

R/GA Media Group Limited

**Directors' Report, Strategic Report and Financial Statements
Year ended 31 December 2017**

Registered Number: 2366324



R/GA Media Group Limited

Strategic Report for the year ended 31 December 2017

The directors present their strategic report of R/GA Media Group Limited (the "Company"), registered number 2366324 for the year ended 31 December 2017.

Principal activities and review of the business

The Company's principal activity during the year was that of interactive advertising and marketing particularly in the internet space.

The Company's loss for the financial year is £5,497,000 (2016: profit of £3,186,000). The directors consider that the result for the year is in line with expectations. The Company had net assets of £6,993,000 as at 31 December 2017 (2016: £15,990,000).

During 2017 R/GA Media Group Limited (R/GA) decreased turnover by 29% and this can be attributed to the reduction on spending of some of the agency's main clients and the difficulty to gain enough new clients to replace this reduction.

Over the course of the last year, R/GA London has continued achieving both local and global recognition for our work across the digital and advertising industries. The office was awarded Campaign Digital Innovation Agency of the year, Eurobest prize and APG Strategy awards between others.

The agency has also been active when it comes to social responsibility. It took on Malaria No More as a pro bono client and has been working with them to help eradicate the disease.

R/GA made a loss before taxes in 2017 of £5,269,000 (-19% of turnover) from a profit of £3,023,000 (8% of turnover) from in 2016. The principal factors influencing this change were costs attributable to significant increases in the UK employee population, the increase in the rent due to new premises we leased at the beginning of last year and the decrease in the turnover.

Key performance indicators

The key performance indicators for the year were as follows:

	2017	2016
Operating profit growth (%)		
Year on year operating profit growth expressed as a percentage	(28.8)%	(46.8)%
Operating margin (%)		
Ratio of operating profit to turnover expressed as a percentage	(18.7)%	7.6%
Staff costs/turnover (%)		
Staff costs as a percentage of turnover	64.8%	46.9%
Headcount	201	217

R/GA Media Group Limited

Strategic Report for the year ended 31 December 2017 (Continued)

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 2017, 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

The Company's strategy is to continue to grow and develop its capabilities and strengthen its go to market position. The Company continues to invest in its staff capability building out a marketing science offering. The company will continue to strength its position in other markets in EMEA.

On behalf of the Board,



M Lodder
Director

10 July 2018

R/GA Media Group Limited

Directors' Report for the year ended 31 December 2017

The directors present their report and the financial statements of R/GA Media Group Limited (the "Company"), registered number 2366324 for the year ended 31 December 2017.

Future developments

Future developments, strategy and key performance indicators are discussed in the Strategic Report.

Dividends

During the year the Directors recommended and paid a dividend of £3,500,000 (2016: £9,000,000).

Objectives and policies

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

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

Financial risk management

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

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Company's finance department. The department follows the policy and procedures manual provided by the 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. This provides the business with visibility of balances and ensures that no further credit is extended in cases where this is not merited. Credit given to other group Companies is also monitored and credit is extended where it is merited. Group debts are collected on the same basis as non-group debts. The maximum exposure to credit risk at 31 December 2017 was mainly as follows: trade debtors £3,808,000, amounts owed by group undertakings £494,000, other debtors £131,000 and prepayments and accrued income £10,419,000 (2016: £6,729,000, £1,634,000, £6,000 and £6,719,000 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 2017 (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.

Audit exemption

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

- a) that for the year ended 31 December 2017 the Company was entitled to the exemption from a statutory audit under section 479A of the Companies Act 2006 relating to subsidiary companies; and
- b) that no notice has been deposited under section 476 of the Companies Act 2006 in relation to the financial statements for the financial year.

On behalf of the Board,



M Lodder
Director

10 July 2018

R/GA Media Group Limited

Directors' Report for the year ended 31 December 2017 (Continued)

Political donations

The Company made no political donations in 2017 (2016: £nil).

Branches outside the UK

The Company has a branch in Turkey which was established in July 2015.

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:

M Lodder

S W Plumlee (resigned 18 October 2017)

R M Greenberg

N R Boorman (resigned 5 September 2017)

J P Tomasulo (appointed 18 October 2017)

Events post statement of financial position

Since the year end no material events have occurred.

