# Truth Consulting Limited

## Annual Report and Financial Statements

for the year ended 31 December 2018

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# Contents

## Directors and advisors

**Director**
T Linacre

**Solicitors**
Osborne Clarke
1 London Wall
London
EC2Y 5EB

**Bankers**
HSBC Bank plc
60 Queen Victoria Street
London
EC4N 4TR

Bank of Ireland
2, Burlington Plaza
Burlington Road
Dublin 4

**Registered office**
First floor
65 Gresham Street
London
EC2V 7NQ

**Independent auditors**
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

# Strategic report

The director presents his Strategic report for Truth Consulting Limited for the year ended 31 December 2018.

**Principal activities**

The Company's principal activity is that of a market research agency.

**Business review**

The results for the year ended 31 December 2018 are set out in the Statement of comprehensive income on page 9. This shows a profit for the financial year of £41,000 (2017: profit £212,000).

Truth Consulting Limited is a member of the Instinctif Partners Group of companies. Instinctif Partners Group is a business communications consultancy group with offices in London, Frankfurt, Cologne, Munich, Berlin, Brussels, Dublin, Dubai, Hong Kong, Beijing, Shanghai, Johannesburg & New York. The Group is structured in specialist industry sector teams; these are retained year-on-year by a substantial number of UK and overseas corporations and institutions. The Group offers a range of complementary communication services, including financial communications and media relations, public policy, crisis communications, brand positioning, strategic research, internal engagement, design and media training.

A full review of the business and position of the Group at year end can be found within the Annual Report and Financial Statements of Instinctif Partners Holdings Limited, the group parent company. The Company's operations are largely managed at a Group level and therefore the Directors do not believe that a separate review of the business and year end position would be appropriate to aid the understanding of the users of these financial statements.

**Key Performance Indicators**

Key performance indicators and principal risks and uncertainties for the Instinctif Partners Group as a whole are discussed in the consolidated financial statements prepared by the group parent company, Instinctif Partners Holdings Limited, which are obtainable from the address on page 20.

**Principal risks, uncertainties and financial risk management**

The directors of Instinctif Partner Holdings Limited (the group parent company) manage risks at a group level rather than an entity level, including financial risk management.

For this reason, the Company's director believes that a separate discussion of the Company's risks would not be appropriate for an understanding of the development, performance or position of the business. The principal risks of the Instinctif Partners Group can be found in the Annual Report and Financial Statements for the year ended 31 December 2018 of Instinctif Partners Holdings Limited.

On behalf of the board

*T Linacre*
*Director*

65 Gresham Street
London
EC2V 7NQ
Date 20/1/2020

# Director's report

The director presents his Director's report and the audited financial statements for the year ended 31 December 2018.

### Dividends

The director does not recommend payment of a dividend in the current year (2017: £nil).

### Financial Risk Management

Financial risk management disclosures are included in the Strategic Report on page 4.

### Going concern

The financial statements have been prepared on a going concern basis in view of the fact that the group parent undertaking, Instinctif Partners Holdings Limited, has formally indicated that it is its present intention to provide sufficient funding to the Company to enable it to meet its liabilities as they fall due, for at least the next twelve months from the date of signing these financial statements.

The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries as discussed within note 14 to the financial statements.

The director, having assessed the responses of the directors of the Company's group parent Instinctif Partners Holdings Limited to his enquiries has no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of Instinctif Partners Holdings Limited to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of his assessment of the Company's financial position the Company's director has a reasonable expectation that the Company will be able to continue in operational existence for at least the next twelve months from the date of this report. Thus he continues to adopt the going concern basis of accounting in preparing the annual financial statements.

### Directors

The directors who held office during the year and up to the date of signing these financial statements were as follows:

RS Nichols (resigned 9 November 2018)
N Holgate (resigned 19 December 2018)
T Linacre (appointed 9 November 2018)

The Company maintained, throughout the year, and up to the date of this report, directors' and officers' liability insurance in respect of itself and its directors. The cost of this insurance was borne by another group company.

