R/GA Media Group Limited

Directors' Report, Strategic Report and Financial Statements

Year ended 31 December 2022

Registered Number: 02366324

R/GA Media Group Limited

Strategic Report for the year ended 31 December 2022

The directors present their strategic report of R/GA Media Group Limited (the "Company") registered number 02366324 for the year ended 31 December 2022.

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 year was £2,266,000 (2021: profit £7,614,000). The directors consider that the result for the year is in line with expectations. The Company had net liabilities of £13,301,000 as at 31 December 2022 (2021: net liabilities of £11,035,000).

It was another productive year for the Company adding seven new clients and being awarded with a Cannes Lions Grand Prix for first time; in addition to other awards.

The Company drove culture within a hybrid working model.

The agency has also been active when it comes to social responsibility continuing the partnership with Brixton Finishing School and driving the Make/Good for Business in UK; R/GA initiative to provide pro bono services to BAME businesses/organisations.

Key performance indicators

The following are key performance indicators of the business:

	2022	2021
Gross profit growth (%)		
Year on year gross profit growth expressed as a percentage	**(30.2)%**	37.3%
Operating margin (%)		
Ratio of operating loss to gross profit expressed as a percentage	**(22.3)%**	43.4%
Staff costs / gross profit (%)		
Staff costs as a percentage of gross profit	**65.4%**	45.1%
Headcount (number)	**87**	94

Financial Reporting Standard 102 (FRS 102)

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

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of IPG Holdings (UK) Limited and are not managed separately. These risks are discussed in the IPG Holdings (UK) Limited annual consolidated financial statements for the year ended 31 December 2022, which does not form part of this report. Copies of the IPG Holdings (UK) Limited consolidated financial statements can be obtained from:

135 Bishopsgate
London
United Kingdom, EC2M 3TP

Strategy and future developments

The Company's strategy is to increase revenue and return to margin levels of 2021, which will be achieved with the winning of new clients in EMEA.

The Company will continue collaborating across disciplines and creating new solutions at the intersections of design and technology, data and creativity, business building and brand building.

On behalf of the Board

Robert Dobson

Robert Jesus Dobson
Director
28 July 2023

R/GA Media Group Limited

Directors' Report for the year ended 31 December 2022

The directors present their report and financial statements of R/GA Media Group Limited (the "Company") registered number 02366324 for the year ended 31 December 2022.

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the parent company, The Interpublic Group of Companies, Inc.. The directors have received confirmation that The Interpublic Group of Companies, Inc. intends to support the Company for at least one year after these financial statements are signed.

Future developments

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

Dividends

The directors did not recommend the payment of a dividend during the year (2021: £nil).

Objectives and policies

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

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

Financial risk management

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

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

Credit risk

The Company has implemented policies to monitor customer debt levels and to ensure that excessive credit is not extended to any particular customer. This provides the business with visibility of balances and ensures that no further credit is extended in cases where this is not merited. The maximum exposure to credit risk at 31 December 2022 was mainly as follows: trade debtors £1,829,000, amounts owed by group undertakings £421,000, other debtors £1,000, prepayment and accrued income £2,546,000 and debtors due after more than one year £nil (2021: £2,900,000, £986,000, £11,000, £3,393,000, £nil respectively).

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

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

Liquidity risk

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

Political donations

The Company made no political donations in 2022 (2021: £nil).

R/GA Media Group Limited

Directors' Report for the year ended 31 December 2022 (continued)

Branches outside the UK

The Company has no branches outside the UK.

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.

Disabled employees

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.

Directors

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

	Date of Appointment	Date of Resignation
R M Greenberg		15 April 2023
W D Harris		
S M Lyons		15 April 2023
R J Dobson	15 April 2023	

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Events post statement of financial position

No material events post statement of financial position have occurred.

R/GA Media Group Limited

Directors' Report for the year ended 31 December 2022 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report, Strategic 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, 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for 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.

