
Termination benefits	-	0.4	-	-
Amounts (excluding shares) receivable under long-term incentive schemes	6.0	3.8	2.6	1.7
	14.1	12.5	5.5	5.6

Post-employment benefits were accrued for two Directors (2013: two Directors) under a defined contribution scheme. In addition, five Directors received cash payments in lieu of contributions to defined contribution schemes. The amount shown above against post-employment benefits includes the aggregate value of company contributions paid (or accrued) to a pension scheme in respect of money purchase benefits as well as the cash payments to the Directors.

During the year no Directors (2013: two Directors) exercised share options in the Company and no Directors (2013: two) received shares in respect of their qualifying service.

6. Investment income

	Year ended 2014 £m	Year ended 2013 £m
Interest receivable	7.2	6.5

All comparatives exclude discontinued operations.

7. Finance costs

	Year ended 2014	Year ended 2013
	£m	£m
Interest payable on bank loans and overdrafts	(0.8)	(0.8)
Interest payable on loan notes, other loans and pension scheme liabilities	(24.3)	(25.3)
	(25.1)	(26.1)
Exchange movements on financing items	(0.2)	(0.3)
Amortisation of financing costs and fees	(5.2)	(5.3)
Fair value movements on deferred consideration	4.1	7.0
Fair value movements on acquisition put options	(8.7)	-
Fair value movements on non-hedge derivatives	-	2.9
Fair value movement arising on derivatives in a designated fair value hedge	-	0.9
Adjustment to hedged items in a designated fair value hedge	-	(0.8)
Interest payable on redeemable preference shares	(2.9)	-
Credit adjustment for derivatives	(0.5)	-
Dentsu related costs on close out of loans and swaps and exchange gain	-	15.4
Finance costs	(38.5)	(6.3)

Exchange movements on financing items includes fair value movements in derivative instruments intended to provide a natural hedge of exchange rate risk. Information on the Group's designated fair value hedges is given in note 17.

8. Tax on profit on ordinary activities

The tax charge for continuing operations is made up of the following:

	2014	2013
	£m	£m
Current tax	58.8	44.5
Adjustments in respect of prior years	(4.4)	0.4
	54.4	44.9
Deferred tax (note 18)	(12.6)	9.9
	41.8	54.8

The tax charge for the year ended 31 December 2014 is £41.8m (2013: £54.8m) representing an effective tax rate (including deferred tax on goodwill) on statutory profits of 49.4% (2013: 34.8%). The tax charge for the year ended 31 December 2014 includes a deferred tax expense of £6.9m (2013: £6.0m) for tax deductions in respect of goodwill. IFRS requires that such deferred tax is recognised even if a liability would only unwind on the eventual sale.

UK Corporation tax is calculated at 21.50% (2013: 23.25%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The UK Government enacted legislation which reduced the main rate of corporation tax to 21% from 1 April 2014. A further reduction in the main rate of corporation tax are proposed to reduce the rate to 20% from 1 April 2015. The net UK deferred tax asset has been calculated using the substantially enacted rates applicable when the temporary difference is expected to reverse. The impact on the Group's net assets is not expected to be material.

8. Tax on profit on ordinary activities (continued)

The total charge for the year for the Total Group can be reconciled to the accounting profit as follows:

	2014 £m	2013 £m
Profit before tax from continuing operations	104.8	157.4
Profit before tax from discontinuing operations	1.5	55.3
Profit before income tax	106.3	212.7
Tax at the UK corporation tax rate of 21.50% (2013: 23.25%)	22.9	49.5
Adjustments in respect of prior years	(6.2)	0.4
Non-deductible expenses for tax purposes	7.3	2.4
Rate differences on overseas earnings	11.3	5.7
Movement in tax losses not recognised	0.7	5.9
Income tax attributable to a discontinued operation	-	7.0
Differences arising from discontinued operations	-	(9.0)
Other differences	5.8	1.2
Tax expense for the year	41.8	63.1
Effective rate of statutory tax charge on statutory profits	39.3%	29.7%

IAS 1 requires income from associates to be presented net of tax on the face of the income statement and not in the Group's tax charge. Associates' tax included within 'share of results of associates' for the year ended 31 December 2014 is £0.1m (2013: £0.4m).

9. Business disposals

On 1st January 2015 the Group sold its Japanese business to its ultimate parent Dentsu Inc. and the Japanese business has been treated as a Disposal Group held for sale at 31 December 2014, under IFRS 5. 100% of the share capital was transferred to Dentsu Inc. in consideration for £5 (¥1,000) and the carrying value of the Japanese business was re-measured on classification as held for sale and subsequently revalued to the disposal amount at 31 December 2014. The Japanese business was in a net liability position of £2.3m at 31 December 2014 and the re-measurement to £nil has resulted in an Income Statement gain of £2.5m and an FX loss of £0.1m in relation to the recycling of cumulative exchange losses on consolidation through the income statement. The gain of £2.4m is recorded within Operating Profit in the Income Statement and is disclosed in Note 4 to these financial statements. The value of the Japanese business assets and liabilities are £nil as at 31 December 2014 in the Statement of Financial Position.

From 1 September 2014, the Group deconsolidated Carat Wonder Advertising, a subsidiary in China, and the company ceased trading. This led to a loss on disposal of £3.8m which has been recognised within operating profit. Subsequently, the Group's activities in the gaming sector have been carried on through a division of Carat China

10. Goodwill

Goodwill

Cost	£m
At 1 January 2013	**1,367.8**
Additions	117.1
Other acquisition adjustments	(6.4)
Disposal of Subsidiaries	(52.0)
Adjustments to prior period estimates of deferred consideration	(0.9)
Exchange differences	(71.1)
At 31 December 2013	**1,354.5**
Additions	178.5
Goodwill acquired upon acquisition of subsidiaries from parent undertaking	324.3
Other acquisition adjustments including adjustments to prior period estimates of deferred consideration	6.3
Disposal of subsidiaries	(5.0)
Exchange differences	(28.2)
At 31 December 2014	**1,830.4**
Accumulated impairment losses	
At 1 January 2013	**43.5**
Impairment losses for the year	-
At 31 December 2013	**43.5**
Impairment losses for the year	-
At 31 December 2014	**43.5**

Carrying amount	**£m**
At 31 December 2014	**1,786.9**
At 31 December 2013	1,311.0

Other acquisition adjustments including adjustments to prior period estimates of deferred consideration shown above relate to adjustments made during the measurement period to the provisional net assets and deferred consideration that was recognised at the acquisition date. These adjustments are made in order to reflect new information obtained about facts and circumstances that existed as of the acquisition date, in accordance with IFRS 3.

On 13th November 2014 the Group acquired the Dentsu Holdings USA Group from its ultimate parent entity Dentsu Inc. Goodwill of £324.3m was acquired as part of the assets and liabilities transferred in this transaction. The details of this transaction are disclosed in Note 22 to these financial statements.

On 1st January 2015 the Group sold its Japanese business to the ultimate parent company Dentsu Inc. and, under IFRS 5, the Japanese business is classified as a Disposal Group held for sale at 31 December 2014. The carrying value of the Japanese business was re-measured on classification as held for sale and subsequently written down to the disposal amount at 31 December 2014. Included in the assets and liabilities of the Japanese business at 31 December 2014 was goodwill of £5.0m, which has been re-measured to £nil.

10. Goodwill (continued)

Goodwill is allocated for impairment testing purposes to CGUs which reflects how it is monitored for internal management purposes. This allocation largely represents the geographic areas of operation for the Group as set out below.

	2014 £m	2013 £m
DAN EMEA	515.4	512.8
DAN Americas	802.4	464.3
DAN Asia Pacific	469.1	333.9
Total Group	1,786.9	1,311.0

The recoverable amount of a CGU is determined based on value-in-use calculations. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next year and management forecasts for the subsequent three years. These calculations reflect management's experience and future expectations of the markets in which the CGU operates. Long term average growth rates used in the projections range between 2.0% - 4.0% depending on the markets in which the CGU operates and vary with management's view of the CGU's market position and maturity of the relevant market. The pre-tax rate used to discount the forecast cash flows is 14.1%.

Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of factors such as market growth, discount rates and currency exchange rates.

11. Intangible assets

	Software	Customer Relationships	Non-compete Agreements	Intellectual Property	Other	Total
Cost	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 1 January 2013	**55.8**	**205.3**	**38.1**	**21.7**	**19.5**	**340.4**
Additions						
- separately acquired	17.9	-	-	-	0.3	18.2
- internally generated	0.2	-	-	-	2.3	2.5
Acquired on acquisition of a subsidiary	0.2	47.7	2.0	1.8	3.6	55.3
Disposals and assets retired	(1.1)	(2.0)	(2.0)	(0.2)	(0.2)	(5.5)
Disposal of subsidiaries	(0.8)	(2.1)	-	(2.2)	(1.1)	(6.2)
Transfers and other movements	(0.2)	(1.4)	-	-	0.3	(1.3)
Exchange differences	(0.1)	(10.9)	(1.0)	(2.3)	(1.2)	(15.5)
At 31 December 2013	**71.9**	**236.6**	**37.1**	**18.8**	**23.5**	**387.9**
Additions						
- separately acquired	7.9	-	-	-	1.2	9.1
- internally generated	11.3	-	-	-	3.6	14.9
Acquired on acquisition of a subsidiary	2.4	128.5	5.0	17.3	7.8	161.0
Disposals and assets retired	(2.7)	(28.5)	(2.3)	(11.4)	(7.5)	(52.4)
Disposal of subsidiaries	(0.5)	(1.4)	(0.7)	(0.1)	(0.3)	(3.0)
Transfers and other movements	3.3	0.1	-	4.4	(4.3)	3.5
Exchange differences	(2.0)	(14.0)	(0.6)	0.6	(0.4)	(16.4)
At 31 December 2014	**91.6**	**321.3**	**38.5**	**29.6**	**23.6**	**504.6**
Amortisation						
At 1 January 2013	**32.7**	**67.2**	**11.0**	**12.8**	**6.4**	**130.1**
Acquired on acquisition of a subsidiary	0.1	-	-	-	-	0.1
Charge for the year	6.8	41.1	6.1	6.0	6.1	66.1
Disposals and assets retired	(0.7)	(0.5)	(0.4)	(0.1)	(0.1)	(1.8)
Disposal of subsidiaries	(0.8)	(1.3)	-	(2.0)	(0.7)	(4.8)
Impairment, transfers and other movements	-	(1.4)	-	-	0.1	(1.3)
Exchange differences	0.1	(5.9)	(0.6)	(2.2)	(0.3)	(8.9)
At 31 December 2013	**38.2**	**99.2**	**16.1**	**14.5**	**11.5**	**179.5**
Acquired on acquisition of a subsidiary	1.6	22.9	2.4	3.5	2.7	33.1
Charge for the year	9.5	49.1	5.6	3.7	6.0	73.9
Disposals and assets retired	(2.7)	(28.5)	(2.3)	(11.4)	(6.1)	(51.0)
Disposal of subsidiaries	(0.2)	(0.8)	(0.4)	(0.1)	(0.3)	(1.8)
Impairment, transfers and other movements	0.7	0.1	-	1.8	(2.6)	-
Exchange differences	(1.6)	(7.5)	(0.6)	0.1	(0.3)	(9.9)
At 31 December 2014	**45.5**	**134.5**	**20.8**	**12.1**	**10.9**	**223.8**
Carrying amount						
At 31 December 2014	**46.1**	**186.8**	**17.7**	**17.5**	**12.7**	**280.8**
At 31 December 2013	33.7	137.4	21.0	4.3	12.0	208.4

The carrying amount of other intangible assets includes patents and trademarks of £5.8m (2013: £4.5m) and other intangibles of £6.9m (2013: £7.6m). All intangible assets included above have been subject to amortisation in the year.

On 1st January 2015 the Group sold its Japanese business to the ultimate parent company Dentsu Inc. and, under IFRS 5, the Japanese business is classified as a Disposal Group held for sale at 31 December 2014. The carrying value of the Japanese business was re measured on classification as held for sale and subsequently revalued to the disposal amount at 31 December 2014. Included in the assets and liabilities of the Japanese business at 31 December 2014 were business combination intangibles of £0.9m and software of £0.3m, which have both been re measured to £nil.