### Subsequent events

On 4 September 2019, Lloyds Development Capital completed the acquisition of a majority stake in Instinctif Partners Holdings Limited. This has no impact on the accounting and disclosures of the Company.

### Future outlook

The Directors consider that the Company remains well placed to perform strongly in the future. Going forwards, the Company will have an emphasis on growing their client base whilst maintaining and growing their existing clients. The ISO 27001 certification was obtained in 2019 in order to continue to work with financial clients. With committed bank facilities in place through into 2019 the Company retains its financial stability into 2019 and beyond.

### Disclosure of information to auditors

The director who held office at the date of approval of this Director's report confirm that, so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware; and the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Independent auditors

The Company is currently undergoing a tender process.

# Director's report (continued)

**Statement of director's responsibilities**

The director is responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulation.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is 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 director is 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 him to ensure that the financial statements comply with the Companies Act 2006.

The director is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board

*T Linacre*
*Director*

65 Gresham Street
London
EC2V 7NQ

Date 20/1/2020

# *Independent auditors' report to the members of Truth Consulting Limited*

## Report on the audit of the financial statements

### Opinion

In our opinion, Truth Consulting 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 profit 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 and Financial Statements (the "Annual Report"), which comprise: the Balance sheet 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 Director's 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 Director's report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Director's 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 Director's 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 director's responsibilities, 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.

Patrick O'Brien.

Patrick O'Brien (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 January 2020

**Truth Consulting Limited**
**Registered number 05844296**

# Statement of comprehensive income
## for the year ended 31 December 2018

| | Note | **Year ended 31 December 2018 £'000** | Year ended 31 December 2017 £'000 |
|---|---|---|---|
| Turnover | 4 | **5,356** | 5,404 |
| Cost of sales | | **(1,641)** | (1,677) |
| **Gross profit** | | **3,715** | 3,727 |
| Administrative expenses excluding highlighted items | | **(3,584)** | (3,446) |
| Administrative expenses - highlighted items | 6 | **(46)** | (5) |
| Administrative expenses | | **(3,630)** | (3,451) |
| Operating profit excluding highlighted items | | **131** | 281 |
| **Operating profit** | 5 | **85** | 276 |
| Interest payable and similar expenses | | **-** | - |
| **Profit before taxation** | | **85** | 276 |
| Tax on profit | 8 | **(44)** | (64) |
| **Profit for the financial year** | | **41** | 212 |

The Company's results are derived wholly from continuing operations.

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

Notes on pages 12 to 20 form part of the financial statements.

**Truth Consulting Limited**
**Registered number 05844296**

# Balance sheet
## As at 31 December 2018

| | Note | At 31 December 2018 £'000 | At 31 December 2017 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 9 | **4** | 16 |
| **Current assets** | | | |
| Debtors | 10 | **5,514** | 4,901 |
| Cash at bank and in hand | | **857** | 617 |
| | | **6,371** | 5,518 |
| **Creditors:** amounts falling due within one year | 11 | **(8,329)** | (7,529) |
| **Net current liabilities** | | **(1,958)** | (2,011) |
| **Total assets less current liabilities** | | **(1,954)** | (1,995) |
| **Net liabilities** | | **(1,954)** | (1,995) |
| **Capital and reserves** | | | |
| Called up share capital | 13 | **3** | 3 |
| Share premium account | | **100** | 100 |
| *Capital redemption reserve* | | **(2)** | (2) |
| Profit and loss account | | **(2,055)** | (2,096) |
| **Total shareholders' deficit** | | **(1,954)** | (1,995) |

Notes on pages 12 to 20 form part of the financial statements.

