

Hugo & Cat Limited

**Directors' Report, Strategic Report and
Financial Statements**

Year ended 31 December 2019

Registered Number: 4117164

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Hugo & Cat Limited

Strategic Report for the year ended 31 December 2019

The directors present their strategic report of Hugo & Cat Limited (the "Company") registered number 4117164 for the year ended 31 December 2019.

Principal activities and review of the business

The Company's principal activity during the year was that of digital branding and marketing.

The Company's profit for the year was £2,894,000 (2018: profit £558,000). The directors consider that the result for the year is in line with expectations. The Company had net assets of £9,722,000 as at 31 December 2019 (2018: net assets of £6,828,000).

The directors are very pleased with the level of business and year end financial position of the Company.

During 2019 the Company continued to focus on its revenue growth strategies in acquiring new clients and to offer additional expertise to existing clients. This resulted in an exceptional performance for 2019. There was a material rise in revenue, up by 73.4% from 2018, whilst the operating profit increased substantially to 30.5% (or £3,324,000).

The external commercial environment in 2020 is expected to remain challenging given the economic devastation caused by the COVID-19 pandemic, alongside the uncertainty surrounding Brexit in the UK and Europe; but the directors are seeking growth opportunities wherever possible and have built a strong core client base. In addition, the Company continues to develop its staff resources as further expertise and services are offered to clients.

Key performance indicators

The following are key performance indicators of the business:

	2019	2018
Revenue growth (%)		
Year on year revenue growth expressed as a percentage	73.4%	(16.1)%
Operating margin (%)		
Ratio of operating profit to revenue expressed as a percentage	30.5%	10.1%
Staff costs / revenue (%)		
Staff costs as a percentage of revenue	29.1%	50.0%
Headcount	49	48

Financial Reporting Standard 102 (FRS 102)

The Company has complied with Financial Reporting Standard 102 (FRS 102) during the year.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of The Interpublic Group of Companies, Inc. and are not managed separately. These risks are discussed in The Interpublic Group of Companies, Inc. annual financial statements for the year ended 31 December 2019, which does not form part of this report. Copies of The Interpublic Group of Companies, Inc. consolidated financial statements can be obtained from:

The Interpublic Group of Companies, Inc.
909 Third Avenue
New York, NY 10022, USA

Hugo & Cat Limited

Strategic Report for the year ended 31 December 2019 (continued)

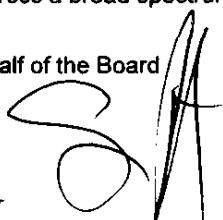
Strategy and future developments

The Company's strategy is to continue to focus on increasing revenue through organic growth and new client acquisition, whilst also maintaining careful cost control in order to grow profitability.

Employee training and development are considered integral to the business operations, and the business focuses on developing staff across a broad spectrum of skills.

On behalf of the Board

S Bent
Director
31 August 2020

A handwritten signature in black ink, appearing to be 'S Bent', written over the printed name and title.

Hugo & Cat Limited

Directors' Report for the year ended 31 December 2019

The directors present their report and financial statements of Hugo & Cat Limited (the "Company") registered number 4117164 for the year ended 31 December 2019.

Future developments

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

Dividends

The Directors did not recommend the payment of a dividend during the year (2018: £nil).

Objectives and policies

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

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

Financial risk management

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

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

Credit risk

The Company has implemented policies to monitor customer debt levels and to ensure that excessive credit is not extended to any particular customer. This provides the business with visibility of balances and ensures that no further credit is extended in cases where this is not merited. The maximum exposure to credit risk at 31 December 2019 was mainly as follows: trade debtors £3,322,000, amounts owed by group undertakings £221,000, other debtors £258,000, prepayment and accrued income £1,200,000 and debtors due after more than one year £nil (2018: £1,052,000, £1,115,000, £269,000, £1,446,000, £nil respectively).