12. Property, plant and equipment

	Freehold land and buildings	Long leasehold and leasehold improvements	Office furniture, fixtures, equipment and vehicles	Total
Cost	£m	£m	£m	£m
At 1 January 2013	**0.9**	**71.1**	**103.3**	**175.3**
Additions	-	8.5	30.0	38.5
Acquisitions of subsidiaries	2.1	0.9	3.0	6.0
Disposals and assets retired	(0.9)	(4.2)	(11.4)	(16.5)
Disposal of subsidiaries	-	(1.4)	(7.2)	(8.6)
Transfers and other movements	(0.1)	(0.2)	(0.2)	(0.5)
Exchange differences	-	(1.5)	(3.7)	(5.2)
At 31 December 2013	**2.0**	**73.2**	**113.8**	**189.0**
Additions	-	19.9	21.2	41.1
Acquisitions of subsidiaries	1.3	33.1	23.9	58.3
Disposals and assets retired	-	(3.5)	(10.4)	(13.9)
Disposal of subsidiaries	-	(0.3)	(0.6)	(0.9)
Transfers and other movements	-	-	(3.5)	(3.5)
Exchange differences	(0.1)	1.6	(2.6)	(1.1)
At 31 December 2014	**3.2**	**124.0**	**141.8**	**269.0**
Accumulated depreciation				
At 1 January 2013	**0.3**	**33.2**	**69.9**	**103.4**
Acquisitions of subsidiaries	0.7	0.4	1.8	2.9
Charge for the year	-	8.2	14.0	22.2
Disposals and assets retired	(0.3)	(3.7)	(10.7)	(14.7)
Disposal of subsidiaries	-	(0.9)	(5.2)	(6.1)
Impairment, transfers and other movements	-	(0.3)	-	(0.3)
Exchange differences	-	(0.6)	(1.6)	(2.2)
At 31 December 2013	**0.7**	**36.3**	**68.2**	**105.2**
Acquisitions of subsidiaries	0.1	12.4	15.8	28.3
Charge for the year	0.1	9.2	15.8	25.1
Disposals and assets retired	-	(3.2)	(9.9)	(13.1)
Disposal of subsidiaries	-	(0.2)	(0.4)	(0.6)
Impairment, transfers and other movements	-	(0.2)	0.2	-
Exchange differences	(0.1)	0.5	(1.9)	(1.5)
At 31 December 2014	**0.8**	**54.8**	**87.8**	**143.4**
Carrying amount				
At 31 December 2014	**2.4**	**69.2**	**54.0**	**125.6**
At 31 December 2013	1.3	36.9	45.6	83.8

At 31 December 2014, the Group had £8.5m capital commitments contracted, but not provided, for the acquisition of property, plant and equipment (2013: £3.7m). These commitments arise primarily in relation to leasehold improvements and office furniture and fittings in new premises. Proceeds from the disposal of property, plant and equipment, excluding assets disposed as part of the disposal of subsidiaries, are £0.5m (2013: £1.8m).

13. Interests in associates and joint ventures

a) Carrying amount

	Associates & Joint Ventures £m 2014
At 1 January 2014	**41.2**
Share of results after tax	0.7
Disposal of associate	(0.6)
Additions	1.4
Movement on prior year acquisitions	2.7
Transfers	(22.7)
Dividends received	(1.4)
Exchange differences	0.3
At 31 December 2014	**21.6**

Investments in associates at 31 December 2014 include goodwill of £7.1m (2013: £7.3m).

Following Charm Board approval to take the business private, the Group received an offer to purchase the shares of the Group's shareholding in Charm. As the Group continue negotiations with the majority shareholders the Group has reclassified the investment from Associates to Available for Sale assets at 31 December 2014, as the Group no longer has significant influence over the associate.

The Group does not have any individually material associates and, on an aggregate basis, the Group's total associate value is immaterial on a net asset percentage basis.

Losses of £nil have been excluded from the Group share of the result of associates in the current year (2013: £nil) since the carrying amount as presented above has been reduced to nil in previous years. The cumulative total of the unrecognised share of losses is £0.7m (2013: £0.7m).

b) Investments in associates

The following represents the aggregate amount of the Group's interests in associated companies' assets, liabilities, revenue and profit / (loss):

Group's interests	2014 £m	2013 £m
Total assets	28.7	57.0
Total liabilities	(21.6)	(27.2)
	7.1	29.8
Goodwill	7.1	7.3
	14.2	37.1
Total revenue	13.5	31.6
Total profit / (loss)	0.7	(1.6)

13. Interests in associates and joint ventures (continued)

b) Investments in associates (continued)

The following represents the summarised financial information of the Group's associated companies' assets, liabilities, revenues and profit

	2014	2013
	£m	£m
Total assets	77.2	255.7
Total liabilities	(55.8)	(110.2)
Total revenue	40.3	156.0
Total profit	4.7	5.6

14. Available-for-sale financial assets

	2014	2013
	£m	£m
Equity investments	**32.9**	2.5

During 2014, the Group disposed of its interest in Harris-Interactive Inc., a company listed on the NASDAQ exchange, for £1.3m.

The equity investments held at the 2014 year end includes the investment in Charm, which was previously classified as an Associate (note 13).

The remaining balance is comprised of a number of small unlisted securities which are held by a number of Group companies and represent numerous small investments in private companies.

15. Trade and other receivables

	2014	2013
	£m	£m
Trade receivables and accrued income	**3,630.7**	3,030.9
Prepayments	**71.0**	62.4
Receivables from Parent and other Dentsu Group entities	**36.4**	-
Other receivables	**118.2**	106.7
	3,856.3	3,200.0

Receivables from the ultimate parent Dentsu Inc and other Dentsu Inc subsidiaries are disclosed in Note 28 Related party transactions.

The average credit period taken for trade receivables is 41 days (2013: 41 days). The Directors consider that the carrying amount of trade and other receivables approximates their fair value. Trade receivables for the Group are stated net of an allowance for doubtful receivables of £79.8m (2013: £86.9m).

15. Trade and other receivables (continued)

Allowance for doubtful receivables

	£m
At 1 January 2013	79.4
Provided in the year	5.3
Acquisition of subsidiaries	6.5
Disposal of subsidiaries	(0.7)
Release of allowance	(2.2)
Utilisation of allowance	(3.2)
Exchange differences	1.7
At 1 January 2014	86.9
Provided in the year	11.7
Acquisition of subsidiaries	0.2
Disposal of subsidiaries	(7.3)
Release of allowance	(2.0)
Utilisation of allowance	(4.3)
Exchange differences	(5.4)
At 31 December 2014	79.8

As of 31 December 2014, trade receivables of £829.0m (2013: £573.0m) were past due but not impaired. The ageing analysis of these receivables is as follows:

	2014 £m	2013 £m
Under 3 months	735.8	514.1
Over 3 months	93.2	58.9
	829.0	573.0

16. Trade and other payables

	2014 £m	2013 £m
Trade payables and accruals	3,700.2	3,108.1
Deferred income	127.8	56.2
Taxation and social security	103.5	107.4
Deferred consideration	179.3	91.1
Payables to Parent and other Dentsu Group entities	6.3	-
Other payables	397.7	335.7
	4,514.8	3,698.5

Payables to the ultimate parent Dentsu Inc and other Dentsu Inc subsidiaries are disclosed in Note 28 Related party transactions.

The average credit period taken for trade payables is 35 days (2013: 37 days). The Directors consider that the carrying amount of trade payables approximates their fair value.

17. Financial instruments

The Group has established objectives concerning the holding and use of financial instruments. The key objective is to manage the financial risks faced by the Group, which are discussed below. Formal policies and guidelines have been set to achieve these objectives and it is the responsibility of Group Treasury to implement these policies using the strategies set out below.

The Group manages its capital to enable the entities in the Group to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the Group's borrowings, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital and reserves and retained earnings.

The Group does not trade in financial instruments nor engage in speculative arrangements and it is the Group's policy not to use any complex financial instruments, unless, in exceptional circumstances, it is necessary to cover defined risks.

Management of financial risk

The Group considers its major financial risks to be currency risk, liquidity risk, interest rate risk and credit risk. The Group's policies with regard to these risks and the strategies concerning how financial instruments are used to manage these risks are set out below.

Currency risk

A significant portion of the Group's activities takes place overseas. The Group therefore faces currency exposures on transactions undertaken by subsidiaries in foreign currencies and upon consolidation following the translation of the local currency results and net assets / liabilities of overseas subsidiaries.

The Group's foreign currency management policy requires subsidiaries to hedge all transactions and financial instruments with material currency exposures. The Group is party to a number of foreign currency forward contracts in the management of exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets. These are held at fair value at the balance sheet date. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted rates matching the maturities of the contracts. Movements in the fair value of forward foreign exchange contracts are taken to the income statement. The total notional amounts of outstanding forward foreign exchange contracts that the Group has committed are shown below.

	2014	2013
	£m	£m
Forward foreign exchange contracts - notional principal	110.2	138.4

It is the Group's policy not to hedge exposures arising from the translation of profits or net assets as these represent an accounting rather than cash exposure.

When it is aligned with the Group's overall funding strategy, the Group's policy is to borrow locally wherever possible to act as a natural hedge against the translation risk arising from its net investments overseas. Where major borrowings are denominated in a currency other than Sterling, the Group may enter into cross-currency swaps to reduce currency risk, as explained later in this note. A currency analysis of borrowings and other financial liabilities is given in section g) of this note.

Liquidity risk

The Group's objective of ensuring that adequate funding is in place is achieved by having agreed sufficient committed bank facilities. The Group also seeks to manage its working capital requirement by requiring clients to pay for media in advance whenever possible.

At 31 December 2014, the Group had net debt (before issue costs of new debt) of £483.3m (2013: £198.0m). The Group had cash and short term deposits of £837.4m at 31 December 2014 (2013: £677.3m) and gross borrowings (before issue costs of new debt) of £1,320.7m (2013: £875.3m). The Group's principal debt instruments are subject to certain financial covenants.

17. Financial instruments (continued)

The following unsecured loan notes and bank loans are included within gross borrowings:

Description	Date of issue	Year repayable	2014 $m	2014 £m	2013 $m	2013 £m
Private placement debt	July 2005	2015	35.0	22.5	35.0	21.1
Private placement debt	September 2007	2017	50.0	32.1	125.0	75.5
Private placement debt	December 2009	2019	15.0	9.6	15.0	9.1
Dentsu Inc. debt	April 2013	2018	400.0	256.7	400.0	241.5
Mitsubishi UFJ Trust and Banking Corp debt	April 2013	2020	400.0	256.7	400.0	241.5
Mizuho bank debt	October 2014	2019	-	120.0	-	-
Mitsubishi UFJ Trust and Banking Corp debt	November 2014	2019	-	60.0	-	-
The Bank of Tokyo Mitsubishi UFJ debt	November 2014	2019	96.0	61.6	-	-
Sumitomo Mitsui Banking Corp debt	November 2014	2019	96.0	61.6	-	-

In December 2014 the Group refinanced its core £450m revolving credit facility with a new £500m facility and at 31 December 2014, this facility was undrawn, giving the Group total undrawn committed facilities of £500m (2013: £450.0m).

Interest rate risk

The Group's unsecured loan notes, referred to above, are at fixed rates. All other borrowings are at floating rates. Certain portions of the Group's borrowings are subject to interest rate swaps, as explained later in this note.

The Group has in place cash pooling arrangements in a number of territories. These enable the Group to minimise the interest paid on short-term borrowings and overdrafts, whilst allowing net surplus funds to be invested in interest bearing accounts.

Credit Risk

The Group's credit risk is primarily attributable to its trade receivables and cash balances. The amounts presented in the balance sheet in respect of trade receivables are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. Trade credit risk is managed in each territory through the use of credit checks on new clients and individual credit limits, where considered necessary. In some instances clients are required to pay for media in advance.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Current receivables and payables and currency disclosures

Due to the nature of the operations of the business, Group companies are able to match current receivables and payables in currencies other than their functional currency and therefore do not have material, unhedged monetary assets and liabilities. Current receivables and payables are therefore excluded from currency analyses provided in this note.

Private Placement Debt – July 2005

On 28 July 2005, the Group issued US$342m of unsecured loan notes, repayable in 2012, 2014, 2015 and 2017. The interest rates applicable on these loan notes range from 5.25% to 5.65%. During 2012, US$159m of the loan notes were repaid. During 2013, the change of control provision on this debt agreement was triggered by the acquisition of the Group by Dentsu Inc. As a result, US$148m of loan notes were repaid in 2013. The Group has outstanding loan notes of US$35.0m, repayable in July 2015 with an applicable interest rate of 5.50%. These loan notes are guaranteed by the Company and certain of its subsidiaries.

17. Financial instruments (continued)

Private Placement Debt – July 2005 (continued)

From 25 April 2013, US$35m of the loan note was designated as a net investment hedge against US dollar-denominated investments. On 3 June 2014, the loan note was de-designated as a net investment hedge. To the extent that this hedging relationship was effective during the year, exchange differences arising on the re-translation of the US$35m of debt was taken to reserves.