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 2022 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

DocuSigned by:
Robert Dobson
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Robert Jesus Dobson
Director
28 July 2023

R/GA Media Group Limited

Statement of comprehensive income
For the year ended 31 December 2022

	Note	2022 £000's	2021 £000's
Turnover	5	**15,042**	21,596
Cost of sales		**(1,110)**	(1,627)
Gross profit		**13,932**	19,969
Administrative expenses		**(17,040)**	(11,297)
Operating (loss)/profit	6	**(3,108)**	8,672
Interest receivable and similar income	7	**1,050**	-
Interest payable and similar expenses	8	**(92)**	(191)
Income from shares in group undertakings	9	**99**	155
Impairment of investments	14	**(106)**	-
(Loss)/profit before taxation		**(2,157)**	8,636
Tax on (loss)/profit	12	**(109)**	(1,022)
(Loss)/profit for the financial year		**(2,266)**	7,614

All operations are continuing.

R/GA Media Group Limited

Statement of financial position
As at 31 December 2022

	Note	2022 £000's	2021 £000's
Fixed assets			
Tangible assets	13	**810**	346
Investments	14	**-**	106
		810	452
Current assets			
Work in progress		**273**	20
Debtors	15	**5,007**	7,635
Cash at bank and in hand		**118**	-
		5,398	7,655
Creditors: amounts falling due within one year	16	**(12,016)**	(9,464)
Net current liabilities		**(6,618)**	(1,809)
Total assets less current liabilities		**(5,808)**	(1,357)
Creditors: amounts falling due after more than one year	17	**(60)**	(43)
Provisions for liabilities	18	**(7,433)**	(9,635)
Net liabilities		**(13,301)**	(11,035)
Capital and reserves			
Called up share capital	19	**2**	2
Accumulated losses		**(13,303)**	(11,037)
Total equity		**(13,301)**	(11,035)

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 2022 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.

The directors acknowledge their responsibilities for:

a) ensuring that the Company keeps adequate accounting records which comply with section 386 of the Companies Act 2006; and
b) preparing financial statements which give a true and fair view of the state of the affairs of the Company at 31 December 2022 and of its profit or loss for the year then ended in accordance with the requirement of section 394 of the Companies Act 2006, and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements so far as applicable to the Company.

The notes on pages 10 to 29 are an integral part of these financial statements.

The financial statements on pages 7 to 29 were authorised for issue by the board of directors on 28 July 2023 and were signed on its behalf.

DocuSigned by:
Robert Dobson
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Robert Jesus Dobson
Director
R/GA Media Group Limited
Registered No. 02366324

R/GA Media Group Limited

Statement of changes in equity
for the year ended 31 December 2022

	Called up share capital £000's	Accumulated losses £000's	Total Equity £000's
At 1 January 2021	2	(18,651)	(18,649)
Profit for the financial year	-	7,614	7,614
At 31 December 2021	**2**	**(11,037)**	**(11,035)**

	Called up share capital £000's	Accumulated Losses £000's	Total Equity £000's
At 1 January 2022	2	(11,037)	(11,035)
Loss for the financial year	-	(2,266)	(2,266)
At 31 December 2022	**2**	**(13,303)**	**(13,301)**

R/GA Media Group Limited

Notes to the financial statements for the year ended 31 December 2022

1 General information

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

The Company is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is 135 Bishopsgate, London, UK, EC2M 3TP.

2 Statement of compliance

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

3 Summary of significant accounting policies

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

a) Basis of preparation

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

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

b) Going concern

At as 31 December 2022, the Company has a net liabilities of £13,301,000 (2021: net liabilities £11,035,000). These financial statements are prepared on the going concern basis as IPG Holdings (UK) Limited, the Company's intermediate holding company, has confirmed in writing its commitment to continue to support the Company for a period of not less than one year from the date of approval of these financial statements, by providing sufficient funds to enable it to meet its liabilities as they fall due. On this basis, the directors have concluded that it remains appropriate to prepare the financial statements on a going concern basis.

c) Exemptions for qualifying entities under FRS 102

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

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

3 Summary of significant accounting policies (continued)

d) Consolidated financial statements

The Company is a wholly owned subsidiary of IPG Holdings (UK) Limited and of its ultimate parent, The Interpublic Group of Companies, Inc. and its results are included in the consolidated financial statements of The Interpublic Group of Companies, Inc. which are publicly available. The directors have therefore concluded that the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. These financial statements are the Company's separate financial statements.

e) Revenue recognition

The Company is a creative innovation agency offering services across communications, brand design, customer experience and customer relationships. Most client contracts are individually negotiated and, accordingly, the terms of client engagements and the bases on which the Company earn fees vary significantly.