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

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

Liquidity risk

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

Political donations

The Company made no political donations in 2019 (2018: £nil).

Branches outside the UK

The Company has no branches outside the UK.

Hugo & Cat Limited

Directors' Report for the year ended 31 December 2019 (continued)

Disabled employee note

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

Employee involvement

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

Directors

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

S Bent
P Smith (resigned 1 November 2019)
R Scott
J Smith
D Nichols
N Sykes (appointed 11 November 2019)

Events post statement of financial position

Since 31 December 2019, COVID-19 has been declared as a pandemic. The Company has determined that, in line with Section 32 of FRS102, this is a non-adjusting event after the end of the reporting period.

Hugo & Cat Limited

Directors' Report for the year ended 31 December 2019 (continued)

Statement of directors' responsibilities

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

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

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

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

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

The directors acknowledge their responsibilities for:

- ensuring that the Company keeps adequate accounting records which comply with section 386 of the Companies Act 2006;
- preparing financial statements which give a true and fair view of the state of the affairs of the Company at 31 December 2019 and its profit or loss for the year then ended in accordance with the requirement of section 394 of the Companies Act 2006, and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements so far as applicable to the Company;
- the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Audit exemption

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

- a) that for the year ended 31 December 2019 the Company was entitled to the exemption from a statutory audit under section 479A of the Companies Act 2006 relating to subsidiary companies; and
- b) that no notice has been deposited under section 476 of the Companies Act 2006 in relation to the financial statements for the financial year.

On behalf of the Board



S Bent
Director
31 August 2020

Hugo & Cat Limited

Statement of comprehensive income For the year ended 31 December 2019

	Note	2019 £000's	2018 £000's
Turnover	5	11,370	6,671
Cost of sales		(475)	(388)
		<hr/>	<hr/>
Revenue/Gross profit		10,895	6,283
Administrative expenses		(7,571)	(5,649)
		<hr/>	<hr/>
Operating profit	6	3,324	634
Interest receivable and similar income	7	40	34
Interest payable and similar expenses	8	(6)	(2)
		<hr/>	<hr/>
Profit before taxation		3,358	666
Tax on profit	11	(464)	(108)
		<hr/>	<hr/>
Profit for the financial year		<u>2,894</u>	<u>558</u>

All operations are continuing.

Hugo & Cat Limited

Statement of financial position As at 31 December 2019

	Note	2019 £000's	2018 £000's
Fixed assets			
Tangible assets	12	238	345
		<u>238</u>	<u>345</u>
Current assets			
Work in progress		518	155
Debtors	13	5,066	3,907
Cash at bank and in hand		7,684	4,249
		<u>13,268</u>	<u>8,311</u>
Creditors: amounts falling due within one year	14	(3,573)	(1,281)
Net current assets		<u>9,695</u>	<u>7,030</u>
Total assets less current liabilities		<u>9,933</u>	<u>7,375</u>
Creditors: amounts falling due after more than one year	15	-	(340)
Provisions for liabilities	16	(211)	(207)
Net assets		<u>9,722</u>	<u>6,828</u>
Capital and reserves			
Called up share capital	17	-	-
Share premium account		48	48
Retained earnings		9,674	6,780
Total equity shareholders' funds		<u>9,722</u>	<u>6,828</u>

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

- that for the year ended 31 December 2019 the Company was entitled to the exemption from a statutory audit under section 479A of the Companies Act 2006 relating to subsidiary companies; and
- that no notice has been deposited under section 476 of the Companies Act 2006 in relation to the financial statements for the financial year.

The directors acknowledge their responsibilities for:

- ensuring that the Company keeps adequate accounting records which comply with section 386 of the Companies Act 2006; and
- preparing financial statements which give a true and fair view of the state of the affairs of the Company at 31 December 2019 and of its profit or loss for the year then ended in accordance with the requirement of section 394 of the Companies Act 2006, and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements so far as applicable to the Company.