2017-12-31

R/GA Media Group Limited

Statement of comprehensive income for the year ended 31 December 2017

	Note	2017 £000's	2016 £000's
Turnover	5	27,976	39,285
Administrative expenses		(33,208)	(36,309)
Operating (loss)/profit	6	(5,232)	2,976
Interest receivable and similar income	7	1	65
Interest payable and similar expenses	8	(38)	(18)
(Loss)/profit before taxation		(5,269)	3,023
Tax on (loss)/profit	11	(228)	163
(Loss)/profit for the financial year		(5,497)	3,186

All operations are continuing.

R/GA Media Group Limited

Statement of financial position as at 31 December 2017

	Note	2017 £000's	2016 £000's
Fixed assets			
Tangible assets	12	5,691	6,094
Investments	13	106	106
		5,797	6,200
Current assets			
Work in progress		4,645	2,290
Debtors	14	15,192	15,381
Cash at bank and in hand		2,191	4,846
		22,028	22,517
Creditors: amounts falling due within one year	16	(17,143)	(9,139)
Net current assets		4,885	13,378
Total assets less current liabilities		10,682	19,578
Creditors: amounts falling due after more than one year	17	(2,939)	(2,859)
Provisions for liabilities	18	(750)	(729)
Net assets		6,993	15,990
Capital and reserves			
Called up share capital	19	2	2
Retained earnings		6,991	15,988
Total equity		6,993	15,990

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

- that for the year ended 31 December 2017 the Company was entitled to the exemption from a statutory audit under section 479A of the Companies Act 2006 relating to subsidiary companies; and
- that no notice has been deposited under section 476 of the Companies Act 2006 in relation to the financial statements for the financial year.

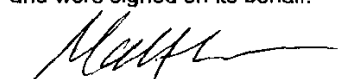
The directors acknowledge their responsibilities for:

- ensuring that the Company keeps adequate accounting records which comply with section 386 of the Companies Act 2006; and
- preparing financial statements which give a true and fair view of the state of the affairs of the Company at 31 December 2017 and of its profit or loss for the year then ended in accordance with the requirement of section 394 of the Companies Act 2006, and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements so far as applicable to the Company.

The notes on pages 9 to 27 are an integral part of these financial statements.

The financial statements on pages 6 to 27 were authorised for issue by the board of directors on
and were signed on its behalf.

10.7.17



M Lodder
Director
R/GA Media Limited
Registered No. 2366324

R/GA Media Group Limited

Statement of changes in equity for the year ended 31 December 2017

	Called up share capital £000's	Retained earnings £000's	Total equity £000's
At 1 January 2016	2	21,802	21,804
Profit for the financial year	-	3,186	3,186
Dividends paid	-	(9,000)	(9,000)
Total transactions with owners, recognised directly in equity	-	(9,000)	(9,000)
At 31 December 2016 and 1 January 2017	2	15,988	15,990
Loss for the financial year	-	(5,497)	(5,497)
Dividends paid	-	(3,500)	(3,500)
Total transactions with owners, recognised directly in equity	-	(3,500)	(3,500)
At 31 December 2017	2	6,991	6,993

On 25 October 2017 the Company paid a dividend of £3,500,000 to its immediate parent undertaking FBC Europe Limited.

R/GA Media Group Limited

Notes to the financial statements for the year ended 31 December 2017

1 General information

The Company operates in interactive advertising and marketing particularly in the internet space.

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) Consolidated financial statements

The Company is a wholly owned subsidiary of FCB Europe Limited and of its ultimate parent, The Interpublic Group of Companies Inc. It is included in the consolidated financial statements of The Interpublic Group of Companies Inc., which are publicly available. Therefore the directors have concluded that the Company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. These financial statements are the Company's separate financial statements.

Notes to the financial statements for the year ended 31 December 2017 (Continued)

3 Summary of significant accounting policies (Continued)

e) Revenue recognition

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

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

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

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

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

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

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

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

We receive credits from our vendors and media outlets for transactions entered into on behalf of our clients that, based on the terms of our contracts and local law, are either remitted to our clients or retained by us. If amounts are to be passed through to clients, they are recorded as liabilities as a provision until settlement or, if retained by us, are recorded as revenue when earned.