These financial statements, on pages 9 to 20, were approved by the board of directors on 20/1/20 and were signed on its behalf by:

T Linacre
**Director**

**Truth Consulting Limited**
**Registered number 05844296**

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

| | Called up share capital £000 | Share Premium account £000 | Capital redemption reserve £000 | Profit and loss account £000 | Total shareholders' deficit £000 |
|---|---|---|---|---|---|
| At 1 January 2018 | **3** | **100** | **(2)** | **(2,096)** | **(1,995)** |
| Profit for the financial year | - | - | - | **41** | **41** |
| Total comprehensive income for the year | - | - | - | **41** | **41** |
| **At 31 December 2018** | **3** | **100** | **(2)** | **(2,055)** | **(1,954)** |
| At 1 January 2017 | 3 | 100 | (2) | (2,308) | (2,207) |
| Profit for the financial year | - | - | - | 212 | 212 |
| Total comprehensive income for the year | - | - | - | 212 | 212 |
| At 31 December 2017 | 3 | 100 | (2) | (2,096) | (1,995) |

Notes on pages 12 to 20 form part of the financial statements.

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

**1 General Information**

Truth Consulting Limited (the "Company") is a private company, limited by shares incorporated in the United Kingdom and registered in England & Wales. The Company operates as a market research agency. The address of its registered office is First floor, 65 Gresham Street, London EC2V 7NQ.

**2 Statement of Compliance**

These financial statements were prepared in accordance with United Kingdom Accounting Standards including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ("FRS 102") and the Companies Act 2006. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

**3 Summary of significant accounting policies**

**Basis of preparation**

These financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by certain financial assets and liabilities measured at fair value through profit and loss.

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 later in this note.

**Going concern**

The financial statements have been prepared on a going concern basis in view of the fact that the group parent undertaking, Instinctif Partners Holdings Limited, has formally indicated that it is its present intention to provide sufficient funding to the Company to enable it to meet its liabilities as they fall due, for at least the next twelve months from the date of signing these financial statements.

The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries as discussed within note 14 to the financial statements.

The director having assessed the responses of the directors of the Company's group parent Instinctif Partners Holdings Limited to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of Instinctif Partners Holdings Limited to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of his assessment of the Company's financial position and of the enquiries made of the directors of Instinctif Partners Holdings Limited, the Company's director has a reasonable expectation that the Company will be able to continue in operational existence for at least 12 months from the date of signing these financial statements. Thus he continues to adopt the going concern basis of accounting in preparing the annual financial statements.

The Company's business activities, together with the factors likely to affect its future development and position are set out in the Business Review section of the Strategic report on page 4.

**Exemptions for qualifying entities under FRS102**

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. Truth Consulting Limited is a qualifying entity as its results are consolidated into the financial statements of Instinctif Partners Holdings Limited which are publicly available.

As a qualifying entity, the Company has taken advantage of the following exemptions:

i. from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102; 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 group parent company, Instinctif Partners Holdings Limited, includes the Company's cash flows in its own consolidated financial statements;

ii. from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;

iii. from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and

iv. from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

# Notes to the financial statements for the year ended 31 December 2018 (continued)

**3 Summary of significant accounting policies (continued)**

**Foreign currencies**

Transactions in foreign currencies are translated to the Company's functional currency using the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency using the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

**Classification of financial instruments issued by the Company**

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

**Basic financial instruments**

*Trade and other debtors / creditors*
Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

*Interest-bearing borrowings classified as basic financial instruments*
Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

## Notes to the financial statements for the year ended 31 December 2018 (continued)

**3 Summary of significant accounting policies (continued)**

**Leases**

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the Statement of comprehensive income on a straight line basis over the period of the lease.

**Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described below.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

| | |
|---|---|
| Short Leasehold Property | over the lease terms |
| Fixtures and fittings | 20% per annum |
| Office and computer equipment | 25% or 33% per annum |

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

**Highlighted items**

Where the Directors consider that particular items of income or expenditure are material in terms of their size or nature, these items are separately identified in the Statement of comprehensive income. Such items comprise those items which are not related to the Company's underlying trading activities and include deferred consideration on acquisitions, redundancy and restructuring costs, the costs of moving to new offices, aborted acquisition costs, senior recruitment costs and the costs associated with the ownership structure of the Company.

**Cash at bank and in hand**

Cash at bank and in hand comprises cash balance and call deposits.