Private Placement Debt – September 2007

On 17 September 2007, the Group issued US$125m of unsecured loan notes repayable between 2014 and 2017. The interest rates applicable on these loan notes range from 6.06% to 6.29%. These loan notes are guaranteed by the Company and certain of its subsidiaries.

This debt agreement has a change of control provision which was triggered by the acquisition of the Group by Dentsu Inc. However, this was not exercised by the note holders.

US$75.0m loan notes were repaid in September 2014. The Group has outstanding loan notes of US$50.0m, repayable in September 2017 with an applicable interest rate of 6.29%.

From 25 April 2013, US$125m of the loan note was designated as a net investment hedge against US dollar-denominated investments. On 3 June 2014, the loan note was de-designated as a net investment hedge. To the extent that this hedging relationship was effective during the year, exchange differences arising on the re-translation of the US$125m of debt was taken to reserves.

Private Placement Debt – December 2009

On 17 December 2009, the Group issued US$183m and £25m of unsecured loan notes repayable between 2017 and 2019. The interest rates applicable on these loan notes range from 6.07% to 6.50%. These loan notes are guaranteed by the Company and certain of its subsidiaries. On 17 November 2009, an interest rate swap was entered into for US$50m of the loan notes due in 2019 to convert the US$ fixed rate debt to US$ floating rate debt. On 17 November 2009, cross currency interest rate swaps were entered into for US$18m of the loan notes due in 2017 and US$115m of the loan notes due in 2019 to convert the US$ fixed rate debt to GBP floating rate debt.

During 2013, the change of control provision of this debt agreement was triggered by the acquisition of the Group by Dentsu Inc. This led to US$168m and £25m of the loan notes being repaid. All swaps except for a US$15m cross currency interest rate swap due 2019 were terminated upon this repayment.

Term loan – July 2009

In July 2009 the Group secured a loan of £45m available until July 2011 at a variable interest rate. In July 2011, the facility was extended to be repaid in 2015 and increased to £60m with a fixed interest rate. This facility was repaid early in September 2014 and the value at 31 December 2014 is nil.

Dentsu Inc. Loan – April 2013

In April 2013, following the acquisition of the Group by Dentsu Inc., the Group obtained an unsecured five year term loan of US$400m (£241.5m) with Dentsu Inc. Pricing is based on the 6 month US$ Libor interest rate.

On 24 April 2013, cross currency interest rate swaps were entered into for US$30m of the loan to convert US$ floating rate debt to EUR fixed rate debt. From 24 April 2013, this EUR fixed rate debt was designated as a net investment hedge against certain of the Group's Euro-denominated investments. To the extent that this hedging relationship was effective, exchange differences arising on the re-translation of the swapped Euro debt was taken to reserves.

On 24 April 2013, cross currency interest rate swaps were entered into for US$370m of the loan to convert US$ floating rate debt to GBP fixed rate debt.

17. Financial instruments (continued)

Mitsubishi UFJ Trust and Banking Corp loan – April 2013

In April 2013, following the acquisition of the Group by Dentsu Inc., the Group obtained a seven year term loan of US$400m (£241.5m) with Mitsubishi UFJ Trust and Banking Corp. Pricing is based on the 3 month US$ Libor interest rate. The loan is unsecured and guaranteed by Dentsu Inc. for the duration of the loan.

On 24 April 2013, an interest rate swap was entered into for US$256m of the loan to convert the US$ floating rate debt to US$ fixed rate debt. This debt forms a natural hedge against US$ denominated intercompany loans.

On 24 April 2013, cross currency interest rate swaps were entered into for US$144m of the loan to convert the US$ floating rate debt to EUR fixed rate debt. From 24 April 2013, this EUR fixed rate debt was designated as a net investment hedge against certain of the Group's Euro-denominated investments. To the extent that this hedging relationship was effective, exchange differences arising on the re-translation of the swapped Euro debt was taken to reserves.

Mizuho bank loan – 2014

In October 2014 the Group secured a loan of £120m from Mizuho bank, Ltd. The loan matures in October 2019 and accrues interest at a variable interest rate. In October 2014, interest rate swaps were entered into for £120m of the loan to convert the GBP floating rate debt to GBP fixed rate debt.

Mitsubishi UFJ Trust and Banking Corp loan – 2014

In November 2014 the Group secured a loan of £60m from Mitsubishi UFJ Trust and Banking Corp. The loan matures in November 2019 and accrues interest at a variable interest rate. In November 2014, interest rate swaps were entered into for £120m of the loan to convert the GBP floating rate debt to GBP fixed rate debt.

The Bank of Tokyo Mitsubishi UFJ loan – 2014

In November 2014 the Group secured a loan of US$96m from The Bank of Tokyo Mitsubishi UFJ, Ltd. The loan matures in November 2019 and accrues interest at a fixed interest rate.

Sumitomo Mitsui Banking Corp loan – 2014

In November 2014 the Group secured a loan of US$96m from Sumitomo Mitsui Banking Corporations Europe Limited. The loan matures in November 2019 and accrues interest at a variable interest rate. In November 2014, interest rate swaps were entered into for £120m of the loan to convert the US$ floating rate debt to US$ fixed rate debt.

Dentsu Inc. redeemable preference shares

In November 2014, the Group issued US$450.0m of redeemable preference shares to Dentsu Inc. Under IFRS, these redeemable preference shares are treated as a debt instrument, and are held on the balance sheet as a liability. The preference shares are redeemable and they pay a coupon of 7.41%.

Multi-currency credit facility – December 2014

In July 2010, the Group re-financed the five year £450m multi-currency credit facility with a group of international banks, which was originally entered into in June 2006. The facility is committed and revolving and allows drawings under a variety of currencies. Pricing is based on the inter-bank rate of the relevant currency for the corresponding period of the drawing with the interest margin determined by reference to a grid based on the consolidated net borrowings to consolidated net EBITDA ratio.

In December 2014 the Group refinanced this core £450m revolving credit facility with a new £500m facility. The facility is committed and revolving and allows drawings under a variety of currencies. Pricing is based on the inter-bank rate of the relevant currency for the corresponding period of the drawing with the interest margin determined by reference to a grid based on the consolidated net borrowings to consolidated net EBITDA ratio. The facility is unsecured but guaranteed by the Company and certain of its subsidiaries until December 2019.

17. Financial instruments (continued)

Interest rate swaps

The fair value of the interest rate swaps at 31 December 2014 is £(0.6)m (2013: £7.5m). The fair value is based on a discounted cash flow model and market interest yield curves applicable and represents unrecognised gains which the Group expects to realise as a result of lower or higher interest payments under the swap compared with the interest payable on the underlying debt instrument.

US$256m floating to fixed interest rate swap
These interest rate swaps are designated and effective as a cash flow hedge against changes in the fair value of US$ debt caused by changes in interest rates. Movements in the fair value of the interest rate swap are recognised in other comprehensive income and subsequently reclassified to the income statement to offset against changes in the cash flows of the US$ debt relating to interest.

£120m floating to fixed interest rate swap
These interest rate swaps are designated and effective as a cash flow hedge against changes in the fair value of GBP debt caused by changes in interest rates. Movements in the fair value of the interest rate swap are recognised in other comprehensive income and subsequently reclassified to the income statement to offset against changes in the cash flows of the GBP debt relating to interest.

US$96m floating to fixed interest rate swap
These interest rate swaps are designated and effective as a cash flow hedge against changes in the fair value of US$ debt caused by changes in interest rates. Movements in the fair value of the interest rate swap are recognised in other comprehensive income and subsequently reclassified to the income statement to offset against changes in the cash flows of the US$ debt relating to interest.

£60m floating to fixed interest rate swap
These interest rate swaps are designated and effective as a cash flow hedge against changes in the fair value of GBP debt caused by changes in interest rates. Movements in the fair value of the interest rate swap are recognised in other comprehensive income and subsequently reclassified to the income statement to offset against changes in the cash flows of the GBP debt relating to interest.

Cross currency interest rate swaps

The fair value of the cross currency interest rate swaps at 31 December 2014 is £2.0m (2013: £(12.0)m). The fair value is based on a discounted cash flow model and market yield curves applicable and represents movements in the exchange spot rates and in interest rate yields.

US$/Sterling cross currency interest rate swaps – US$15m notional maturing 2019
Movements in the fair value of the cross currency interest rate swaps excluding the credit spread are taken to the income statement where they offset against opposite movements in the fair value of the US$ loan notes caused by changes in interest rates and foreign exchange spot rates.

Movements in the fair value of the cross currency interest rate swaps relating to the credit spread are taken to reserves and released to the income statement when the underlying portion of US$ loan notes interest is recognised in the income statement.

US$/Euro cross currency interest rate swaps – US$174m maturing 2018 and 2020
The US$174m cross currency swaps is synthetically split, for accounting purposes, to reflect the Group's presentational currency of Sterling. The US$/Sterling legs of the swaps are designated and effective as cash flow hedges against the Group's US$ debt. Movements in the fair value of the US$/Sterling legs of the swaps are recognised in other comprehensive income and the effective portion is subsequently released to the income statement so as to offset against the changes in the cash flows of the US$ debt. The Euro/sterling legs of the swaps are designated as net investment hedges in respect of certain of the Group's Euro-denominated investments. To the extent that this hedging relationship is effective, exchange differences arising on the re-translation of the swapped Euro debt are taken to reserves.

17. Financial instruments (continued)

US$/Sterling cross currency interest rate swaps – US$370m maturing 2018
Movements in the fair value of the cross currency interest rate swaps are recognised in other comprehensive income and the effective portion is subsequently released to the income statement so as to offset against the changes in the cash flows of the US$ debt.

Covenants

The Group's leverage covenant (net debt/EBITDA) was 0.3 times (compared to a covenant requirement of <3 times) (2013: 0.8 times) and interest cover covenant (EBITDA/net interest) was 12.3 times (compared to a covenant requirement >4 times) (2013: 10.5 times) at 31 December 2014.

a) Categories of financial instruments

	Carrying value 2014 £m	Carrying value 2013 £m
Financial Assets		
Fair value through profit and loss (FVTPL)		
- Held for trading	0.6	1.1
Held to maturity investments	0.1	0.1
Derivative instruments in designated hedge accounting relationships	8.5	8.3
Available-for-sale financial assets	32.9	2.5
Cash and short-term deposits	837.4	677.3
Trade receivables and other financial assets	2,727.2	2,295.3
Total financial assets	3,606.7	2,984.6
Financial Liabilities		
Fair value through profit and loss (FVTPL)		
- Held for trading	1.4	1.5
- Acquisition put option derivatives	96.5	34.6
Derivative instruments in designated hedge accounting relationships	7.1	12.7
Borrowings	1,318.3	873.7
Deferred consideration	348.9	306.5
Trade payables and other financial liabilities	2,411.1	2,118.1
Total financial liabilities	4,183.3	3,347.1

Trade receivables and other financial assets are held at amortised cost and include these items of trade and other receivables that meet the definition of financial assets.

Trade payables and other financial liabilities are held at amortised cost and include these items of trade and other payables that meet the definition of financial liabilities.

17. Financial instruments (continued)

b) Maturity profile of Group financial assets and liabilities

Financial assets

2014	Less than 1 year	1-2 years	2-5 years	More than 5 years	No fixed maturity	Total
	£m	£m	£m	£m	£m	£m
Current						
Cash and short-term deposits	837.4	-	-	-	-	837.4
Derivative financial assets:						
- Forward foreign exchange contracts	0.6	-	-	-	-	0.6
	838.0	-	-	-	-	838.0
Trade receivables and other financial assets	2,713.1	-	-	-	-	2,713.1
Total current	3,551.1	-	-	-	-	3,551.1
Non-current						
Available for sale financial assets	-	-	-	-	32.9	32.9
Derivative financial assets:						
- Interest rate swap	-	-	-	3.2	-	3.2
- Cross currency interest rate swaps	-	-	1.0	4.3	-	5.3
Other financial assets	-	-	-	0.1	14.1	14.2
Total non-current	-	-	1.0	7.6	47.0	55.6
Total	3,551.1	-	1.0	7.6	47.0	3,606.7

2013	Less than 1 year	1-2 years	2-5 years	More than 5 years	No fixed maturity	Total
	£m	£m	£m	£m	£m	£m
Current						
Cash and short-term deposits	677.3	-	-	-	-	677.3
Derivative financial assets:						
- Forward foreign exchange contracts	1.1	-	-	-	-	1.1
	678.4	-	-	-	-	678.4
Trade receivables and other financial assets	2,290.4	-	-	-	-	2,290.4
Total current	2,968.8	-	-	-	-	2,968.8
Non-current						
Available for sale financial assets	-	-	-	-	2.5	2.5
Derivative financial assets:						
- Interest rate swap	-	-	-	7.5	-	7.5
- Cross currency interest rate swaps	-	-	-	0.8	-	0.8
Other financial assets	-	-	-	0.1	4.9	5.0
Total non-current	-	-	-	8.4	7.4	15.8
Total	2,968.8	-	-	8.4	7.4	2,984.6

17. Financial instruments (continued)

b) Maturity profile of Group financial assets and liabilities (continued)

There are no material differences between the recorded and fair values of the Group's financial assets at 31 December 2014. The fair values of financial assets reflect market values or are based upon readily available market data.