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

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

- Fees

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

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Notes to the financial statements for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

e) Revenue recognition (continued)

- Fees (continued)

The majority of our revenue is recorded as the net amount of our gross billings less pass-through expenses charged to a client which are included as costs of sales. In most cases, the amount that is billed to clients significantly exceeds the amount of revenue that is earned and reflected in our financial statements because of various pass-through expenses, such as production and media costs. We assess whether our agency or the third-party supplier is the primary obligor, and we evaluate the terms of our client agreements as part of this assessment. In addition, we give appropriate consideration to other key indicators such as latitude in establishing price, discretion in supplier selection and credit risk to the supplier. In general, we also report revenue net of taxes assessed by governmental authorities that are directly imposed on our revenue-producing transactions.

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

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 pension plans.

- **Short term benefits**

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

- **Pension costs**

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from the Company in an independently administered fund. The pension cost charge disclosed in note 23 represents contributions payable by the Company to the fund.

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

- **Annual bonus plan**

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

3 Summary of significant accounting policies (continued)

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 to which they relate.

j) Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income in the year 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.

m) Exceptional items

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

n) Taxation

Taxation expense for the year 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.

3 Summary of significant accounting policies (continued)

o) Tangible assets

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

Equipment, fixtures & fittings	3-10 years
Computer equipment	3-4 years

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

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

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

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

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

p) 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.

q) *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. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

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.

R/GA Media Group Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

r) Work in progress

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

s) Financial instruments

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

(i) Financial assets

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

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

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

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

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

(ii) Financial liabilities

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

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

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

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

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

R/GA Media Group Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

t) Cash and cash equivalents

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

u) Deferred income

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

v) 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.

w) Called up share capital

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

x) 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.

y) Related party disclosures

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

Under FRS 102 advantage has been taken of the exemption for Related Party Disclosures not to disclose transactions with companies that are part of the IPG Group. The address at which the consolidated financial statements of The Interpublic Group of Companies, Inc. are publicly available is shown in note 26.

z) Incentive compensation plans

Compensation costs related to share-based transactions, including employee stock options, 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. 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.

3 Summary of significant accounting policies (continued)

aa) Netting off policy

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

(i) The Company and the counterparty owe each other determinable monetary amounts, denominated either in the same currency, or in different but free convertible currencies;

(ii) The Company has the ability to insist on a net settlement; and

(iii) The Company's ability to insist on a net settlement is assured beyond doubt. For this to be the case it is necessary that the debit balance mature no later than the credit balance. It is also necessary that the Company's ability to insist on a net settlement would survive the insolvency of the counterparty.

4 Critical accounting estimates and assumptions

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

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 3o)

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of the property plant and equipment, and note 3o for the useful economic lives for each class of assets.

(ii) Carrying value of investments (note 14)

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 14 for the carrying value of investments.

(iii) Impairment of trade and other debtors (note 15)

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 15 for the net carrying amount of the debtors and associated impairment provision.

5 Turnover

	2022	2021
	£000's	£000's
Turnover by origin		
United Kingdom	**15,042**	21,596
	15,042	21,596

The analysis above is by geographical origin. Analysis by geographical destination would not be materially different.

Turnover is wholly attributable to the principal activity of the Company.

6 Operating (loss)/profit

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

	2022 £000's	2021 £000's
Employee costs (note 10)	**9,115**	9,007
Depreciation		
- Tangible fixed assets	**226**	189
Bad debt - provision decrease	**(55)**	(28)
Loss/(gain) on disposal of tangible assets	**14**	(23)
Exchange loss/(gain)	**56**	(41)
Operating lease rentals		
- Office space	**327**	205
Rental income	**(239)**	-

7 Interest receivable and similar income

	2022 £000's	2021 £000's
Other interest receivable	**1,049**	-
Interest receivable on bank accounts	**1**	-
	1,050	-

Other interest receivable represents an adjustment to the onerous lease provision resulting from a change in the discount rate (note 18).

8 Interest payable and similar expenses

	2022 £000's	2021 £000's
Interest payable on bank overdrafts	**68**	19
Unwinding of discount	**24**	172
	92	191

9 Income from shares in group undertakings

On 10 January 2022, the Company received a dividend from its 100% subsidiary R/GA Digital Media Group SRL to the value of £99,000 (2021: £155,000).