R/GA Media Group Limited

Notes to the financial statements for the year ended 31 December 2017 (Continued)

3 Summary of significant accounting policies (Continued)

f) Interest income

Interest income is recognised using the effective interest rate method.

g) Dividend income

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

h) 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 23 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.

i) 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.

j) Borrowing costs

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

k) 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.

l) 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.

Notes to the financial statements for the year ended 31 December 2017 (Continued)

3 Summary of significant accounting policies (Continued)

m) Taxation

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

Current and deferred taxation assets and liabilities are not discounted.

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

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

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

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

n) Investments

Investments in subsidiaries are held at cost less accumulated impairment losses. The Company makes an estimate of the recoverable value of its investments in subsidiaries. When assessing the potential impairment of investments, management considers factors including whether there has been a triggering event that requires an impairment test to be carried out. When the reasons for the impairment loss have ceased to apply, the directors consider whether to reverse the impairment to its recoverable amount should it exceed its carrying amount. A discounted cash flow model based on forecasted financial performance is used to calculate the recoverable amount.

R/GA Media Group Limited

Notes to the financial statements for the year ended 31 December 2017 (Continued)

3 Summary of significant accounting policies (Continued)

o) 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
Asset retirement obligation	Lesser of 10 years or the remaining life of the lease
Long leasehold & leasehold improvements	Lesser of 10 years or the remaining life of the lease
Computer hardware & software	3 - 4 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.

The fair value of estimated asset retirement obligations is recognised in the statement of financial position when , is capitalised as part of the cost of the related long lived asset. Asset retirement costs are amortised over the life of the lease.

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

p) Impairment of non-financial assets

At each statement of financial position date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

q) Related party disclosures

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

r) 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.

Notes to the financial statements for the year ended 31 December 2017 (Continued)

3 Summary of significant accounting policies (Continued)

s) Provisions

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

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

Provision is not made for future operating losses.

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

t) 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.

R/GA Media Group Limited

Notes to the financial statements for the year ended 31 December 2017 (Continued)

3 Summary of significant accounting policies (Continued)

t) Financial instruments (Continued)

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

u) Deferred income

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

v) Incentive compensation plans

Compensation costs related to share-based transactions are recognised in the financial statements based on fair value. Stock-based compensation expense is generally recognised over the requisite service period based on the estimated grant-date fair value. Cash settled share based payments are measured at fair value at the statement of financial position date and are included in creditors.

The movement in cumulative expense since the previous statement of financial position date is recognised in the statement of comprehensive income, with a corresponding entry in creditors.

Cash awards are generally granted on an annual basis and have a service period vesting condition and generally vest in three years. Cash awards do not fall within the scope of share based payments as they are not paid in equity and the value of the award is not correlated with The Interpublic Group of Companies, Inc.'s share price. The present value of the amount expected to vest for cash awards and performance cash awards over the vesting period is amortised using the straight-line method in the statement of comprehensive income.

w) Netting off policy

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

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

x) 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.

y) 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.

Notes to the financial statements for the year ended 31 December 2017 (Continued)**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 12)

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 12 for the carrying amount of the property plant and equipment, and note 3 for the useful economic lives for each class of assets.

ii) Carrying value of investments (note 13)

The Company makes an estimate of the recoverable value of its investments in subsidiaries. When assessing the potential impairment of investments, management considers factors including whether there has been a triggering event that requires an impairment test to be carried out. When the reasons for the impairment loss have ceased to apply, the directors consider whether to reverse the impairment to its recoverable amount should it exceed its carrying amount. A discounted cash flow model based on forecasted financial performance is used to calculate the recoverable amount. See note 13 for the carrying value of investments.

(ii) Impairment of trade and other debtors (note 14)

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 14 for the net carrying amount of the debtors and associated impairment provision.

5 Turnover

	2017 £000's	2016 £000's
Turnover by origin		
United Kingdom	27,976	39,285

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.