Financial liabilities

2014	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m	Total £m
Current					
Bank overdrafts	6.7	-	-	-	6.7
Bank loans	69.3	-	-	-	69.3
Loan notes	23.6	-	-	-	23.6
Other external loans	52.8	-	-	-	52.8
	152.4	-	-	-	152.4
Less: Issue costs of debt to be amortised	(0.3)	-	-	-	(0.3)
	152.1	-	-	-	152.1
Derivative financial liabilities:					
- Forward foreign exchange contracts	1.4	-	-	-	1.4
- Put option liabilities	2.8	-	-	-	2.8
	156.3	-	-	-	156.3
Deferred consideration	179.3	-	-	-	179.3
Trade payables and other financial liabilities	2,364.2	-	-	-	2,364.2
Total current	**2,699.8**	-	-	-	**2,699.8**
Non-current					
Bank loans	-	20.3	303.2	256.7	580.2
Loan notes	-	-	42.5	-	42.5
Redeemable preference shares	-	-	-	288.8	288.8
Other external loans	-	-	256.7	-	256.7
	-	20.3	602.4	545.5	1,168.3
Less: Issue costs of debt to be amortised	-	(0.6)	(1.4)	(0.0)	(2.0)
	-	19.7	601.0	545.5	1,166.2
Derivative financial liabilities:					
- Cross currency Interest rate swaps	-	-	3.3	-	3.3
- Interest rate swaps	-	-	3.8	-	3.8
- Put option liabilities	-	8.3	45.1	40.3	93.7
Deferred consideration	-	76.9	91.7	1.0	169.6
Other non-current liabilities	-	27.4	8.7	10.8	46.9
Total non-current	-	**132.3**	**753.6**	**597.6**	**1,483.5**
Total	2,699.8	132.3	753.6	597.6	4,183.3

17. Financial instruments (continued)

b) Maturity profile of Group financial assets and liabilities (continued)

Financial liabilities (continued)

2013	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m	Total £m
Current					
Bank overdrafts	35.7	-	-	-	35.7
Bank loans	65.7	-	-	-	65.7
Loan notes	47.1	-	-	-	47.1
Other external loans	117.8	-	-	-	117.8
	266.3	-	-	-	266.3
Less: Issue costs of debt to be amortised	(0.8)	-	-	-	(0.8)
	265.5	-	-	-	265.5
Derivative financial liabilities:					
- Forward foreign exchange contracts	1.5	-	-	-	1.5
- Cross currency swaps	-	-	-	-	-
- Put option liabilities	1.5	-	-	-	1.5
	268.5	-	-	-	268.5
Deferred consideration	89.6	-	-	-	89.6
Trade payables and other financial liabilities	2,105.3	-	-	-	2,105.3
Total current	2,463.4	-	-	-	2,463.4
Non-current					
Bank loans	-	64.9	0.1	241.5	306.5
Loan notes	-	21.1	30.2	9.8	61.1
Other external loans	-	-	241.4	-	241.4
	-	86.0	271.7	251.3	609.0
Less: Issue costs of debt to be amortised	-	(0.5)	(0.2)	(0.1)	(0.8)
	-	85.5	271.5	251.2	608.2
Derivative financial liabilities:					
- Cross currency swaps	-	-	-	-	-
- cross currency Interest rate swaps	-	-	10.0	2.7	12.7
- Put option liabilities	-	4.0	17.1	12.0	33.1
Deferred consideration	-	69.7	147.1	0.1	216.9
Other non-current liabilities	-	3.2	3.9	5.7	12.8
Total non-current	-	162.4	449.6	271.7	883.7
Total	2,463.4	162.4	449.6	271.7	3,347.1

17. Financial instruments (continued)

c) Valuation of financial assets and liabilities

Except as detailed in the following table, the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values. The following items of financial liabilities are within fair value hierarchy level 2.

	2014	2014	2013	2013
	Fair value	Carrying value	Fair value	Carrying value
	£m	£m	£m	£m
2005 loan notes	23.1	23.0	22.6	21.6
2007 loan notes	36.2	32.7	82.0	76.8
2009 loan notes	11.6	9.7	10.9	9.1
2013 Mitsubishi debt	260.6	257.0	245.7	241.7
2014 Mizuho debt	122.1	120.2	-	-
2014 Mitsubishi debt	60.9	60.1	-	-
2014 BTMU debt	63.4	61.8	-	-
2014 SMBC debt	63.0	61.7	-	-
Total	640.9	626.2	361.2	349.2

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise held-to-maturity investments and quoted available-for-sale investments.
- The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Instruments included in Level 2 comprise derivative instruments, other than put options over acquisition of minorities, these are calculated using quoted prices and yield curves derived from these quoted prices.

  Specific valuation techniques used to value financial instruments include:

  - Quoted market prices or dealer quotes for similar instruments;
  - The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
  - The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value
  - Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments

17. Financial instruments (continued)

c) Valuation of financial assets and liabilities (continued)

- The fair values of put option liabilities and deferred consideration are calculated as the best estimate of the gross cash expected to be paid discounted to present value.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset of liability that are not based on observable market data (unobservable inputs).

Changes in Level 3 instruments for the year ended 31 December 2014 are presented in part d) of this note.

2014	Level 1	Level 2	Level 3	Carrying value 2014
	£m	£m	£m	£m
Financial assets				
Fair value through profit and loss (FVTPL)				
- Held for trading	-	0.6	-	**0.6**
Derivative instruments in designated hedge accounting relationships	-	8.5	-	**8.5**
Held to maturity investments	0.1	-	-	**0.1**
Available-for-sale financial assets	22.7	-	10.2	**32.9**
Total financial assets measured at fair value	**22.8**	**9.1**	**10.2**	**42.1**
Financial liabilities				
Fair value through profit and loss (FVTPL)				
- Held for trading	-	(1.4)	-	**(1.4)**
- Acquisition put option derivatives	-	-	(96.5)	**(96.5)**
Derivative instruments in designated hedge accounting relationships	-	(7.1)	-	**(7.1)**
Deferred consideration	-	-	(348.9)	**(348.9)**
Total financial liabilities measured at fair value	**-**	**(8.5)**	**(445.4)**	**(453.9)**

17. Financial instruments (continued)

c) Valuation of financial assets and liabilities (continued)

2013	Level 1	Level 2	Level 3	Carrying value 2013
	£m	£m	£m	£m
Financial assets				
Fair value through profit and loss (FVTPL)				
- Held for trading	-	1.1	-	1.1
Derivative instruments in designated hedge accounting relationships	-	8.3	-	8.3
Held to maturity investments	0.1	-	-	0.1
Available-for-sale financial assets - quoted	1.3	-	-	1.3
Total financial assets measured at fair value	1.4	9.4	-	10.8
Financial liabilities				
Fair value through profit and loss (FVTPL)				
- Held for trading	-	(1.5)	-	(1.5)
- Acquisition put option derivatives	-	-	(34.6)	(34.6)
Derivative instruments in designated hedge accounting relationships	-	(12.7)	-	(12.7)
Deferred consideration	-	-	(306.5)	(306.5)
Total financial liabilities measured at fair value	-	(14.2)	(341.1)	(355.3)

There were no transfers between levels during 2014 or 2013.

d) Analysis of derivative financial instruments

A reconciliation of the movements in the calculated fair value of put option derivatives is provided below

	2014	2013
	£m	£m
Balance at 1 January	(34.6)	(10.4)
Put options issued	(68.0)	(28.2)
Put options settled and lapsed	1.2	2.4
Put options extinguished on disposal of subsidiaries	4.3	0.2
Revisions of estimated fair value	(11.0)	0.2
Discounting	7.4	(0.2)
Exchange differences	4.2	1.4
Balance at 31 December	(96.5)	(34.6)

An increase of 1% in the rate used to discount the expected gross value of payments would lead to a decrease in the recorded liability of £3.3m.

17. Financial instruments (continued)

d) Analysis of derivative financial instruments (continued)

A reconciliation of the movements in the calculated fair value of deferred consideration is provided below:

	2014 £m	2013 £m
Balance at 1 January	(306.5)	(314.3)
Deferred consideration created	(109.5)	(77.6)
Deferred consideration settled	66.7	58:2
Disposal of subsidiaries	1.7	9.4
Revisions of estimated fair value recognised in the income statement	13.8	24.9
Revisions of estimated fair value impacting goodwill and associates	(9.3)	-
Unwind of discounting	(8.6)	(7.0)
Exchange differences	2.8	(0.1)
Balance at 31 December	(348.9)	(306.5)

An increase of 1% in the rate used to discount the expected gross value of payments would lead to a decrease in the recorded liability of £2.2m

Within deferred consideration created is deferred consideration acquired of £32.1m in relation to DHUSA.

Fair value is calculated based on the discounted value of expected future payments. Subsequent changes in the fair value of the liability are recognised in the income statement.

	Current 2014 £m	Non current 2014 £m	Current 2013 £m	Non current 2013 £m
Derivative liabilities that are designated and effective as hedging instruments carried at fair value				
Cross currency interest rate swaps	-	(3.3)	-	(12.7)
Interest rate swaps	-	(3.8)	-	-
Derivative liabilities carried at fair value through profit and loss				
Forward foreign currency contracts	(1.4)	-	(1.5)	-
Put option liabilities	(2.8)	(93.7)	(1.5)	(33.1)
Derivative assets that are designated and effective as hedging instruments carried at fair value				
Cross currency interest rate swaps	-	5.3	-	0.7
Interest rate swaps	-	3.2	-	7.5
Derivative assets carried at fair value through profit and loss				
Forward foreign currency contracts	0.6	-	1.1	-
	(3.6)	(92.3)	(1.9)	(37.5)

Loans and receivables are discussed in this note and note 17, and available-for-sale financial assets are disclosed in note 14. All other financial instruments are held at amortised cost except for derivative financial instruments which are held for trading at fair value through profit and loss.

17. Financial instruments (continued)

e) Analysis of hedge effectiveness

Fair value hedges

	2014 £m	2013 £m
Fair value movement arising on derivatives in a designated fair value hedge	0.1	0.8
Adjustment to hedged items in a designated fair value hedge	(0.1)	(0.8)
	-	-

Ineffectiveness recognised in the income statement that arises from fair value hedges was nil in both the current and prior years.

Cash flow hedges
The hedged forecast interest payments in GBP and foreign currency are expected to occur at various dates over the duration of the 2013 Mitsubishi UFJ Trust and Banking Corp Loan, the 2013 Dentsu Inc. Loan, the 2014 Mizuho bank Loan, the 2014 Sumitomo Mitsui Banking Corp Loan and 2014 Mitsubishi UFJ Trust and Banking Corp Loan. The portion of the gain or loss on the hedging instruments determined to be an effective hedge is recognised in OCI. This amount is held in the hedging reserve in equity and is subsequently reclassified to the income statement in the same periods during which the forecasted interest payments affect the income statement. The net loss taken to equity in respect of cash flow hedges is £22.1m

Ineffectiveness recognised in the income statement that arises from cash flow hedges and fair value hedges was £nil and £0.1m in the current and prior year respectively.

Net investment hedges
No ineffectiveness arises from the Group's hedges of net investments in foreign operations.

f) Maturity analysis

The maturity profile of the anticipated future cash flows (including interest but excluding trade and other payables meeting the definition as financial liabilities) in relation to the Group's non-derivative financial liabilities are as follows. These are not discounted and therefore differ from both the liabilities' carrying values and fair values. The redeemable preference shares are included in the table below. Although they don't have a fixed maturity date, it is assumed that they will be redeemed and repaid in 2024.