# Notes to the financial statements for the year ended 31 December 2018 (continued)

**3 Summary of significant accounting policies (continued)**

**Impairment excluding deferred tax assets**

*Financial assets (including trade and other debtors)*
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset and can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the reversal of the impairment loss is reversed through profit or loss.

*Non-financial assets*
The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. Where appropriate conditions are noted, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**Employee benefits**

*Defined contribution plans and other long term employee benefits*
The Company operates a defined contribution pension scheme. A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income in the periods during which services are rendered by employees.

**Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associates, branch, joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.
Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

# Notes to the financial statements for the year ended 31 December 2018 (continued)

**3 Summary of significant accounting policies (continued)**

**Provisions**

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

**Turnover**

Turnover derived from retainers is recognised evenly on a monthly basis over the lifetime of the retainer contract. Turnover for time-charge based work is recognised when the service is performed in accordance with the contract. For fixed fee projects, turnover is only recognised once the final outcome can be assessed with reasonable certainty, and the stage of completion is determined relative to the total number of hours expected to complete the work or provision of services. Until reasonable certainty is obtained these projects are recognised on a completed contracts basis.

Turnover represents the total invoice value, net of value added tax, for the rendering of services and goods supplied by the group and comprises charges for fees, commissions and rechargeable expenses incurred on behalf of clients. Gross profit is turnover less amounts payable on behalf of clients to external suppliers where they are retained to perform part of a specific client project or service, and represents fees, commissions and mark-ups on rechargeable expenses.

Turnover and gross profit reflect the fair value of the proportion of the work carried out in the year by recording turnover and related costs as service activity progresses.

Where turnover is recognised for a given period on the basis of time spent and services given but has not yet been invoiced to the customer, this is recorded as accrued income.

Where amounts have been invoiced to customers prior to the year end but will be recognised in future periods (on the basis of when time will be spent and services given), this is recorded as deferred income.

**Critical accounting estimates and judgements**

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and costs. 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.

*Revenue recognition*

Where revenue has not been invoiced at the accounting date the Company makes an estimate of the revenue to be recognised. Details of the Company's accounting policy for revenue recognition are set out above.

*Impairment of investments*

The carrying amounts of the Company's investments are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated and an estimate for an impairment could be made.

**4 Turnover**

Turnover by geographical market is set out below. The principal activity is for marketing research services, and all turnover is derived from the principal activity.

| | **Year ended 31 December 2018 £'000** | Year ended 31 December 2017 £'000 |
|---|---|---|
| United Kingdom | **3,016** | 3,669 |
| Europe | **1,706** | 1,362 |
| Rest of world | **634** | 373 |
| Total turnover | **5,356** | 5,404 |

Turnover is allocated based on the location of the client.

# Notes to the financial statements for the year ended 31 December 2018 (continued)

## 5 Operating profit

Operating profit on ordinary activities is stated after charging:

| | **Year ended 31 December 2018 £'000** | Year ended 31 December 2017 £'000 |
|---|---|---|
| Depreciation and other amounts written off tangible fixed assets | **13** | 48 |
| Hire of other assets - operating leases | **58** | 32 |

Audit fees of £5,250 (2017: £5,000) and tax compliance fees of £5,000 (2017: £5,000) were borne by another group company.

## 6 Highlighted items

| | **Year ended 31 December 2018 £'000** | Year ended 31 December 2017 £'000 |
|---|---|---|
| Costs incurred in closing Company's subsidiary in Singapore | **46** | 5 |
| | **46** | 5 |

Highlighted items have been separately identified because of their nature and because they are non-recurring. In the opinion of the Directors, these costs are useful to be separately identified, to enable a full understanding of the Company's underlying financial performance.

