Virgo Health Limited

Directors' Report, Strategic Report and Financial Statements
Year ended 31 December 2018

Registered Number: 4798253

Virgo Health Limited

Strategic Report for the year ended 31 December 2018

The directors present their Strategic Report of Virgo Health Limited (the "Company"), registered number 4798253 for the year ended 31 December 2018.

Principal activities and review of the business

The Company's principal activity during the year was the provision of public relations and medical education to the pharmaceutical industry.

The Company's loss for the financial year is £148,000 (2017: profit of £140,000). The directors consider that the result for the year is in line with expectations. The Company had net assets of £3,209,000 as at 31 December 2018 (2017: £3,357,000).

2018 was a transitional year for Virgo Health Limited as the company undertook an internal reorganisation to better align with client needs within an evolving healthcare sector.

Key performance indicators

	2018	2017
Revenue growth (%): Year on year growth in revenue expressed as a percentage:	**(15.7)**	(9.8)
Operating margin (%): Ratio of operating profit to revenue expressed as a percentage:	**(3.9)**	2.6
Staff costs / revenue (%): Staff costs as a percentage of revenue	**52.3**	60.0

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.'s annual report for the year ended 31 December 2018, which does not form part of this report. Copies of the consolidated financial statements of The Interpublic Group of Companies, Inc. can be obtained from:

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

Strategy and future developments

In 2019 Virgo Health Limited will continue to move towards its goal of driving sustainable profitable growth by investing in new talent to develop growth business areas and by promoting higher margin, value-add services to existing and new clients.

On behalf of the Board,

Brian J. Beck 29/08/19

B Beck
Director

Directors' Report for the year ended 31 December 2018

The directors present their report and the audited financial statements of Virgo Health Limited (the "Company"), registered number 4798253 for the year ended 31 December 2018.

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 (2017: £nil).

Objectives and policies

The Company's operations expose it to a variety of financial risks. These include the credit risk and the liquidity risk associated with recovering customer debt on a timely basis. 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 Company's ultimate parent company that sets out specific guidelines to manage credit and liquidity risks. Interest rate cash flow risk is managed by the Company's ultimate parent company.

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. 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. 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 2018 was mainly as follows: trade debtors £1,109,000, amounts owed by group undertakings £403,000, other debtors £8,000 and prepayment and accrued income £662,000 (2017: £1,343,000, £228,000, £71,000 and £356,000 respectively).

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.

Directors' Report for the year ended 31 December 2018 (Continued)

Political donations

The Company made no political donations in 2018 (2017: £nil).

Branches outside the UK

The Company has no branches outside the UK.

Disabled employee note

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

Employee involvement

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

Directors

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

B Beck
D S Nichols (appointed 11 December 2018)
J P A Hughes (appointed 11 December 2018)
M A Hamid (resigned 11 December 2018)

Events post statement of financial position

Since the year end no material events have occurred.

Directors' Report for the year ended 31 December 2018 (Continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

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

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the Annual General Meeting.

On behalf of the Board,

Brian J. Beck 29/08/19

B Beck
Director

Independent auditors' report to the members of Virgo Health Limited

Report on the audit of the financial statements

Opinion

In our opinion, Virgo Health Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 December 2018; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Philip Stokes (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 August 2019

Virgo Health Limited

Statement of comprehensive income
for the year ended 31 December 2018

	Note	2018 £000's	2017 £000's
Turnover	5	**5,471**	7,204
Cost of sales		**(748)**	(1,601)
Revenue		**4,723**	5,603
Administrative expenses		**(4,907)**	(5,455)
Operating (loss)/profit	6	**(184)**	148
Interest receivable and similar income	7	**22**	12
(Loss)/profit before taxation		**(162)**	160
Tax on (loss)/profit	10	**14**	(20)
(Loss)/profit for the financial year		**(148)**	140

All operations are continuing.

Virgo Health Limited

Statement of financial position as at 31 December 2018

	Note	2018 £000's	2017 £000's
Fixed assets			
Tangible assets	11	**41**	76
Current assets			
Work in progress		**110**	258
Debtors: amounts falling due after more than one year	13	**-**	66
Debtors: amounts falling due within one year	12	**2,207**	1,944
Cash at bank and in hand		**2,235**	3,027
		4,552	5,295
Creditors: amounts falling due within one year	15	**(1,384)**	(2,014)
Net current assets		**3,168**	3,281
Total assets less current liabilities		**3,209**	3,357
Net assets		**3,209**	3,357
Capital and reserves			
Called up share capital	16	**-**	-
Share premium account		**12**	12
Retained earnings		**3,197**	3,345
Total equity		**3,209**	3,357

The notes on pages 10 to 21 are an integral part of these financial statements.

The financial statements on pages 7 to 21 were authorised for issue by the board of directors on 29/8/19 and were signed on its behalf.