	2014 External loans £m	2014 Other liabilities £m	2014 Total £m	2013 External loans £m	2013 Other liabilities £m	2013 Total £m
Less than 1 year	183.5	178.5	362.0	282.4	88.2	370.6
1-2 years	53.0	112.9	165.9	94.6	68.6	163.2
2-5 years	686.3	129.0	815.3	285.0	155.6	440.6
More than 5 years	650.1	11.8	661.9	252.6	(5.6)	247.0
	1,572.9	432.2	2,005.1	914.6	306.8	1,221.4
Effect of discount / financing rates	(755.1)	(11.3)	(766.4)	(322.9)	(14.5)	(337.4)
	817.8	420.9	1,238.7	591.7	292.3	884.0

17. Financial instruments (continued)

f) Maturity analysis (continued)

The maturity profile of the Group's financial derivatives (which include interest rate and foreign exchange swaps), using undiscounted cash flows, is as follows:

	2014 Payable £m	2014 Receivable £m	2013 Payable £m	2013 Receivable £m
Less than 1 year	(123.0)	116.5	(146.1)	142.5
1-2 years	(12.8)	6.2	(7.5)	3.9
2-5 years	(31.4)	14.8	(20.0)	10.2
More than 5 years	(1.1)	0.4	(5.0)	2.2
	(168.3)	137.9	(178.6)	158.8

The maturity profile of the Group's put option liabilities, using undiscounted cash flows, is as follows:

	2014 £m	2013 £m
Less than 1 year	(2.8)	(1.5)
1-2 years	(8.6)	(3.9)
2-5 years	(49.4)	(18.7)
More than 5 years	(46.7)	(14.2)
	(107.5)	(38.3)
Effect of discount / financing rates	11.0	3.7
	(96.5)	(34.6)

The Group had the following undrawn, committed bank borrowing facilities available at 31 December in respect of which all conditions precedent had been met at that date:

	2014 £m	2013 £m
Expiring within one year	-	450.0
Expiring after five years or more	500.0	-
	500.0	450.0

g) Interest rate and currency profile

The following interest rate and currency profile of the Group's financial assets and liabilities is after taking into account any interest rate and cross currency swaps entered into by the Group.

17. Financial instruments (continued)

g) Interest rate and currency profile (continued)

Financial assets

The table below summarises current financial assets by interest type. The Group's non-current financial assets do not bear interest.

	Floating rate	Non-interest bearing	2014 Total	Floating rate	Non-interest bearing	2013 Total
	£m	£m	£m	£m	£m	£m
GBP	146.3	0.5	146.8	(68.9)	0.2	(68.7)
USD	262.6	10.2	272.8	309.9	2.3	312.2
EUR	154.8	11.9	166.7	193.1	1.2	194.3
Other currencies	239.9	11.2	251.1	226.3	13.2	239.5
	803.6	33.8	837.4	660.4	16.9	677.3
Trade receivables and other financial assets			2,727.2			2,295.3
Derivative financial assets			9.1			9.4
Available-for-sale financial assets			32.9			2.5
Held to maturity investments			0.1			0.1
			3,606.7			2,984.6

The majority of cash is invested in short term fixed rate deposits of less than one month with the balance in interest bearing current accounts. It is management's view that the short term nature of these deposits means they effectively act as floating rate assets.

The floating rate financial assets above are represented by cash at bank and in hand and short-term deposits.

Financial liabilities

	Fixed rate	Floating rate	Non-interest bearing	2014 Total	Fixed rate	Floating rate	Non-interest bearing	2013 Total
	£m	£m	£m	£m	£m	£m	£m	£m
GBP	417.5	9.0	0.7	427.2	283.4	9.8	1.2	294.4
USD	633.6	2.4	4.5	640.5	251.1	117.3	2.0	370.4
EUR	111.8	0.7	0.1	112.6	105.2	0.4	0.1	105.7
Other currencies	45.1	95.3	-	140.4	1.2	103.6	-	104.8
Gross borrowings	1,208.0	107.4	5.3	1,320.7	640.9	231.1	3.3	875.3
Issue costs of debt	(0.5)	(1.9)	-	(2.4)	(0.4)	(1.2)	-	(1.6)
	1,207.5	105.5	5.3	1,318.3	640.5	229.9	3.3	873.7
Trade payables and other financial liabilities				2,411.1				2,118.1
Deferred consideration				348.9				306.5
Derivative financial liabilities				105.0				48.8
				4,183.3				3,347.1

17. Financial instruments (continued)

g) Interest rate and currency profile (continued)

The weighted average interest rates paid were as follows:

	2014	2013
	%	%
Bank overdrafts	3.0	4.1
Bank loans	3.0	3.5
Loan notes	5.8	4.5
Other external loans	2.3	1.1

The bank overdraft borrowings, the revolving credit facility and the US$15m unsecured loan notes issued in 2009 incur interest at floating rates. All other borrowings incur interest at fixed rates after taking the swap arrangements into account.

At 31 December 2014, it is estimated that a general simultaneous parallel uplift of 1% in interest rates would increase the Group's reported profit by approximately £4.8m (2013: £3.0m increase).

h) Sensitivity analysis

The following table details the Group's sensitivity to a 1% increase in Sterling against the significant foreign currencies of the Group. The sensitivity analysis was performed taking outstanding foreign currency denominated monetary items as at year end and adjusting their translation at the period end for a 1% change in foreign currency rates. The sensitivity analysis includes external loans. For a 1% weakening of Sterling against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Euro currency impact		US dollar currency impact	
	2014	2013	2014	2013
	£m	£m	£m	£m
Potential profit increase/(decrease)	1.0	1.1	(0.1)	0.9
Other equity	-	-	-	-

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as certain financial instruments are used to hedge exposures on retranslation of the Group's operations denominated in currencies other than Sterling, which are outside the scope of IFRS7. This sensitivity analysis excludes the foreign currency translation risk of the foreign operations, and had this been included the sensitivities would have been disclosed as follows:

Sensitivity analysis including hedging instruments that are outside the scope of IFRS 7	Euro currency impact		US dollar currency impact	
	2014	2013	2014	2013
	£m	£m	£m	£m
Potential profit increase/(decrease)	-	-	(0.1)	-
Other equity	1.0	1.1	-	1.0

18. Deferred tax

	Recognition of Financial Liabilities £m	Purchased Intangibles £m	Deductions in respect of goodwill £m	Losses £m	Other temporary differences £m	Total £m
At 1 January 2014 - asset / (liability)	1.2	(49.2)	(31.7)	39.4	(3.4)	(43.7)
Exchange rate differences	-	1.6	-	1.0	(1.6)	1.0
Deferred tax on intangibles	-	-	-	-	-	-
Deferred tax on acquisitions	-	(28.1)	(8.5)	5.2	5.8	(25.6)
Amount provided in reserves	-	-	-	-	4.5	4.5
Deferred tax on discontinued operations	-	-	-	-	-	-
P&L movement	(0.1)	17.5	(6.9)	(6.8)	8.9	12.6
At 31 December 2014 - asset / (liability)	1.1	(58.2)	(47.1)	38.8	14.2	(51.2)

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset).

	2014 £m	2013 £m
Deferred tax liability	(81.0)	(65.5)
Deferred tax asset	29.8	21.8
	(51.2)	(43.7)

The Group has the following temporary differences in respect of which no deferred tax asset has been recognised.

	2014 £m	2013 £m
Losses - revenue	151.1	115.4
Losses - capital	183.6	178.4
Other temporary differences	7.9	14.4
	342.6	308.2

Included in losses - revenue, are losses of £0.3m that will expire by 2015, £0.5m that will expire by 2016, £0.9m that will expire by 2017, £1.2m that will expire by 2018, £1.6m that will expire by 2019, £6.2m that will expire after 2021 and £140.4m of losses that may be carried forward indefinitely.

Included in losses - capital, are capital losses of £87.1m (2013: £81.9m) that have a tax expiry of 2 years (2013: 3 years). The total amount of tax losses and other temporary differences for which no deferred tax was recognised was £342.6m (2013: £308.2m).

Balances in the subsidiary entities are shown on a 100% basis, regardless of ownership percentage. Balances in associates and joint ventures are not included.

No deferred tax liability is recognised on temporary differences of £480.5m (2013: £209.1m) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.
The temporary differences at 31 December 2014 represent only the unremitted earnings of those overseas subsidiaries where remittance to the UK of those earnings may still result in a tax liability, principally as a result of dividend withholding taxes levied by the overseas tax jurisdictions in which these subsidiaries operate. Temporary differences arising in connection with interests in associates and joint ventures are insignificant.

19. Provisions

	2014 £m
At 1 January 2014	2.4
Additional provision in the year	0.8
Additional provision arising on acquisition	18.6
Utilisation	(1.1)
Disposal of subsidiaries	(0.1)
Released	(0.4)
Exchange differences	(1.1)
At 31 December 2014	19.1

Provisions include provisions arising on acquisition for certain potential social security liabilities and onerous leases on property. The Group's vacant leasehold properties are located in the UK and the US. Provision has been made for the residual lease commitments for the remaining period of the leases, which at 31 December 2014 is approximately 4.1 years (2013: 1.7 years).

Contingent liabilities

The Company and its subsidiaries are subject to legal challenges and claims from time to time, and such claims are vigorously defended. The Directors do not anticipate that the outcome of pending legal proceedings, either individually or in aggregate, will have a material adverse effect on the consolidated accounts or on the operations of the Group.

20. Share capital

	2014 Number of ordinary shares	2014 £m	2013 Number of ordinary shares	2013 £m
Ordinary shares of 5.5p issued, allotted, called up and fully paid:				
At 1 January	1,313,015,200	72.2	1,173,108,511	64.5
Issue of shares by the Company	113,851,628	6.3	2.902,664	0.2
Convertible bond conversion	-	-	137,004,025	7.5
At 31 December	1,426,866,828	78.5	1,313,015,200	72.2

The Company has one class of ordinary shares which carry no right to fixed income. The ordinary shares each have full voting rights.

During 2014, the Company received a capital injection of £47.0m from its parent company Dentsu Inc. in exchange for an issue of 1,000 ordinary shares.

As part of the acquisition of DHUSA from the ultimate parent Dentsu Inc., the Company issued 113,851,628 shares valued at £6.3m ordinary share capital and £272.7m share premium.

21. Share premium account

	2014	2013
	£m	£m
At 1 January	404.3	400.9
Issue of shares by the Company	319.7	3.4
At 31 December	724.0	404.3

During 2014, Company received a capital injection of £47.0m from its parent company Dentsu Inc., the majority of which is held within share premium.

As part of the acquisition of DHUSA from the ultimate parent Dentsu Inc, the Company issued £6.3m ordinary share capital and £272.7m share premium.

22. Acquisition of subsidiaries

Summary of acquisitions

During the period, the Group acquired subsidiaries as detailed below:

Company	Country of incorporation	Network brand	% Acquired (Total Group holding)	% Non-controlling interests recognised	Month of acquisition
Lesmobilizers	France	Isobar	100% (100%)	-	January
Socializer	Poland	Isobar	100% (100%)	-	January
Open Outdoor	UK	Posterscope	51% (100%)	-	February
Explido	Germany	iProspect	100% (100%)	-	April
Fifty Four Media	Kazakhstan	Carat, Vizeum	51% (51%)	49%	May
NBS	Brazil	Other	70% (70%)	30%	June
Milestone Brandcom	India	Other	51% (51%)	49%	July
Crimson Room	South Africa	psLIVE	60% (60%)	40%	August
MKTG Inc.	USA	psLIVE	100% (100%)	-	August
Covario	USA	iProspect	100% (100%)	-	September
Isopost Indonesia	Indonesia	Posterscope, Isobar	100% (100%)	-	October
Fetch	UK	Other	80% (80%)	20%	October
DHUSA	USA	Dentsu Network	100% (100%)	-	November
Tempero	UK	Other	100% (100%)	-	November
OOH Brazil	Brazil	Posterscope	100% (100%)	-	December
Spoke	Canada	Isobar	100% (100%)	-	December
Rockett Interactive	USA	iProspect	100% (100%)	-	December

Acquisitions that have not been rebranded to the existing network brands are referred to as 'Other' above.

In January 2014, the Group acquired the entire share capital of Lesmobilizers, a Paris based mobile marketing agency in France. Lesmobilizers will be integrated into Isobar activities and will allow the Dentsu Aegis Network in France to take advantage of specialised mobile services.

In January 2014, the Group acquired the entire share capital of the Socializer Group in Poland, incorporating brands Socializer, Lubie and Socialformance. The acquisition was entered into to extend Isobar's social media outreach.

In February 2014, the Group acquired the remaining shares of Open Outdoor in the UK, thereby obtaining control of the Out-of-Home media specialists. The acquisition was entered into to evolve the relationship between Open Outdoor and Posterscope in order to enhance client service.

In April 2014, the Group acquired the entire share capital of Explido, a high profile performance agency in Germany, thus obtaining control of the agency. With offices in Augsburg, Hamburg and Frankfurt, the acquisition will be integrated into the iProspect brand allowing Dentsu Aegis Network Germany to strengthen its full-service approach.

In May 2014, the Group acquired a majority share in Fifty Four Media, a holding company for Quattro Media Advertising LLP, TFF-Central Asia LLP and Ex-TV Media Central Asia LLP in Kazakhstan. The acquisition was entered into to expand the geographic presence of the Dentsu Aegis Network brands into an emerging and growing market.