## 7 Staff costs

| | **Year ended 31 December 2018 £'000** | Year ended 31 December 2017 £'000 |
|---|---|---|
| Wages and salaries | **1,731** | 1,854 |
| Social security costs | **193** | 212 |
| Other pension costs | **72** | 75 |
| | **1,996** | 2,141 |

The average monthly number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

| | **Year ended 31 December 2018 Number** | Year ended 31 December 2017 Number |
|---|---|---|
| Directors | **2** | 2 |
| Marketing services | **31** | 34 |
| | **33** | 36 |

The director (2017: 2) is, and the former directors were, remunerated through Instinctif Partners Limited, a fellow subsidiary undertaking.

The number of directors to whom retirement benefits are accruing at 31 December 2018 under money purchase schemes amounted to 1 (2017: 2).

# Notes to the financial statements for the year ended 31 December 2018 (continued)

## 8 Tax on profit

| Tax expense included in profit or loss | Year ended 31 December 2018 £'000 | Year ended 31 December 2017 £'000 |
|---|---|---|
| *Current tax* | | |
| Current tax on profit for the year | - | - |
| Adjustment in respect of prior years | - | - |
| Total current tax charge | - | - |
| | | |
| *Deferred tax (see note 12)* | | |
| Origination and reversal of timing differences | 27 | 60 |
| Effect of rate change | 45 | 6 |
| Adjustments in respect of previous years | (28) | (2) |
| Total deferred tax charge | 44 | 64 |
| | | |
| Tax on profit | 44 | 64 |

**Reconciliation of tax charge**

Tax assessed for the year is lower (2017: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2018 of 19% (2017: 19.25%). The differences are explained below:

| | Year ended 31 December 2018 £'000 | Year ended 31 December 2017 £'000 |
|---|---|---|
| Profit before taxation | 85 | 276 |
| | | |
| Profit multiplied by the standard rate of tax in the UK of 19% (2017: 19.25%) | 16 | 53 |
| Effects of: | | |
| Reduction in tax rate on deferred tax balances | 45 | 6 |
| Non-deductible expenses | 11 | 7 |
| Adjustments in respect of previous years | (28) | (2) |
| Total tax charge for the year | 44 | 64 |

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2017. Changes to the UK corporation tax rates were substantively enacted on 6 September 2016 as part of the Finance Act 2016. These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

## 9 Tangible assets

| | Fixtures and fittings £'000 | Short leasehold property £'000 | Office and computer equipment £'000 | Total £'000 |
|---|---|---|---|---|
| **At 1 January 2018** | | | | |
| Cost | 93 | 275 | 203 | 571 |
| Accumulated depreciation | (93) | (266) | (196) | (555) |
| Net book value | - | 9 | 7 | 16 |
| | | | | |
| **Year ended 31 December 2018** | | | | |
| Opening net book value | - | 9 | 7 | 16 |
| Additions | - | - | 1 | 1 |
| Depreciation | - | (9) | (4) | (13) |
| **At 31 December 2018** | - | - | 4 | 4 |
| | | | | |
| **At 31 December 2018** | | | | |
| Cost | 93 | 275 | 204 | 572 |
| Accumulated depreciation | (93) | (275) | (200) | (568) |
| **Net book value** | - | - | 4 | 4 |

# Notes to the financial statements for the year ended 31 December 2018 (continued)

## 10 Debtors

| | At 31 December 2018 £'000 | At 31 December 2017 £'000 |
|---|---|---|
| *Amounts falling due within one year:* | | |
| Trade debtors | **1,444** | 1,235 |
| Amounts owed by group undertakings | **3,266** | 2,938 |
| Other debtors | **2** | 2 |
| Deferred tax | **354** | 398 |
| Prepayments and accrued income | **448** | 328 |
| | **5,514** | 4,901 |

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

## 11 Creditors: amounts falling due within one year

| | At 31 December 2018 £'000 | At 31 December 2017 £'000 |
|---|---|---|
| Trade creditors | **297** | 521 |
| Amounts owed to group undertakings | **6,695** | 5,861 |
| Taxation and social security | **140** | 250 |
| Other creditors | **10** | 46 |
| Accruals and deferred income | **1,187** | 851 |
| | **8,329** | 7,529 |

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

## 12 Deferred tax

**Recognised**

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| At 1 January | **398** | 462 |
| Charged to profit and loss account (note 8) | **(44)** | (64) |
| **At 31 December** | **354** | 398 |

Deferred tax assets have been valued at the substantively enacted rate of 17%.