R/GA Media Group Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

10 Employee costs

	2022	2021
	£000's	£000's
Wages and salaries (including directors)	**6,969**	7,336
Social security costs	**1,066**	1,073
Pension costs (note 23)		
- Defined contribution	**318**	323
Severance expense	**525**	98
Share based payment costs (note 22)	**25**	9
Miscellaneous, non-share based incentives and other costs	**212**	168
Employee costs	**9,115**	9,007

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

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

	2022	2021
	Number	Number
United Kingdom	**87**	94
Average monthly number employed	**87**	94

Key management compensation

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

	2022	2021
	£000's	£000's
Wages and salaries	**819**	989
Social security costs	**122**	133
Pension costs		
- Defined contribution	**39**	33
Share based payments costs	**34**	7
Miscellaneous, non-share based incentives and other costs	**114**	73
Key management compensation	**1,128**	1,235

11 Directors' emoluments

The directors of the Company did not receive any payments or benefits for their limited services as directors of the Company (2021: £nil).

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

Emoluments for all directors were borne by other group companies in 2022 and 2021.

12 Tax on (loss)/profit

	2022 £000's	2021 £000's
Current taxation		
UK corporation taxation	-	1,338
	-	1,338
Adjustments in respect of prior years - UK corporation taxation	(26)	29
	(26)	29
Total current taxation	(26)	1,367
Deferred taxation		
Origination & reversal of timing differences	78	(345)
Adjustments in respect of prior years	33	-
Effect of change in the tax rate	24	-
Total deferred taxation	135	(345)
Tax on (loss)/profit	109	1,022

12 Tax on (loss)/profit (continued)

Factors affecting the tax charge for the year

The tax assessed for the year is higher (2021: lower) than the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%). The difference is explained below:

	2022 £000's	2021 £000's
(Loss)/profit before taxation	**(2,157)**	8,636
(Loss)/profit before taxation at the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	**(410)**	1,641
Effects of:		
Expenses not deductible for taxation purposes	**(5)**	(3)
Income exempt from corporation tax	**(35)**	(35)
Group relief for nil consideration	**553**	(187)
Adjustments in respect of prior years	**7**	29
Unrecognised deferred tax	**(25)**	(423)
Effect of change in tax rate	**24**	-
Total tax for the year	**109**	1,022

Finance Act 2021 enacted an increase in the UK corporation tax rate from 19.00% to 25.00% from 1 April 2023.

At 31 December 2022 there were unused trading losses and non-trading deficits of £nil (2021: £nil) that are available indefinitely for offset against the Company's future taxable profits, and capital losses of £nil (2021: £nil) that are available for offset indefinitely against the Company's future capital gains.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries, associates and joint ventures, as the Company has no liability to additional taxation should such amounts be remitted.

13 Tangible assets

	Long leasehold & leasehold improvements	Computer equipment	Equipment, fixtures & fittings	Total
	£000's	£000's	£000's	£000's
At 31 December 2021				
Cost	-	912	471	1,383
Accumulated depreciation	-	(679)	(358)	(1,037)
Net book value	**-**	**233**	**113**	**346**
Cost				
1 January 2022	-	912	471	1,383
Additions	581	3	126	710
Disposals	-	(60)	-	(60)
Intragroup transfers	-	1	(41)	(40)
31 December 2022	**581**	**856**	**556**	**1,993**
Accumulated depreciation				
1 January 2022	-	(679)	(358)	(1,037)
Charge for the year	(58)	(110)	(58)	(226)
Disposals	-	46	-	46
Intragroup transfers	-	(1)	35	34
31 December 2022	**(58)**	**(744)**	**(381)**	**(1,183)**
Net book value				
31 December 2022	**523**	**112**	**175**	**810**
Net book value				
31 December 2021	-	233	113	346

Leasehold improvement additions of £581,000 were made in respect of a sublease which commenced during the year.

14 Investments

	£000's
Investment in subsidiaries:	
At 31 December 2021	
Cost	106
Net book value	106
Cost	
At 1 January 2022 and 31 December 2022	106
Provision for impairment:	
At 1 January 2022	-
Impairment for the current year	(106)
At 31 December 2022	**(106)**
Net book value:	
At 31 December 2022	-
At 31 December 2021	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.

The Company has impaired its investment in R/GA Digital Media Group SRL by £106,000 in 2022.