The notes on pages 10 to 26 are an integral part of these financial statements.

The financial statements on pages 7 to 26 were authorised for issue by the board of directors on 31 August 2020 and were signed on its behalf.

S Bent
Director
Hugo & Cat Limited
Registered No. 4117164

Hugo & Cat Limited

Statement of changes in equity for the year ended 31 December 2019

	Share premium account £000's	Retained earnings £000's	Total Equity £000's
At 1 January 2018	48	6,222	6,270
Profit for the financial year	-	558	558
At 31 December 2018	48	6,780	6,828

	Share premium account £000's	Retained earnings £000's	Total Equity £000's
At 1 January 2019	48	6,780	6,828
Profit for the financial year	-	2,894	2,894
At 31 December 2019	48	9,674	9,722

Hugo & Cat Limited

Notes to the financial statements for the year ended 31 December 2019

1 General information

The Company's principal activity during the year was that of digital branding and marketing.

The Company is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is 3 Grosvenor Gardens, London, Macclesfield, SW1W 0BD.

2 Statement of compliance

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

3 Summary of significant accounting policies

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

a) Basis of preparation

These financial statements are prepared under the historical cost convention. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

b) Going concern

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

c) Exemptions for qualifying entities under FRS 102

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

The Company has also taken advantage of the exemption, under FRS 102 paragraph 1.12(c), to the disclosure requirements of FRS 102 section 11 Basic Financial Instruments paragraphs 11.39 to 11.48A, and FRS 102 section 12 Other Financial Instrument Issues, paragraphs 12.26 to 12.29A, on the basis that it is a qualifying entity and the consolidated accounts of IPG Holdings (UK) Limited include the equivalent disclosures.

3 Summary of significant accounting policies (continued)

d) Revenue recognition

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

Client contracts are complex arrangements that may include provisions for incentive compensation and vendor rebates and credits. The Company's largest clients are multinational entities and, as such, the Company provide services to these clients out of multiple offices and across many of our agencies within the Group or with related companies. In arranging for such services, it is possible that the Company enters into global, regional and local agreements. Agreements of this nature are reviewed by The Interpublic Group of Companies, Inc. Corporate legal counsel to determine the governing terms to be followed by the offices and agencies involved.

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

• **Fees**

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

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

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

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

Hugo & Cat Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

3 Summary of significant accounting policies (continued)

d) Revenue recognition (continued)

- Fees (continued)

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

As we provide services as part of our core operations, we generally incur incidental expenses, which, in practice, are commonly referred to as "out-of-pocket" expenses. These expenses often include expenses related to airfare, mileage, hotel stays, out-of-town meals and telecommunication charges. We record the reimbursements received for such incidental expenses as revenue with a corresponding offset to office and general expense.

e) Interest income

Interest income is recognised using the effective interest rate method.

f) Dividend income

Dividend income is recognised when the right to receive payment is established.

g) Employee benefits

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

- Short term benefits

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

- Pension costs

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from the Company in an independently administered fund. The pension cost charge disclosed in note 20 represents contributions payable by the Company to the fund.

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

- Annual bonus plan

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

3 Summary of significant accounting policies (continued)

h) Foreign currencies

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

i) Borrowing costs

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

j) Leases

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

k) Lease incentives

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

l) Exceptional items

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

Hugo & Cat Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

m) Taxation

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

Current and deferred taxation assets and liabilities are not discounted.

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

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

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

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

n) Tangible assets

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

Equipment, fixtures & fittings	3-7 years
Asset retirement obligation	Lesser of 10 years or the remaining life of the lease
Long leasehold and leasehold improvements	Lesser of 10 years or the remaining life of the lease
Computer hardware and software	3-4 years

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

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

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

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

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

Notes to the financial statements for the year ended 31 December 2019 (continued)

3 Summary of significant accounting policies (continued)

o) Work in progress

Work in progress comprises external charges for goods and services incurred on behalf of clients which have still to be invoiced to clients. Work in progress is stated at the lower of cost or net realisable value. The Company assesses annually at the reporting date if any impairment is required and recognises any impairment loss to the statement of comprehensive income.

p) Financial instruments

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

(i) Financial assets

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

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

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

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

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

(ii) Financial liabilities

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

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

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as creditors: amounts falling due over one year. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the statement of comprehensive income in finance costs or income as appropriate.