R/GA Media Group Limited

Notes to the financial statements for the year ended 31 December 2017 (Continued)

6 Operating (loss)/profit

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

	2017 £000's	2016 £000's
Employee costs (note 9)	18,117	18,421
Depreciation		
- Tangible assets	868	574
Bad debt expense/(income)	193	(12)
Loss on disposal of tangible assets	-	327
Exchange gain	(277)	(258)
Operating lease rentals		
- office space	2,682	2,674
Rental income	-	(38)

7 Interest receivable and similar income

	2017 £000's	2016 £000's
Interest receivable on bank accounts	1	65

8 Interest payable and similar expenses

	2017 £000's	2016 £000's
Interest payable on bank overdrafts	28	7
Unwinding of discount on asset retirement obligation	10	11
	38	18

Notes to the financial statements for the year ended 31 December 2017 (Continued)

9 Employee costs

	2017	2016
	£000's	£000's
Wages and salaries (including directors)	14,373	15,230
Social security costs	1,935	1,965
Other pension costs (note 23)	572	510
Severance expense	607	56
Share based payments costs (note 22)	272	522
Miscellaneous, non-share based incentives and other costs	358	138
	18,117	18,421

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

	2017	2016
	Number	Number
United Kingdom	199	216
Rest of Europe	2	1
	201	217

Key management compensation

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

	2017	2016
	£000's	£000's
Wages and salaries	801	1,016
Social security costs	133	128
Other pension costs (note 23)	42	35
Share based payments costs (note 22)	282	450
Miscellaneous, non-share based incentives and other costs	171	109
	1,429	1,738

R/GA Media Group Limited

Notes to the financial statements for the year ended 31 December 2017 (Continued)

10 Directors' emoluments

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

	2017 £000's	2016 £000's
Aggregate emoluments, including benefits in kind	550	596
Defined contribution scheme – company contributions	23	18
Share option expense	126	290
	699	904

Highest paid director	2017 £000's	2016 £000's
Aggregate emoluments, including benefits in kind	415	422
Defined contribution scheme – company contributions	16	8
Share option expense	156	257
	587	687

Retirement benefits are accruing to 1 directors under a defined contribution scheme (2016: 2).

Directors' emoluments have been reflected in the Company where the director has a contract of employment. Emoluments for some directors were borne by other group companies in both 2017 and 2016.

R/GA Media Group Limited

Notes to the financial statements for the year ended 31 December 2017 (Continued)

11 Tax on (loss)/profit

	2017 £000's	2016 £000's
Current taxation		
Foreign taxes	124	-
Adjustments in respect of prior periods	151	(172)
Total current taxation	275	(172)
Deferred taxation		
Adjustments in respect of prior years	-	47
Origination & reversal of timing differences	(53)	(61)
Effect of change in the tax rate	6	23
Total deferred taxation	(47)	9
Tax on (loss)/profit	228	(163)

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

The tax assessed for the year is higher (2016: lower) than the standard rate of corporation tax in the UK of 19.25% (2016: 20%).
The difference is explained below:

	2017 £000's	2016 £000's
(Loss)/profit before taxation	(5,269)	3,023
(Loss)/profit before taxation multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20%)	(1,014)	605
Effects of:		
Expenses not deductible for taxation purposes	35	100
Group relief for nil consideration	958	(760)
Withholding tax suffered	124	-
Adjustments in respect of prior periods	151	(125)
Unrecognised deferred tax	(32)	(6)
Re-measurement of deferred tax - change in UK tax rate	6	23
Total tax charge/(credit) for the year	228	(163)

A reduction in the rate of UK corporation tax from 21% to 20% took effect from 1 April 2015. Further reductions in the main rate of UK corporation tax to 19% from 1 April 2017, and then to 17% from 1 April 2020 have been substantively enacted.