22. Acquisition of subsidiaries (continued)

In June 2014, the Group acquired a majority shareholding in Brazil's NBS Agency, a full service agency located in multiple offices across Brazil with a strong portfolio of clients. The acquisition was entered into in order to strengthen the full-service footprint in Brazil, adding further expertise to an established network of brands.

In July 2014, the Group acquired a majority shareholding in Milestone Brandcom, the leading Out-of-Home (OOH) specialist agency in India. Combined with Posterscope, Dentsu Aegis Network becomes the leading centre of excellence within India's OOH market. Milestone Brandcom will retain its identity, branding and culture and share its knowledge in creative and OOH planning in the Group.

In August 2014, the Group acquired a majority stake in Crimson Room Communications, one of South Africa's leading experiential marketing and promotion agencies. The acquisition will be integrated into Posterscope, establishing psLIVE in South Africa.

In August 2014, the Group acquired the entire share capital of MKTG Inc., a full service agency in the US. With offices in San Francisco, Los Angeles, Chicago, Cincinnati and London, MKTG Inc. provides experiential marketing, digital marketing retail promotions and strategic research and planning. MKTG Inc. will be integrated into Dentsu Aegis Network's global experiential network, psLIVE.

In September 2014, the Group acquired the entire share capital of Covario, an independent search and content performance marketing agency in the US. Covario's agency business will transition towards operating as iProspect.

In October 2014, the Group indirectly acquired the entire share capital of Isopost Indonesia. Isopost Indonesia is the local partner for Posterscope and Isobar brands within the region.

In October 2014, the Group acquired the entire share capital of Fetch Media Ltd, a global full-service mobile agency with offices in the UK, the US, Germany and Hong Kong. The acquisition was entered into to help scale and accelerate the Group's mobile capabilities and to take advantage of the fast growing agency arm in the US.

In November 2014, the Group acquired the entire share capital of Tempero, a UK-based social media management agency headquartered in London. Tempero's business will transition into operating as the European arm of ICUC, Dentsu Aegis Network's social media moderation and management agency.

In December 2014, the Group acquired the entire share capital of Rockett Interactive, an innovative US-based digital marketing agency in the US, thereby obtaining control of the entity. The acquisition is strategically aligned with the objective to increase iProspect's data analytics and attribution modelling capability.

In December 2014, the Group acquired the entire share capital of OOH Plus, headquartered in Sao Paulo and Rio de Janeiro, Brazil. Subsequent to acquisition, OOH Plus will operate as the Latin American arm of Posterscope and will be renamed as Plusmedia Posterscope in order to strengthen the Dentsu Aegis Network presence across all media and platforms.

In December 2014, the Group acquired the entire share capital of SPOKE Agency, a leading digital creative firm based in Canada. SPOKE will be re-branded into Isobar and will bring strategic planning, creative and content production, experiential marketing, media planning, buying and placement for various sectors.

The acquisitions were entered into to strengthen the Group's operations and increase its market share around the world, especially in faster growing regions; and to enhance its servicing capabilities in media and digital.

During the year, the Group also acquired additional stakes in existing subsidiaries as detailed below:

Company	Country of incorporation	% Acquired (Total Group holding)	Month of acquisition
Vizeum Taiwan	Taiwan	10% (100%)	January

22. Acquisition of subsidiaries (continued)

If the acquisitions above (excluding additional stakes in existing subsidiaries) had been completed on the first day of the financial year, Group revenues for 2014 would have been £1,561.0m and the profit before interest and tax for the continuing Group, would have been £147.7m. Post acquisition revenue and profit before interest and tax on 2014 acquisitions was £62.0m and £18.6m respectively.

Goodwill capitalised in the period represents the expected future benefits of improving the breadth of the Group's service offering and anticipated operational synergies. No goodwill capitalised in the period is deductible for income tax purposes. All non-controlling interests are measured at the non-controlling interest share of the carrying value of net assets.

Under IFRS 3 the Group has 12 months in which to finalise the goodwill valuation and purchase price allocation for each acquisition. For acquisitions acquired in the final quarter of the year the Group has applied its best estimate of the Goodwill however this may be subject to change within the 12 month period.

Consideration paid for acquisitions, excluding acquisition costs, totalled £144.3m with estimated deferred consideration, as calculated at the acquisition date, of £77.4m payable between 2014-2020, subject to performance criteria. In those cases where the Group achieved control of subsidiaries for the first time, the acquisitions are not individually material to the Group and therefore the following disclosures are provided in aggregate.

A provisional summary of the net assets acquired and goodwill arising in respect of all acquisitions made in the year is given below:

Provisional assessment of net assets acquired:	Carrying amount acquired	Accounting policy and Fair value adjustments	Fair value of net assets
	£m	£m	£m
Intangible assets	3.1	83.0	86.1
Property, plant and equipment	4.9	(0.1)	4.8
Deferred tax assets	1.9	5.3	7.2
Other non current assets	(0.9)	(0.1)	(1.0)
Trade and other receivables	63.6	(0.1)	63.5
Other financial assets	0.1	(0.1)	-
Work in progress	0.3	-	0.3
Cash and cash equivalents	26.4	-	26.4
Trade and other payables	(86.9)	-	(86.9)
Other liabilities	(17.5)	(0.9)	(18.4)
Borrowings	(0.3)	-	(0.3)
Current tax liabilities	(3.1)	-	(3.1)
Deferred tax liabilities	0.6	(28.1)	(27.5)
Net assets	**(9.7)**	**58.9**	**51.1**
Non-controlling interest on current period acquisitions			(7.9)
Goodwill capitalised in the period			178.5
Consideration			**221.7**
Satisfied by:			
Cash consideration			144.3
Deferred cash consideration			77.4
			221.7

22. Acquisition of subsidiaries (continued)

Acquisition of DHUSA Group from Parent Company

In November 2014 the Group acquired the Dentsu Holdings US Group from its ultimate parent company Dentsu Inc for consideration of $443m (£279.0m) ordinary shares and $450m (£288.9m) redeemable preference shares in the Group. IFRS 3 Business Combinations excludes from its requirements 'a combination of entities or businesses under common control,' i.e. 'in which all of the combining entities or businesses are ultimately controlled by the same party of parties both before and after the business combination, and that control is not transitory.' The purchase of the DHUSA business by DAN Ltd from Dentsu Inc falls within this exclusion. The Group has therefore applied the Pooling of Interests method to the accounting treatment for this transaction. The key features of this are:

- The assets and liabilities of the combining entities are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the combination.

- No new goodwill is recognised as a result of the combination.

The excess of the consideration paid over the value of the net assets and liabilities acquired is treated as a movement in reserves under this method and is within the Group's retained earnings, as disclosed in the consolidated statement of changes in equity, in the other reserves line.

If the DHUSA acquisition had been completed on the first day of the financial year, Group revenues for 2014 would have been £1,709.0m and the profit before interest and tax for the continuing Group would have been £165.3m. Post acquisition revenue and profit before interest and tax on 2014 acquisitions was £47.0m and £8.7m respectively.

A summary of the net assets acquired and reserves arising in respect of the DHUSA acquisition is given below:

Assessment of net assets acquired:	Carrying amount acquired
	£m
Intangible assets	39.2
Goodwill	324.3
Property, plant and equipment	25.2
Deferred tax assets	(1.9)
Other non current assets	12.2
Trade and other receivables	131.5
Work in progress	21.2
Cash and cash equivalents	103.1
Trade and other payables	(157.2)
Deferred consideration acquired	(32.1)
Other liabilities	(17.1)
Current tax liabilities	(3.3)
Deferred tax liabilities	0.7
Net assets	**445.8**
FX recognised on transaction	22.5
Balance taken to reserves	99.6
Consideration	**567.9**
Satisfied by:	
Ordinary share capital	279.0
Redeemable preference shares	288.9
	567.9

23. Other non-current liabilities

	2014 £m	2013 £m
Deferred consideration	169.6	216.9
Pensions (see note 27)	8.8	7.3
Other	46.8	12.8
At 31 December	225.2	237.0

Deferred consideration

Deferred consideration, which has been included within trade and other payables to the extent that it is due within one year (note 16), may be paid to the vendors of certain subsidiary undertakings in the years to 2020. Such payments are either fixed under the terms of the acquisition or are contingent on future financial performance.

Deferred consideration is discounted at the Group's weighted average cost of borrowing. The Directors estimate that, at the rates of exchange ruling at the balance sheet date, the discounted liability at the balance sheet date for payments that may be due is as follows:

	2014 £m	2013 £m
Within one year	179.3	89.6
Between one and two years	76.9	69.7
Between two and five years	91.7	147.1
Greater than five years	1.0	0.1
At 31 December	348.9	306.5

The minimum potential liability is £19.2m (2013: £51.8m) and the maximum potential liability is £883.0m (2013: £725.3m). The maximum potential liability is only payable if the post-acquisition profit performance of the acquisition meets stretching profit targets in the post-acquisition period.

Liabilities in respect of put options granted to non-controlling interests are disclosed as derivative liabilities. Their expected maturities and a reconciliation of movements in the year are given in note 17.

24. Contingent Asset

As reported in prior years, during 2006 the Group became aware of a fraud perpetrated against DAN Germany (formerly Aegis Media Germany). The Group has successfully recovered a portion of the monies expected to be due. Further recoveries are anticipated in future years but the value to be received is not sufficiently certain to be recognised as an asset.

25. Notes to the cash flow statement

	2014	2013
	£m	£m
Operating profit from continuing operations	136.1	158.6
Operating loss from discontinued operations	-	(1.8)
Total Group operating profit	136.1	156.8
Adjustments for:		
Depreciation of property, plant and equipment	25.1	22.2
Amortisation of intangible assets	73.9	66.1
Impairment of intangibles and property, plant and equipment	1.3	0.1
Loss on disposal of subsidiaries	(0.2)	0.7
Net loss on disposal of intangibles and property, plant and equipment	0.3	1.0
Decrease in provisions	(2.1)	(17.7)
	234.4	229.2
Increase in receivables	(573.7)	(628.7)
Decrease / (increase) in work in progress	17.7	(4.9)
Increase in payables	587.0	507.5
	31.0	(126.1)
Cash generated from operations	265.4	103.1

The loss on disposal of subsidiaries as shown in the comparatives above excludes the gain on disposal relating to the discontinued operations of Aztec in 2013, as this is also excluded from Total Group operating profit.

	1 January 2014	Cash flow	Other non-cash movements	Exchange movements	31 December 2014
	£m	£m	£m	£m	£m
Analysis of net debt					
Cash and short-term deposits	677.3	181.0	-	(20.9)	837.4
Overdrafts	(35.7)	30.2	-	(1.2)	(6.7)
Cash and cash equivalents	641.6	211.2	-	(22.1)	830.7
Debt due within one year	(230.7)	110.0	(27.6)	2.3	(146.0)
Debt due after more than one year	(608.9)	(318.0)	(207.1)	(34.0)	(1,168.0)
Net debt before issue costs of debt	(198.0)	3.2	(234.7)	(53.8)	(483.3)
Issue costs of debt	1.6	1.7	(0.9)	-	2.4
Total	(196.4)	4.9	(235.6)	(53.8)	(480.9)

26. Operating lease arrangements

	2014 £m Land and buildings	2014 £m Other	2014 £m Total	2013 £m Land and buildings	2013 £m Other	2013 £m Total
Lease payments under operating leases recognised in operating expenses from continuing operations	65.5	1.3	66.8	61.1	2.0	63.1

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Net minimum lease commitments	2014 £m Land and buildings	2014 £m Other	2014 £m Total	2013 £m Land and buildings	2013 £m Other	2013 £m Total
Within one year	66.9	1.4	68.3	49.7	2.3	52.0
In the second to fifth years inclusive	228.7	1.8	230.5	127.0	2.1	129.1
After five years	175.9	-	175.9	129.4	-	129.4
	471.5	3.2	474.7	306.1	4.4	310.5

Operating lease payments principally represent rentals payable by the Group for certain of its office properties. Outstanding leases have an average term of 3 years and 4 months, and rentals are fixed for an average of 2 years and 6months.

27. Retirement benefit schemes

Defined contribution schemes

Retirement benefits for employees are principally provided by defined contribution schemes which are funded by contributions from Group companies and employees. The amount charged to the profit and loss account of £17.9m (2013: £16.3m) represents contributions payable in the year to these schemes at rates specified in the rules of the plans. As at 31 December 2014, contributions of £3.4m (2013: £2.5m) due in respect of the current reporting period had not been paid over to the schemes.