The Company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Hugo & Cat Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

3 Summary of significant accounting policies (continued)

q) Cash and cash equivalents

Cash and cash equivalents includes cash at bank and in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank loans and overdrafts, when applicable, are shown within borrowings in current liabilities.

r) Deferred income

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

s) Provisions

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

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

Provision is not made for future operating losses.

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

t) Called up share capital

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

u) Distributions to equity holders

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

v) Related party disclosures

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

Under FRS 102 Advantage has been taken of the exemption for Related Party Disclosures not to disclose transactions with companies that are part of the IPG Group. The address at which the consolidated financial statements of The Interpublic Group of Companies, Inc. are publicly available is shown in note 24.

Hugo & Cat Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

3 Summary of significant accounting policies (continued)

w) Netting off policy

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

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

4 Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

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

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of the property plant and equipment, and note 3n for the useful economic lives for each class of assets.

(ii) Impairment of trade and other debtors (note 13)

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 13 for the net carrying amount of the debtors and associated impairment provision.

Hugo & Cat Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

5 Turnover

	2019 £000's	2018 £000's
Turnover by origin		
United Kingdom	11,370	6,671
	<u>11,370</u>	<u>6,671</u>

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

6 Operating profit

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

	2019 £000's	2018 £000's
Employee costs (note 9)	3,165	3,144
Depreciation		
- Tangible fixed assets	136	135
- Asset retirement obligation	21	20
Bad debt - provision increase	15	1
Loss on disposal of tangible assets	1	-
Exchange loss/(gain)	78	(18)
Operating lease rentals		
- Office space	656	856
- Other	10	-
Rental income	(426)	(426)

7 Interest receivable and similar income

	2019 £000's	2018 £000's
Interest receivable on bank accounts	40	34
	<u>40</u>	<u>34</u>

Hugo & Cat Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

8 Interest payable and similar expenses

	2019 £000's	2018 £000's
Interest payable on bank overdrafts	5	-
Unwinding of discount	1	2
	<u>6</u>	<u>2</u>

9 Employee costs

	2019 £000's	2018 £000's
Wages and salaries (including directors)	2,762	2,720
Social security costs	339	352
Pension costs (note 20)		
- Defined contribution	64	45
Severance expense	-	27
Employee costs	<u>3,165</u>	<u>3,144</u>

The Company's employees are principally located in the United Kingdom.

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

	2019	2018
United Kingdom	<u>49</u>	<u>48</u>
Average monthly number employed	<u>49</u>	<u>48</u>

Key management compensation

The compensation paid or payable to key management (including directors) for employee services is shown below:

	2019 £000's	2018 £000's
Wages and salaries	250	250
Social security costs	31	32
Pension costs (note 20)		
- Defined contribution	3	2
Key management compensation	<u>284</u>	<u>284</u>

Hugo & Cat Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

10 Directors' emoluments

The directors are remunerated by the Company in respect of their services to the Company.

	2019 £000's	2018 £000's
Aggregate emoluments, including benefits in kind	250	250
Defined contribution scheme - company contributions	3	2
	<u>253</u>	<u>252</u>

Highest paid director

	2019 £000's	2018 £000's
Aggregate emoluments, including benefits in kind	125	125
Defined contribution scheme - company contributions	3	2
	<u>128</u>	<u>127</u>

Retirement benefits are accruing to 1 director under a defined contribution scheme (2018: 2 directors).

Directors' emoluments have been reflected in the Company where the director has spent a significant portion of their time.