The deferred tax balance comprises:

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Capital allowances | **20** | 24 |
| Trade losses | **334** | 374 |
| | **354** | 398 |

# Notes to the financial statements for the year ended 31 December 2018 (continued)

**13 Called up share capital**

**Allotted, called up and fully paid**

| | At 31 December 2018 £'000 | At 31 December 2017 £'000 |
|---|---|---|
| 33,625 (2017:33,625) Ordinary shares of 10p each | 3 | 3 |

**14 Contingent liabilities**

The Company is party to a term loan and revolving credit facility agreement provided by HSBC Bank plc (HSBC) and The Governor and Company of the Bank of Ireland. As part of this facility the Company has granted a fixed and floating charge over all of its property and assets to HSBC and Bank of Ireland.

The Company is also part of a composite guarantee arrangement, whereby the Company has provided guarantees over all balances outstanding to HSBC and Bank of Ireland under both the rolling credit facility and the term loan.

On 14 October 2013, HSBC issued a £939,000 guarantee on behalf of the Company in favour of JPMorgan Chase Bank, National Association.

As at 31 December 2018 amounts owed on the revolving credit facility and term loan were £nil (2017: £nil) and £9,054,000 (2017: £9,049,000), respectively. The term loan sits in Instinctif Partners Limited, a fellow subsidiary company, however Truth Consulting Limited is a named borrower and guarantor.

The loans were refinanced post year end as part of the acqusition by LDC (see note 19) and all loans in Instinctif Partners Limited were repaid. A new term loan and revolving credit facility agreement was provided by HSBC Bank plc ('HSBC') and The Governor and Company of the Bank of Ireland. The composite guarantee arrangement and £939,000 guarantee remain in place.

**15 Commitments**

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

| Payments due | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Not later than one year | - | 28 |
| | - | 28 |

The Company leases assets under non-cancellable operating lease agreements. The lease terms are generally less than 5 years and the majority of lease agreements are renewable at the end of the lease period at market rate. The lease commitment at the end of the prior year related to a lease on a previous office in London, which ended during 2018.

The Company had no other off-balance sheet arrangements.

**16 Pension scheme**

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge in note 7 represents contributions payable by the Company to the fund.
Contributions amounting to £11,000 (2017: £8,000) was included in creditors at the year end.

**17 Related party disclosures**

As the Company is a wholly owned subsidiary of Instinctif Partners Holdings Limited, the Company has taken advantage of the exemption contained in FRS 102 section 33.1A and has therefore not disclosed transactions or balances with entities which are wholly owned subsidiaries of the group. There are no other related party transactions.

The Company considers key management personnel to be the Company's directors and details of their compensation are shown in note 7.

**18 Group parent undertaking and controlling party**

The immediate parent is Instinctif Partners Intermediate Holdings Limited, a company registered in England & Wales, and wholly owned subsidiary of Instinctif Partners Holdings Limited.

The group parent undertaking, and the smallest and largest group to consolidate these financial statements, is Instinctif Partners Holdings Limited, a company incorporated in the England & Wales. The consolidated financial statements of Instinctif Partners Holdings Limited are available from 65 Gresham Street, London, EC2V 7NQ.

As per note 19, on 4 September 2019, Lloyds Development Capital completed the acquisition of a majority stake in Instinctif Partners Holdings Limited. As a result, the ultimate parent company has changed from Vitruvian Directors II Limited to Lloyds Banking Group plc, whose registered office is at The Mound, Edinburgh, EH1 1YZ.

**19 Subsequent events**

On 4 September 2019, Lloyds Development Capital completed the acquisition of a majority stake in Instinctif Partners Holdings Limited from Vitruvian Partners. This has no impact on the accounting and disclosures of the Company.