Brian J. Beck

B Beck
Director
Virgo Health Limited
Registered No. 4798253

Virgo Health Limited

Statement of changes in equity
for the year ended 31 December 2018

	Called up share capital	Share premium account	Retained earnings	Total equity
	£000's	£000's	£000's	£000's
At 1 January 2017	-	12	3,205	3,217
Profit for the financial year	-	-	140	140
At 31 December 2017 and 1 January 2018	-	12	3,345	3,357
Loss for the financial year	-	-	(148)	(148)
At 31 December 2018	**-**	**12**	**3,197**	**3,209**

Notes to the financial statements for the year ended 31 December 2018

1 General information

The Company provides public relations and medical education to the pharmaceutical industry.

The Company is a private company limited by shares and is incorporated and domiciled in the United Kingdom. The address of its registered office is 3 Grosvenor Gardens, London, 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.

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 ultimate parent company, The Interpublic Group of Companies Inc., includes the Company's cash flows in its own consolidated financial statements.

d) Revenue recognition

The Company's revenues are primarily derived from the planning and execution of public relations and communications programs in the United Kingdom. Revenues are directly dependent upon the marketing and corporate communications requirements of existing clients and the Company's ability to win new clients. Most client contracts are individually negotiated and, accordingly, the terms of client engagements and the bases on which the Company earns fees can vary significantly. As is customary in the industry, contracts generally provide for termination by either party on relatively short notice, usually 90 days.

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.

Fees are recognised over the period or on the date of completion of assignments or contracts. 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.

Attributable profit is computed on a combination of factors; primarily time elapsed and work done, where the final profit can be assessed on a prudent basis. Revenues that are recognised ahead of billings are shown as accrued income. If the agreed billing date is greater than 12 months ahead, the associated revenue is recorded at fair value, after recognising a discount.

Summary of significant accounting policies (Continued)

d) Revenue recognition (Continued)

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) Employee benefits

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

i) Short term benefits

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

ii) Pension costs

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

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from the Company in an independently administered fund. The pension cost charge disclosed in note 19 represents contributions payable by the Company to the fund.

iii) Annual bonus plan

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

g) 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.

h) Leases

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

i) Lease incentives

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

3 Summary of significant accounting policies (Continued)

j) 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.

k) Tangible assets

Tangible 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 - 10 years

The assets' residual values and 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.

l) Related party disclosures

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

3 Summary of significant accounting policies (Continued)

m) Work in progress

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

n) 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.

3 Summary of significant accounting policies (Continued)

o) Deferred income

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

p) 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.

q) 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.

r) 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.

4 Critical accounting estimates and assumptions

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

(i) Useful economic lives of tangible assets (note 11)

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

(ii) Impairment of trade and other debtors (notes 12 and 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 notes 12 and 13 for the net carrying amount of the debtors and associated impairment provision.

5 Turnover

	2018 £000's	2017 £000's
Turnover by origin		
United Kingdom	**5,471**	7,204

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 (loss)/profit

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

	2018 £000's	2017 £000's
Employee costs (note 8)	**2,472**	3,361
Depreciation		
- Tangible assets	**32**	34
Remuneration of auditors		
- Statutory audit fees	**17**	17
Bad debt expense	**8**	5
Exchange gains	**(9)**	(21)
Operating lease rentals		
- office space	**339**	203
- other	**19**	12

No non-audit services were provided by the auditors during the year 2018 or 2017.

7 Interest receivable and similar income

	2018 £000's	2017 £000's
Interest receivable on bank accounts	**22**	12

8 Employee costs

	2018 £000's	2017 £000's
Wages and salaries (including directors)	**1,942**	2,735
Social security costs	**265**	401
Other pension costs (note 19)	**69**	95
Severance expense	**148**	63
Miscellaneous, non-share based incentives and other costs	**48**	67
	2,472	3,361

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:

	2018 Number	2017 Number
United Kingdom	**41**	60

Key management compensation

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

	2018 £000's	2017 £000's
Wages and salaries	**251**	443
Social security costs	**37**	60
Other pension costs (note 19)	**8**	13
Severance expense	**69**	-
Miscellaneous, non-share based incentives and other costs	**4**	13
	369	529

An amount of £74,000 (2017: £155,000) was recharged to another group company in respect of key management compensation, giving rise to a total compensation for the year of £318,000 (2017: £374,000).

9 Directors' emoluments

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

	2018 £000's	2017 £000's
Aggregate emoluments, including benefits in kind	-	274
Defined contribution scheme – company contributions	-	8
	-	282

Highest paid director	2018 £000's	2017 £000's
Aggregate emoluments, including benefits in kind	-	274
Defined contribution scheme – company contributions	-	8
	-	282

An amount of £nil (2017: £155,000) was recharged to another group company in respect of directors' emoluments, giving rise to a total compensation for the year of £nil (2017: £127,000).