Emoluments for some directors were borne by other group companies in 2019 and 2018.

Hugo & Cat Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

11 Tax on profit

	2019 £000's	2018 £000's
Current taxation		
UK corporation taxation	510	118
	<u>510</u>	<u>118</u>
Adjustments in respect of prior years - UK corporation taxation	(6)	3
	<u>(6)</u>	<u>3</u>
Total current taxation	<u>504</u>	<u>121</u>
Deferred taxation		
Origination & reversal of timing differences	(30)	(28)
Adjustments in respect of prior years	(10)	12
Effect of change in the tax rate	-	3
	<u>(40)</u>	<u>(13)</u>
Total deferred taxation	<u>(40)</u>	<u>(13)</u>
Tax on profit	<u>464</u>	<u>108</u>

Factors affecting the tax charge for the year

The tax assessed for the year is lower (2018: lower) than the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The difference is explained below:

	2019 £000's	2018 £000's
Profit on ordinary activities before taxation	<u>3,358</u>	<u>666</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	638	126
Effects of:		
Expenses not deductible for taxation purposes	15	21
Group relief for nil consideration	(177)	(25)
Adjustments in respect of prior years	(16)	15
Unrecognised deferred tax	-	(32)
Effect of change in tax rate	4	3
	<u>4</u>	<u>3</u>
Total tax for the year	<u>464</u>	<u>108</u>

A reduction in the rate of UK corporation tax from 19% to 17% from 1 April 2020 has been substantively enacted. However, this was subsequently reversed in March 2020.

At 31 December 2019 there were unused trading losses and non-trading deficits of £nil (2018: £nil) that are available indefinitely for offset against the Company's future taxable profits, and capital losses of £nil (2018: £nil) that are available for offset indefinitely against the Company's future capital gains.

Hugo & Cat Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

12 Tangible assets

	Long leasehold & leasehold improvements £000's	Computer equipment £000's	Equipment, fixtures & fittings £000's	Asset retirement obligation £000's	Total £000's
At 31 December 2018					
Cost	374	292	84	199	949
Accumulated depreciation	(271)	(212)	(47)	(74)	(604)
Net book value	103	80	37	125	345
Cost					
1 January 2019	374	292	84	199	949
Additions	-	51	-	-	51
Disposals	-	(124)	(4)	-	(128)
Other adjustments*	-	-	-	7	7
31 December 2019	374	219	80	206	879
Accumulated depreciation					
1 January 2019	(271)	(212)	(47)	(74)	(604)
Charge for the year	(85)	(44)	(9)	(21)	(159)
Disposals	-	123	4	-	127
Other adjustments*	-	-	(2)	(3)	(5)
31 December 2019	(356)	(133)	(54)	(98)	(641)
Net book value					
31 December 2019	18	86	26	108	238
Net book value					
31 December 2018	103	80	37	125	345

*This represents an adjustment to bring the cost in line with the underlying records.

Hugo & Cat Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

13 Debtors

Debtors: amounts falling due within one year

	2019 £000's	2018 £000's
Trade debtors	3,322	1,052
Amounts owed by group undertakings	221	1,115
Other debtors	258	269
Prepayments and accrued income	1,200	1,446
Deferred taxation (see below)	65	25
	<u>5,066</u>	<u>3,907</u>

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

Deferred taxation

	2019 £000's	2018 £000's
Accelerated capital allowances	65	25
Total deferred tax asset	<u>65</u>	<u>25</u>

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

	£000's
At 1 January 2019	25
Credited to statement of comprehensive income	40
At 31 December 2019	<u>65</u>

The amount of the net reversal of deferred tax expected to occur in 2020 is £nil.

This primarily relates to the reversal of timing differences on tangible fixed assets through depreciation and capital allowances.