Other retirement benefit schemes

The Group operates a small number of retirement benefit schemes that do not fall under the definition of defined contribution schemes, principally where required by local statutory regulations. The principal schemes are located in Germany, Italy, France and Norway. Under these schemes, the Group's liabilities in respect of past service are fixed as a percentage of past salaries, but the schemes do not meet the definition of defined contribution schemes because contributions have not been paid to a separate entity. These schemes are not considered by management to represent standard defined benefit schemes and do not vary significantly in terms of the Group's liability. However, IAS 19 requires that these schemes be disclosed as defined benefit schemes. The numbers below are in respect of all material Group defined benefit schemes, unless otherwise stated.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2014. The present value of the defined benefit obligation, the related service cost and the past service cost were measured using the projected unit credit method.

The principal defined benefit schemes in Germany and Norway are funded. The assets of these schemes are held separately from those of the Group in independently administered funds, in accordance with scheme rules and statutory requirements. The unfunded defined benefit schemes are principally in Italy and France.

The table below shows the amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement schemes.

	2014 £m	2013 £m
Fair value of pension scheme assets	7.1	6.1
Present value of defined benefit obligations	(15.8)	(13.5)
Deficit in scheme	(8.7)	(7.4)
Related deferred tax (liability)	(0.1)	-
Net pension liability net of deferred tax liability	(8.8)	(7.4)

The deficit in scheme includes non-current net defined benefit obligations of £8.9m and net scheme assets of £0.1m. The plan assets do not include any of the Group's own financial assets, nor any property occupied by, or other assets used by, the Group.

28. Related party transactions

The Group's ultimate controlling party and ultimate parent is Dentsu Inc. (incorporated in Japan), which owns 100% of the company's shares.

Remuneration of key management personnel is disclosed within note 5 - staff costs.

Transactions with associated undertakings

In 2014, the balance due from Group companies to associated undertakings at the end of 2014 was £0.2m (2013: £1.0m). The balance due from associated undertakings to Group companies at the end of 2014 was £5.5m (2013: £3.5m).

Transactions and balances with Dentsu Inc. and Dentsu Group companies

Counterparty	Gross Media Billings	Gross Media Buying	Receivables	Payables	Borrowings	Other Income	Other Purchases	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Dentsu Inc.	9.8	(46.9)	4.9	(2.8)	(545.5)	3.2	(7.8)	(585.1)
&c. Inc.	-	-	1.3	(1.7)	(10.6)	1.3	-	(9.7)
Beijing Dentsu Adv.	-	-	17.4	-	-	-	-	17.4
Dentsu Kuohua Inc.	1.4	-	-	-	-	-	-	1.4
Dentsu MB UK	-	-	0.1	(0.1)	1.5	0.1	(0.2)	1.4
Dentsu McGarry Bowen GmbH	-	-	-	-	1.3	-	(0.2)	1.1
Dentsu Singapore Pte Ltd	-	-	2.7	-	(3.8)	0.1	-	(1.0)
Dentsu TOP Co Ltd	-	-	0.6	-	(4.5)	0.6	-	(3.3)
Dentsu Thailand	-	-	0.7	(0.1)	(12.6)	0.7	(0.2)	(11.5)
Dentsu Rihai Communication Co Ltd	-	-	0.3	-	(15.1)	0.3	-	(14.5)
Other Parent and Other Dentsu Group Entities	36.7	(5.9)	8.4	(1.6)	(3.1)	2.9	(1.1)	36.3
Total balance with Parent and Other Dentsu Group Entities	47.9	(52.8)	36.4	(6.3)	(592.4)	9.2	(9.5)	(567.5)
Other related parties	0.1	(1.0)	-	(0.6)	-	0.1	-	(1.4)
Total	48.0	(53.8)	36.4	(6.9)	(592.4)	9.3	(9.5)	(568.9)

The loan balance relates to a funding loan from Dentsu Inc. with a principal value of US$400.0m (£256.7m) and redeemable preference shares with Dentsu Inc. of £288.9m. Following Dentsu Inc.'s acquisition of the Group, this loan was arranged to provide the Group with sufficient funds to restructure its external loan facilities.

29. Subsequent events

Acquisitions completed after the balance sheet date

In January 2015 the Group acquired WatConsult in India, one of India's leading social and digital media agencies, with over 160 professionals in Mumbai, Delhi, Bangalore and Kolkata. WATConsult will become part of Isobar, Dentsu Aegis Network's global digital marketing agency and will be referred to as "WATConsult – Linked by Isobar".

In February 2015 the Group acquired BWM Group in Australia, considerably scaling its creative credentials in the market and further strengthening the already significant Dentsu Aegis Network business in Australia – Asia Pacific's 3rd largest advertising economy. The award winning and highly regarded creative agency with over 140 staff across Sydney and Melbourne will change its name to BWM Dentsu.

In February 2015 the Group acquired additional shares in The Upper Story in Singapore, bringing their shareholding from 19% to 70%.

In February 2015 the Group acquired Soap Creative, a leading digital creative agency in Australia. The acquisition bolsters the network's size and scale in the digital creative sphere in the market, adding expertise in gaming along with innovation, technology and social. Soap Creative and Soap Mobile Games Studio (SMG), will become a company within Isobar, Dentsu Aegis Network's global digital marketing agency and will be referred to as "Soap – Linked by Isobar".

In March 2015 the Group entered into a definitive agreement to acquire a stake in Emerald, a leading full service digital marketing agency in Vietnam. Emerald will become a company within Isobar, Dentsu Aegis Network's global digital marketing agency and will be referred to as "Emerald – Linked by Isobar."

In March 2015 the Group acquired Mindworks, a leading integrated digital agency in Greece. This acquisition launches both the Isobar and iProspect brands in Greece, in addition to expanding Dentsu Aegis Network's breadth of digital capabilities across EMEA.

In April 2015 the Group acquired Forbes Consulting Group, a leading full-service consumer insight firm headquartered in the US. The acquisition of Forbes Consulting Group will bring Forbes' patented suite of applied neuroscience methods, MindSight® emotional assessment technologies, into the network's portfolio of industry-leading consumer insights tools.

In April 2015 the Group acquired abaGada Internet Ltd, a fast growing digital performance marketing agency in Israel. The acquisition establishes iProspect's network in Israel in addition to expanding Dentsu Aegis Network's breadth of media and digital capabilities in this dynamic and innovative market.

In April 2015 the Group acquired additional shares in Carat Leeds in the UK, bringing their shareholding from 50.5% to 100%.

The Additional IFRS (2008) disclosures are not given because the initial accounting for the business combination is incomplete at the time the financial statements are authorised for issue.

Dentsu Aegis Network Ltd
Five-year Summary

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Income statement					
Revenue	1,502.0	1,322.5	1,192.6	1,068.8	886.8
Profit before tax excluding Dentsu transaction costs	104.8	157.4	79.8	299.0	23.8
Profit attributable to equity holders of the parent excluding Dentsu transaction costs	54.7	100.4	52.9	299.0	23.8
Profit before tax	104.8	157.4	(26.5)	299.0	23.8
Profit attributable to equity holders of the parent	54.7	100.4	(49.3)	271.1	3.9
Balance sheet					
Non-current assets	2,300.3	1,682.0	1,721.7	1,396.0	1,628.1
Net current assets / (liabilities)	42.4	(97.7)	(388.0)	(111.0)	(198.4)
Non-current liabilities	(1,591.8)	(957.9)	(954.5)	(822.3)	(761.3)
Net assets	750.9	626.4	379.2	462.7	668.4
Financed by:					
Equity	721.1	614.1	374.9	457.1	654.9
Non-controlling interests	29.8	12.3	4.3	5.6	13.5
	750.9	626.4	379.2	462.7	668.4

The amounts disclosed for all years have been prepared under IFRS.

Dentsu Aegis Network Ltd
Company Balance Sheet
at 31 December 2014

	Notes	2014	2013
Non-current assets		£m	£m
Tangible assets	4	9.2	14.6
Investments	5	1,453.1	738.6
Derivative financial assets	10	1.5	0.7
		1,463.8	753.9
Current assets			
Debtors			
- due within one year	6	1,226.2	1,660.9
- due after more than one year	7	4.9	7.4
Cash at bank and in hand		-	-
		1,231.1	1,668.3
Creditors: Amounts falling due within one year	8	(213.7)	(282.5)
Derivative financial liabilities	10	(0.7)	(0.9)
Net current assets		1,016.7	1,384.9
Total assets less current liabilities		2,480.5	2,138.8
Creditors: Amounts falling due after more than one year	9	(51.1)	(60.6)
Derivative financial liabilities	10	-	-
Net assets		2,429.4	2,078.2
Called up share capital	11	78.5	72.2
Share premium account	12	724.0	404.3
Capital redemption reserve	12	-	-
PAMI	12	(11.2)	-
Merger reserve	12	13.0	13.0
ESOP reserve	12	-	-
Capital reserve	12	301.4	301.4
Profit and loss account	12	1,323.7	1,287.3
Equity shareholders' funds		2,429.4	2,078.2

Company number 1403668 England and Wales
These financial statements were approved by the Board of Directors on 8 May 2015 and were signed on its behalf by:

Jerry Buhlmann (Chief Executive Officer)

Nick Priday (Chief Financial Officer)

1. Basis of preparation and accounting policies

Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

The Strategic Report, Directors' Report, Corporate Governance and Directors' remuneration disclosures have been made in the Group section of this annual report.

The Company has utilised the exemptions provided under FRS 1 (Revised) and has not presented a cash flow statement. The Group's cash flow statement has been presented in the Group financial statements.

In accordance with FRS 8 Related Party Disclosures, the Company has taken advantage of the exemption from disclosing transactions with other wholly owned Group Companies and where the Group accounts contain these disclosures.

As the parent Company of a Group drawing up consolidated financial statements that meet the requirements of IFRS 7, it is exempt from disclosures that comply with its UK GAAP equivalent, FRS 29 Financial Instruments Disclosures.

Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Employee benefits

The retirement benefits for employees are provided by defined contribution schemes which are funded by contributions from the Company and employees. The amount charged to profit and loss is the contribution payable in the year.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Foreign exchange

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Upon settlement, monetary assets and liabilities are re-translated at the rate ruling on the settlement date. Monetary assets and liabilities at the year end are re-translated at the exchange rate ruling at the balance sheet date.

1. **Basis of preparation and accounting policies (continued)**

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leased assets

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease rentals are charged to income statement over the lease term on a straight-line basis. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability and recognised as a reduction of rental expense on a straight-line basis.

Tangible assets

Tangible fixed assets are stated at historical cost less accumulated depreciation.
Depreciation is provided to write off the cost of all fixed assets to their residual value over their expected useful lives using the straight-line method. It is calculated on the historic cost of the assets at the following rates:

Leasehold buildings	Over the period of the lease
Leasehold improvements	10% to 20% per annum or over the period of the lease, if shorter
Office furniture, fixtures, equipment and vehicles	10% to 50% per annum
Software	20% to 50% per annum
Other	10% to 50% per annum

The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Investments in subsidiaries, associates and joint ventures, are held in the Company balance sheet at cost less any provisions for impairment.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Investments

Investments in subsidiaries, associates and joint ventures, are held in the Company balance sheet at cost less any provisions for impairment.

1. **Basis of preparation and accounting policies (continued)**

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Loans

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Direct issue costs are amortised over the period of the loans and overdrafts to which they relate. Finance charges, including premiums payable on settlement or redemption are charged to profit and loss as incurred using the effective interest method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes.

For a forward foreign exchange contract to be treated as a hedge the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the Company's operations. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account, or as adjustments to the carrying amount of fixed assets, only when the hedged transaction has itself been reflected in the Company's financial statements.

Changes in the fair value of the derivative financial instruments that do not qualify for hedge accounting are recognised in the profit and loss account as they arise.

2. **Profit for the year**

As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent Company.

Dentsu Aegis Network Ltd reported a profit, before the payment of dividends, for the financial year ended 31 December 2014 of £35.2m (2013: £118.2 m).

The profit for the year of £35.2m includes dividends received of £5.9m (2013: £78.4m) from Group companies.

The auditor's remuneration for audit services to the Company amounted to £0.2m (2013: £0.2m) and for non-audit services amounted to £0.4m (2013: £0.5m).

3. Staff costs

The monthly average number of persons employed by the Company (excluding Directors) during the year was 85 (2013: 62). Their aggregate remuneration comprised:

	2014	2013
	£m	£m
Wages, salaries, bonus and benefits	13.0	6.3
Social security costs	0.5	0.6
Pension costs	1.1	0.6
Staff Costs	14.6	7.5

A long term incentive bonus scheme is in place and the charge associated with this for year end 31 December 2014 is £3.5m (2013: £0.6m).

Directors' remuneration is disclosed in the staff costs disclosure note of the consolidated financial statements.