R/GA Media Group Limited

Notes to the financial statements for the year ended 31 December 2017 (Continued)

12 Tangible assets

	Long leasehold & leasehold improvements £000's	Computer hardware & software £000's	Equipment, fixtures & fittings £000's	Asset retirement obligation £000's	Total £000's
At 31 December 2016					
Cost	3,726	1,155	1,309	718	6,908
Accumulated depreciation	94	503	170	47	814
Net book value	3,632	652	1,139	671	6,094
Cost					
1 January 2017	3,726	1,155	1,309	718	6,908
Additions	281	121	52	-	454
*Adjustments	-	-	-	11	11
31 December 2017	4,007	1,276	1,361	729	7,373
Accumulated depreciation					
1 January 2017	94	503	170	47	814
Charge for the financial year	334	284	201	49	868
31 December 2017	428	787	371	96	1,682
Net book value					
31 December 2017	3,579	489	990	633	5,691

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

Notes to the financial statements for the year ended 31 December 2017 (Continued)

13 Investments

Investment in subsidiaries:

£000's

Cost

At 1 January and 31 December 2017

106

Net book value at 31 December 2017

106

Impairment in carrying value

In accordance with FRS 102, an impairment review has been performed where a triggering event has occurred demonstrating an indicator of impairment. No impairment indicator was identified by management and the directors believe that the carrying value of the investments is supported by their underlying recoverable amounts.

The Company has the following investments as at 31 December 2017:

Name	Co. No.	Registered Office	Share Class	Share Class % Held
R/GA Digital Media Group SRL	J40/12031/2012	50-52 Buzesti Street, Floor 2, Sector 1, Bucharest, 011015, Romania	Ordinary RON 10	100

14 Debtors

	2017 £000's	2016 £000's
Trade debtors	3,808	6,729
Amounts owed by group undertakings	494	1,634
Other debtors	131	6
Deferred taxation (note 15)	340	293
Prepayments and accrued income	10,419	6,719
	15,192	15,381

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

R/GA Media Group Limited

Notes to the financial statements for the year ended 31 December 2017 (Continued)

15 Deferred taxation

	2017 £000's	2016 £000's
Accelerated capital allowances	125	117
Other short term timing differences	215	176
Total deferred tax asset	340	293

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

	£000's
At 1 January 2017	293
Credited to the statement of comprehensive income	47
At 31 December 2017	340

The amount of the net reversal of deferred tax expected to occur in 2017 is £36,000. This primarily relates to the reversal of timing differences on acquired intangible and tangible fixed assets and capital allowances through depreciation and amortisation, and the reversal of other short term timing differences.

16 Creditors: amounts falling due within one year

	2017 £000's	2016 £000's
Bank loans and overdrafts	5,249	-
Trade creditors	642	788
Amounts owed to group undertakings	2,037	2,396
Other creditors including taxation and social security	472	1,065
Corporation tax	407	255
Accruals and deferred income	8,010	4,558
Incentive compensation plans	326	77
	17,143	9,139

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

The group participates in The Interpublic Group of Companies, Inc. pooling arrangement with Lloyds Banking Group plc. The overdraft interest rate is linked to bank base rate and bank borrowing is secured by an ultimate parent undertaking guarantee. The remaining creditors are unsecured.

Notes to the financial statements for the year ended 31 December 2017 (Continued)

17 Creditors: amounts falling due after more than one year

	2017 £000's	2016 £000's
Incentive compensation plans	101	256
Deferred lease credits	2,838	2,603
	2,939	2,859

Deferred lease credits are in respect of property lease incentives given at the inception of the lease.

18 Provisions for liabilities

	Asset retirement obligations £000's
At 1 January 2017	729
Unwinding of discount	10
Charged to the statement of comprehensive income	11
At 31 December 2017	750

Asset retirement obligations

The Company has a provision for liabilities relating to dilapidations on a property leased by the Company. The claim is expected to be fully resolved by 2031.

19 Called up share capital

	2017 Number (000's)	2016 Number (000's)	2017 £000's	2016 £000's
Issued:				
Ordinary shares of £1 each	2	2	2	2
Fully paid:				
Ordinary shares of £1 each	2	2	2	2

R/GA Media Group Limited

Notes to the financial statements for the year ended 31 December 2017 (Continued)

20 Capital and other commitments

	2017 £000's	2016 £000's
Capital commitments		
At 31 December, the Company had the following total capital commitments:		
Contracts for future capital expenditure not provided in the financial statements – property, plant and equipment	-	300
Operating lease commitments		
As at 31 December, the Company had the following total future minimum lease payment commitments under non-cancellable operating leases for each of the following periods:		
Payments due:		
- Not later than one year	2,830	2,956
- Later than one year and not later than five years	11,320	11,320
- Later than five years	14,235	17,065
Total minimum lease commitments	28,385	31,341

21 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.