Hugo & Cat Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

14 Creditors: amounts falling due within one year

	2019 £000's	2018 £000's
Bank loans and overdrafts	680	-
Trade creditors	217	44
Amounts owed to group undertakings	674	323
Corporation Tax	545	135
Other creditors including taxation and social security	292	188
Accruals and deferred income	1,165	591
	<u>3,573</u>	<u>1,281</u>

Amounts owed to group undertakings are unsecured, repayable on demand and do not accrue interest.

15 Creditors: amounts falling due after more than one year

	2019 £000's	2018 £000's
Other creditors including taxation and social security	-	134
Deferred lease credits	-	206
	<u>-</u>	<u>340</u>

16 Provisions for liabilities

	Asset retirement obligations £000's
At 1 January 2019	207
Charge to statement of comprehensive income	4
Unwinding of discount	1
At 31 December 2019	<u>212</u>

Asset retirement obligations

The Group has a provision for liabilities relating to dilapidation costs on a number of leased properties. The provision is expected to be utilised when the respective leases terminate between 2019 and 2027.

Hugo & Cat Limited

Notes to the financial for the year ended 31 December 2019 (continued)

17 Called up share capital

	2019 Number	2018 Number	2019 £	2018 £
Allotted and fully paid:				
A ordinary shares of £0.000001 each	2,082,472	2,082,472	2	2

18 Capital and other commitments

There were no capital commitments at year ended 31 December 2019 or 2018.

	2019 £000's	2018 £000's
Operating lease commitment		
As at 31 December, the Company had the following total future minimum lease payments commitments under non-cancellable operating leases for each of the following periods:		
Payments due:		
- Not later than one year	-	879
Total minimum lease commitments	-	879

Operating lease income

As at 31 December, the Company had the following total future minimum lease income under non-cancellable operating leases for each of the following periods:

	2019 £000's	2018 £000's
Income due:		
Buildings		
- Not later than one year	-	432
Total buildings lease income	-	432

Hugo & Cat Limited

Notes to the financial for the year ended 31 December 2019 (continued)

19 Contingent liabilities

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

20 Pensions

Defined contributions scheme

The Company participates in a number of defined contribution pension schemes. The assets of the schemes are held separately from those of the Company in an independently administered fund. The pension cost represents contributions payable by the Company to the fund and amounted to £64,000 (2018: £45,000). At 31 December 2019, £6,000 remained unpaid and accrued (2018: £4,000).

21 Related party transactions

During 2019 the Company hired freelance workers from Yuno Juno Limited, a company co-founded by Chris Cator, the partner of Mrs. C Allen, the Operations Director of the Company. The total expense recognised in the year was £1,795,000 (2018: £485,000). At 31 December 2019 £16,000 remained unpaid (2018: £34,000).

22 Events after the reporting period

Since 31 December 2019, COVID-19 has been declared as a pandemic. The Company has determined that, in line with Section 32 of FRS102, this is a non-adjusting event after the end of the reporting period. Accordingly, the financial position and results for the year ending 31 December 2019 have not been adjusted to reflect the impact of the pandemic. The duration and impact of the COVID-19 pandemic remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

23 Company information

The Company is registered in England and Wales and its registered office is at 3 Grosvenor Gardens, London, Macclesfield, SW1W 0BD.

24 Ultimate parent undertaking and controlling party

The immediate parent undertaking is FBC (FutureBrand) Limited, a company registered in England and Wales. Copies of its financial statements are available 3 Grosvenor Gardens, London, SW1W 0BD.

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

The Interpublic Group of Companies, Inc. is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2019, and the smallest group of undertakings to consolidate these financial statements at 31 December 2019 is IPG Holdings (UK) Limited.

The consolidated financial statements for The Interpublic Group of Companies, Inc. can be obtained from 909 Third Avenue, New York, NY 10022, USA.

The consolidated financial statements for IPG Holdings (UK) Limited can be obtained from 3 Grosvenor Gardens, London, United Kingdom, SW1W 0BD.