4. Tangible assets

	Long leasehold and leasehold improvements	Equipment, fixtures and fittings	Computer software	Other	Total
Cost	£m	£m	£m	£m	£m
At 1 January	10.7	5.9	5.8	2.3	24.7
Additions	1.3	-	0.2	0.6	2.1
Disposals	-	(3.6)	(1.0)	-	(4.6)
At 31 December	12.0	2.3	5.0	2.9	22.2
Accumulated depreciation					
At 1 January	3.8	2.3	2.7	1.3	10.1
Charge for the year	1.3	-	1.4	0.2	2.9
At 31 December	5.1	2.3	4.1	1.5	13.0
Carrying value					
At 31 December 2014	6.9	-	0.9	1.4	9.2
At 31 December 2013	6.9	3.6	3.1	1.0	14.6

Additions to leasehold improvements relate primarily to the UK office re-location.

The net book value of other tangible assets includes trademarks of £1.4m (2013: £1.0).

5. Investments

	Interests in associates	Shares in subsidiary undertakings	Total
COST	£m	£m	£m
At 1 January	0.2	914.4	914.6
Additions	-	829.5	829.5
Disposals	-	(115.0)	(115.0)
At 31 December	**0.2**	**1,628.9**	**1,629.1**
ACCUMULATED IMPAIRMENT LOSSES			
At 1 January	-	176.0	176.0
Additions	-	-	-
At 31 December	**-**	**176.0**	**176.0**
CARRYING AMOUNT			
At 31 December 2014	0.2	1,452.9	1,453.1
At 31 December 2013	0.2	738.4	738.6

A listing of principal subsidiary and associated undertakings is included in note 14.

Additions in subsidiary undertakings relate to the capitalisation of loans with and issuance of share capital of Aegis Triton Limited, and the acquisition of Aegis GPS Holdings Limited.

Disposals of investments relate to the disposal of Aegis Hungary Finance Zrt.

6. Debtors due within one year

	2014	2013
	£m	£m
Amounts owed by subsidiary undertakings	1,221.2	1,659.0
Other debtors	1.3	-
Prepayments and accrued income	3.7	1.9
	1,226.2	1,660.9

Amounts owed by subsidiary undertakings are on-demand and interest-bearing.

Decrease in amounts owed by subsidiary undertakings principally relate to repayments on intercompany loans with Aegis Triton Limited, a direct subsidiary of the Company.

7. Debtors due after more than one year

	2014	2013
	£m	£m
Deferred tax asset	4.9	7.4
	4.9	7.4

8. Creditors: amounts falling due within one year

	2014	2013
	£m	£m
Bank overdrafts	32.9	40.8
Loans	23.6	47.1
Less issue costs of debt to be amortised	-	(0.8)
	56.5	87.1
Trade creditors	2.0	2.7
Amounts owed to subsidiary undertakings	126.4	171.3
Other creditors	4.3	8.7
Provision for liabilities	8.6	-
Accruals and deferred income	15.9	12.7
	213.7	282.5

Amounts owed to subsidiary undertakings are on-demand and interest-bearing.

Decrease in loans principally relates to the repayment of the £375m private placement loan.

Reduction in amounts owed to subsidiary undertakings relate to the repayment of intercompany loans with Dentsu Aegis London Limited (formerly 'Aegis Media Limited'), a fellow Group company.

9. Creditors: amounts falling due after more than one year

	2014	2013
	£m	£m
Borrowings	42.5	61.1
Less issue costs of debt to be amortised	-	(0.5)
	42.5	60.6
Provision for liabilities	8.6	-
	51.1	60.6

Private Placement Debt – July 2005

On 28 July 2005, the Group issued US$342m of unsecured loan notes, repayable in 2012, 2014, 2015 and 2017. The interest rates applicable on these loan notes range from 5.25% to 5.65%. During 2012, US$159m of the loan notes were repaid. During 2013, the change of control provision on this debt agreement was triggered by the acquisition of the Group by Dentsu Inc. As a result, US$148m of loan notes were repaid in 2013. The Group has outstanding loan notes of US$35.0m, repayable in July 2015 with an applicable interest rate of 5.50%. These loan notes are guaranteed by the Company and certain of its subsidiaries.

From 25 April 2013, US$35m of the loan note was designated as a net investment hedge against US dollar-denominated investments. On 3 June 2014, the loan note was de-designated as a net investment hedge. To the extent that this hedging relationship was effective during the year, exchange differences arising on the re-translation of the US$35m of debt was taken to reserves.

Private Placement Debt – September 2007

On 17 September 2007, the Group issued US$125m of unsecured loan notes repayable between 2014 and 2017. The interest rates applicable on these loan notes range from 6.06% to 6.29%. These loan notes are guaranteed by the Company and certain of its subsidiaries.

This debt agreement has a change of control provision which was triggered by the acquisition of the Group by Dentsu Inc. However, this was not exercised by the note holders.

9. Creditors: amounts falling due after more than one year (continued)

Private Placement Debt – September 2007 (continued)

US$75.0m loan notes were repaid in September 2014. The Group has outstanding loan notes of US$50.0m, repayable in September 2017 with an applicable interest rate of 6.29%.

From 25 April 2013, US$125m of the loan note was designated as a net investment hedge against US dollar-denominated investments. On 3 June 2014, the loan note was de-designated as a net investment hedge. To the extent that this hedging relationship was effective during the year, exchange differences arising on the re-translation of the US$125m of debt was taken to reserves.

Private Placement Debt – December 2009

On 17 December 2009, the Group issued US$183m and £25m of unsecured loan notes repayable between 2017 and 2019. The interest rates applicable on these loan notes range from 6.07% to 6.50%. These loan notes are guaranteed by the Company and certain of its subsidiaries. On 17 November 2009, an interest rate swap was entered into for US$50m of the loan notes due in 2019 to convert the US$ fixed rate debt to US$ floating rate debt. On 17 November 2009, cross currency interest rate swaps were entered into for US$18m of the loan notes due in 2017 and US$115m of the loan notes due in 2019 to convert the US$ fixed rate debt to GBP floating rate debt.

During 2013, the change of control provision of this debt agreement was triggered by the acquisition of the Group by Dentsu Inc. This led to US$168m and £25m of the loan notes being repaid. All swaps except for a US$15m cross currency interest rate swap due 2019 were terminated upon this repayment.

Multi-currency credit facility – July 2010

In July 2010, the Group re-financed the five year £450m multi-currency credit facility with a group of international banks, which was originally entered into in June 2006. The facility is committed and revolving and allows drawings under a variety of currencies. Pricing is based on the inter-bank rate of the relevant currency for the corresponding period of the drawing with the interest margin determined by reference to a grid based on the consolidated net borrowings to consolidated net EBITDA ratio.

In December 2014 the Group refinanced this core £450m revolving credit facility with a new £500m facility. The facility is committed and revolving and allows drawings under a variety of currencies. Pricing is based on the inter-bank rate of the relevant currency for the corresponding period of the drawing with the interest margin determined by reference to a grid based on the consolidated net borrowings to consolidated net EBITDA ratio. The facility is unsecured but guaranteed by the Company and certain of its subsidiaries until December 2021.

Loans repayable, included within creditors, are analysed as follows:

	2014	2013
	£m	£m
Repayable within one year	23.6	47.1
Repayable between one and two years	-	21.2
Repayable between two and five years	42.5	30.2
Repayable after more than five years	-	9.8
Issue cost of debt	-	(1.3)
	66.1	107.0

Details of gross borrowings not wholly repayable within five years as follows:

6.50% fixed rate 2009 US$165m private placement debt repayable 17 December 2019	9.6	9.1
	9.6	9.1

10. Derivative financial instruments

	2014 £m	2013 £m
Current		
Derivative financial assets	-	-
Derivative financial liabilities	(0.7)	(0.9)
Non-current		
Derivative financial assets	1.5	0.7
Derivative financial liabilities	-	-

The derivative financial assets and liabilities represent the fair value of the external and intra-Group foreign exchange contracts and cross currency interest rate swaps which are accounted for as fair value through profit and loss. The prior year balance also includes cross currency swaps and an interest rate swap which were terminated during the year.

Cross currency swap

The Group held cross currency swaps in the prior year which were terminated during the year. The fair value was based on a discounted cash flow model and market interest yield curves applicable and represented movements in the Euro/US$ foreign exchange spot rate and in Euro and US$ interest rate yields. The cross currency swaps were synthetically split to reflect the Company's functional currency of Sterling. The US$/Sterling legs of the swaps were designated and effective as cash flow hedges against the Company's US$ loan notes. The Euro/Sterling legs of the swaps had been designated as fair value through profit and loss.

Interest rate swap

The Group held interest rate swaps in the prior year which were terminated during the year. The fair value was based on a discounted cash flow model and market interest yield curves applicable and represented unrecognised movements which the Company expected to realise as a result of lower or higher variable interest payments under the swap compared with the fixed interest rate applicable on the underlying loan note. The interest rate swap was designated and effective as fair value hedge against changes in the fair value of the debt caused by changes in interest rates. Movements in the fair value of the interest rate swap were taken to profit and loss where they offset against similar but opposite movements in the fair value of the debt caused by movement in interest rates.

Cross currency interest rate swaps

The fair value is based on a discounted cash flow model and market yield curves applicable and represents movements in the GBP/US$ foreign exchange spot rate and in GBP and US$ interest rate yields. Movements in the fair value of the cross currency interest rate swaps excluding the credit spread are taken to profit and loss where they offset against opposite movements in the fair value of the US$ loan notes caused by changes in interest rates and foreign exchange spot rates. Movements in the fair value of the cross currency interest rate swaps relating to the credit spread are taken to reserves and released to the profit and loss when the underlying portion of US loan notes interest is recognised in profit and loss.

Details of the fair value of the Company's derivative financial instruments are set out in note 17 of the Group's financial statements.

11. Share capital

	2014 Number of ordinary shares	2014 £m	2013 Number of ordinary shares	2013 £m
Ordinary shares of 5.5p issued, allotted, called up and fully paid:				
At 1 January	1,313,015,200	72.2	1,173,108,511	64.5
Issue of shares by the Company	113,851,628	6.3	2,902,664	0.2
Convertible bond conversion	-	-	137,004,025	7.5
At 31 December	1,426,866,828	78.5	1,313,015,200	72.2

Movements in called up share capital

The Company has one class of ordinary shares which carry no right to fixed income. The ordinary shares each have full voting rights.

The Company issued a total of 113,851,628 shares (2013: 139,906,689) in the year with an aggregate nominal value of £6.3m (2013: £7,694,868), nil (2013: 2,902,664) of which were due to the exercise of share options. The total share premium arising on the issue of shares in the year was £272.7m (2013: £3,371,801).

12. Share premium account and reserves

	Share premium account £m	Capital Redemption reserve £m	Potential Acquisition of Non-Controlling Interests £m	Merger reserve £m	ESOP reserve £m	Capital reserve £m	Profit and loss account £m	Total £m
At 1 January	404.3	-	-	13.0	-	301.4	1,287.3	2,006.0
Retained profit for the year	-	-	-	-	-	-	35.2	35.2
Cash flow hedge reserve	-	-	-	-	-	-	1.2	1.2
Share capital subscribed	319.7	-	-	-	-	-	-	319.7
Transactions of Non-Controlling Interest	-	-	(11.2)	-	-	-	-	(11.2)
At 31 December	724.0	-	(11.2)	13.0	-	301.4	1,323.7	2,350.9

13. Operating lease arrangements

At 31 December 2014, there were the following annual commitments in respect of non-cancellable operating leases:

	2014	2013
	£m	£m
Operating lease payments recognised in expense for the year	3.4	1.8
Operating leases that expire		
Before 2 years	-	-
Between two and five years	0.5	-
After 5 years	2.9	1.8
	3.4	1.8

14. Principal subsidiary and associated undertakings

All shareholdings are of ordinary shares.

All of the principal subsidiary and associated undertakings are disclosed below. To avoid a statement of excessive length, details of investments which are not significant have been omitted.

Principal subsidiary undertakings	Country of incorporation and operation	Effective interest in issued share capital at 31 Dec 2014
Dentsu Aegis Network France S.A.S	France	100%
Dentsu Aegis Network Iberia S.L.U	Spain	100%
Dentsu Aegis Network (Central Europe & Africa) GmbH	Germany	100%
Carat Nordic AB	Sweden	100%
Dentsu Aegis Network Italia Spa	Italy	100%
Dentsu Aegis London Limited	England and Wales	100%
Eaton Gate Inc.	US	100%
Aegis Media Pacific Ltd	England and Wales	100%
Dentsu Aegis Network Australia Holdings Pty Ltd	Australia	100%
Portman Square US Holdings Ltd	US	100%
Aegis Triton Ltd	England and Wales	100%
Aegis GPS Holdings Ltd	England and Wales	100%
Fetch Media Ltd	England and Wales	100%
Principal associate undertakings		
Carat Philippines Inc.	Philippines	30%