Retirement benefits are not accruing to any directors under defined contribution schemes in 2018 (2017: one director).

Directors' emoluments have been reflected in the Company where the director has a contract of employment. Emoluments for all directors (2017: some directors) were borne by other group companies.

10 Tax on (loss)/profit

	2018 £'000's	2017 £'000's
Current taxation		
UK corporation tax	-	20
Adjustments in respect of prior periods	(1)	1
Total current taxation	(1)	21
Deferred taxation		
Origination & reversal of timing differences	(14)	(1)
Rate change on carried forward balance	1	-
Total deferred taxation	(13)	(1)
Tax on (loss)/profit	(14)	20

10 Tax on (loss)/profit (Continued)

Factors affecting the tax (credit)/charge for the year:

The tax assessed for the year is higher (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The difference is explained below:

	2018 £000's	2017 £000's
(Loss)/profit before taxation	**(162)**	160
(Loss)/profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.25%)	**(31)**	31
Effects of:		
Expenses not deductible for taxation purposes	**8**	2
Group relief for nil consideration	**10**	(13)
Adjustments in respect of prior periods	**(1)**	-
Re-measurement of deferred tax - change in UK tax rate	**1**	-
Total tax (credit)/charge for the year	**(14)**	20

A reduction in the rate of UK corporation tax from 20% to 19% took effect from 1 April 2017. A further reduction in the main rate of UK corporation tax to 17% from 1 April 2020 has been subtantively enacted.

11 Tangible assets

	Long leasehold & leasehold improvements	Equipment, fixtures & fittings	Computer equipment	Total
	£000's	£000's	£000's	£000's
At 31 December 2017				
Cost	47	99	254	400
Accumulated depreciation	47	70	207	324
Net book value	-	29	47	76
Cost				
1 January 2018	47	99	254	400
Additions	-	-	13	13
Disposal		(87)	(192)	(279)
31 December 2018	**47**	**12**	**75**	**134**
Accumulated depreciation				
1 January 2018	47	70	207	324
Charge for financial year	-	8	24	32
Disposal		(71)	(192)	(263)
31 December 2018	**47**	**7**	**39**	**93**
Net book value				
31 December 2018	**-**	**5**	**36**	**41**

12 Debtors: amounts falling due within one year

	2018	2017
	£000's	£000's
Trade debtors	**1,109**	1,343
Amounts owed by group undertakings	**403**	228
Other debtors	**8**	5
Deferred taxation (note 14)	**25**	12
Prepayments and accrued income	**662**	356
	2,207	1,944

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

13 Debtors: amounts falling due after more than one year

	2018	2017
	£000's	£000's
Other debtors	**-**	66

14 Deferred taxation

	2018	2017
	£000's	£000's
Accelerated capital allowances	**15**	11
Other short term timing differences	**10**	1
Total deferred tax asset	**25**	12

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

	£000's
At 1 January 2018	12
Credited to statement of comprehensive income	13
At 31 December 2018	**25**

The amount of the net reversal of deferred tax expected to occur in 2019 is £2,000. This primarily relates to the reversal of timing differences on acquired tangible assets and capital allowances through depreciation.

15 Creditors: amounts falling due within one year

	2018 £000's	2017 £000's
Trade creditors	**31**	53
Amounts owed to group undertakings	**269**	499
Other creditors including taxation and social security	**258**	457
Corporation tax	**19**	72
Accruals and deferred income	**807**	933
	1,384	2,014

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

16 Called up share capital

	2018 Number	2017 Number	2018 £	2017 £
Issued:				
Ordinary A shares of £1 each	**100**	100	**100**	100
Fully paid:				
Ordinary A shares of £1 each	**100**	100	**100**	100

17 Capital and other commitments

	2018 £000's	2017 £000's
Operating lease commitment		
As at 31 December, the Company had the following total future minimum lease payments under non-cancellable operating leases for each of the following periods:		
Payments due:		
- Not later than one year	-	149
- Later than one year and not later than five years	-	95
Total minimum lease commitments	-	244

18 Contingent liabilities

The Company is not a 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.

19 Pensions

Defined contributions scheme

The Company participates in a defined contribution pension scheme. 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 £69,000 (2017: £95,000). At 31 December 2018, £5,000 remained unpaid and accrued (2017: £7,000).

20 Company information

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

21 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Golin/Harris International Limited, a company registered in England and Wales. Copies of its financial statements are available at 3 Grosvenor Gardens, London, SW1W 0BD.

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

The Interpublic Group of Companies, Inc. is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2018. The consolidated financial statements for The Interpublic Group of Companies, Inc. can be obtained from 909 Third Avenue, New York, NY 10022, USA.