22 Share based payments

The Interpublic Group of Companies, Inc. issues stock and cash based incentive awards to our employees under a plan established by The Interpublic Group of Companies, Inc., along with other companies in the Interpublic group, participates in The Interpublic Group of Companies, Inc., long term incentive plans. Refer to The Interpublic Group of Companies, Inc. 2017 Form 10-K for further disclosures relating to their long term incentive plans.

Effect of share-based payment transactions on company's results and the financial position

	2017 £000's	2016 £000's
Total expense recognised for equity-settled share based transactions	272	522
Closing liability/other reserves for equity-settled share based transactions	(74)	27

Equity Settled Restricted Stock Units

Awards to be settled in shares are granted to certain key employees and are subject to certain restrictions and vesting requirements, as determined by The Interpublic Group of Companies, Inc.'s Compensation Committee. The vesting period is generally three years. The fair value of the restricted stock awards is based on The Interpublic Group of Companies, Inc. share price on the date the award is granted. No monetary consideration is paid by a recipient for a stock-settled award and the fair value of the shares determined on the grant date is amortized over the vesting period. There were no equity settled restricted stock units awarded to employees prior to 2007.

The Interpublic Group of Companies, Inc. grants both time based and performance based restricted stock units to be settled in shares.

Notes to the financial statements for the year ended 31 December 2017 (Continued)**22 Share based payments (Continued)****Equity Settled Restricted Stock Units (Continued)**

Performance-based awards have been granted subject to certain restrictions and vesting requirements as determined by The Interpublic Group of Companies, Inc.'s Compensation Committee. Performance-based awards are a form of stock-based compensation in which the number shares ultimately received by the participant depends on the Company and/or individual performance against specific performance targets.

The awards generally vest over a three-year period subject to the participant's continuing employment as well as the achievement of certain performance objectives. The final number of units and therefore shares that could ultimately be received by a participant ranges from 0% to 300% of the target amount of units originally granted. Stock-based compensation expense is amortised for the estimated number of performance-based awards that are expected to vest over the vesting period using the fair value of the shares at the end of the period.

Share Settled Performance Related Restricted Stock Units

Movements in the number of awards outstanding and their related weighted average exercise prices are as follows:

	2017	2017	2016	2016
	No. of Stock options	Weighted average fair value (£)	No. of Stock options	Weighted average fair value (£)
Outstanding as at 1 January	42,105	19.03	32,666	15.73
Granted during the year	20,545	19.49	20,102	15.46
Transferred to another group company	-	-	(4,259)	17.20
Cancelled during the year	(6,604)	15.71	(6,404)	16.13
Vested during the year	(9,432)	19.51	-	-
Outstanding at 31 December	46,614	14.92	42,105	19.03

Compensation expense in connection with the restricted stock awards was £272,000 in 2017 (2016: £522,000). The Interpublic Group of Companies, Inc. is responsible for issuing the shares upon settlement of the awards and therefore holds the equity balance for the equity settled awards.

23 Pensions**Defined contributions scheme**

The Company participates in a number of defined contribution pension schemes. The assets of the schemes are held separately from those of the Company in an independently administered fund. The pension cost represents contributions payable by the Company to the fund and amounted to £572,000 (2016: £510,000). At 31 December 2017, £43,000 remained unpaid and accrued (2016: £nil).

24 Company information

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

R/GA Media Group Limited

Notes to the financial statements for the year ended 31 December 2017 (Continued)

25 Ultimate parent undertaking and controlling party

The immediate parent undertaking is FCB Europe 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 group of undertakings to consolidate these financial statements at 31 December 2017. The consolidated financial statements for The Interpublic Group of Companies, Inc. can be obtained from 1114 Avenue of the Americas, New York, New York 10036.

IPG Holdings (UK) Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2017. The consolidated financial statements for IPG Holdings (UK) Limited can be obtained from 909 Third Avenue, New York, NY 10022, USA.