The Company has the following investments as at 31 December 2022 which are directly owned outside of the United Kingdom.

Name	Country	Registered office	Share class(es)	Share ownership %
R/GA Digital Media Group SRL	Romania	Calea Floreasca Street No. 165, 8th Floor, District 1, Bucharest, Romania	Ord RON10	100.00%

15 Debtors

Debtors: amounts falling due within one year

	2022 £000's	2021 £000's
Trade debtors	**1,829**	2,900
Amounts owed by group undertakings	**421**	986
Other debtors	**1**	11
Prepayments and accrued income	**2,546**	3,393
Deferred taxation (see below)	**210**	345
	5,007	7,635

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

Deferred taxation

	2022 £000's	2021 £000's
Accelerated capital allowances	**210**	254
Other short term timing differences	**-**	91
Total deferred tax asset	**210**	345

The movement in deferred taxation can be summarised as follows:

	£000's
At 1 January 2022	345
Credited to statement of comprehensive income	(135)
At 31 December 2022	**210**

The amount of the net reversal of deferred tax expected to occur in 2023 is £17,000 (2022: £39,000).

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

16 Creditors: amounts falling due within one year

	2022 £000's	2021 £000's
Bank loans and overdrafts	**5,549**	3,445
Trade creditors	**465**	912
Amounts owed to group undertakings	**842**	250
Corporation Tax	**1,300**	1,337
Other creditors including taxation and social security	**458**	466
Incentive compensation plans	**72**	74
Accruals and deferred income	**3,330**	2,980
	12,016	9,464

Amounts owed to 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 HSBC Bank 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.

17 Creditors: amounts falling due after more than one year

	2022 £000's	2021 £000's
Incentive compensation plans	**60**	43
	60	43

18 Provisions for liabilities

	Asset retirement obligations £000's	Onerous lease provisions £000's	Total £000's
At 1 January 2022	830	8,805	9,635
Charge to statement of comprehensive income	-	2,803	2,803
Released to statement of comprehensive income	(166)	-	(166)
Unwinding of discount	24	(1,049)	(1,025)
Utilised	-	(3,814)	(3,814)
At 31 December 2022	**688**	**6,745**	**7,433**

Asset retirement obligations

The Company has a provision for liabilities relating to dilapidation costs on a leased property. The provision is expected to be utilised when the lease terminates in 2028.

Onerous lease provisions

Where leasehold properties become vacant, the Company provides for all costs net of anticipated income, to the end of the lease.

In 2020, the Company vacated its 99 Clifton Street, London property. The provision is expected to be utilised over the life of the lease to 2028.

19 Called up share capital

	2022 Number (000's)	2021 Number (000's)	**2022 £000's**	2021 £000's
Allotted and fully paid:				
Ordinary shares of £1.00 each	**2**	2	**2**	2

There is a single class of ordinary shares. There are no restrictions on dividends and the repayment of capital.

20 Capital and other commitments

There were no capital commitments at year ended 31 December 2022 or 2021.

	2022 £000's	2021 £000's
Operating lease commitment		
As at 31 December, the Company had the following total future minimum lease payments commitments under non-cancellable operating leases for each of the following periods:		
Payments due:		
- Not later than one year	**2,830**	2,830
- Later than one year and not later than five years	**11,320**	11,320
- Later than five years	**85**	2,915
Total minimum lease commitments	**14,235**	17,065

Operating lease income

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

	2022 £000's	2021 £000's
Income due:		
Buildings		
- Not later than one year	**572**	-
- Later than one year and not later than five years	**1,548**	-
- Later than five years	**58**	-
Total buildings lease income	**2,178**	-

21 Contingent liabilities

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

22 Share based payments

Long term incentive plans

The Interpublic Group of Companies, Inc. issues stock and cash based incentive awards to 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. 2022 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

	2022	2021
	£000's	£000's
Total expense recognised for equity-settled share based transactions	**25**	9
Total expense recognised for share based transactions	**25**	9
Closing liability/other reserves for equity-settled share based transactions	**3**	(33)

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.'s 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.

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

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 0.00% to 300.00% 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.

22 Share based payments (continued)

Share Settled Performance Related Restricted Stock Units

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

	2022 No. of units	**2022 Weighted average fair value (£)**	2021 No. of units	2021 Weighted average fair value (£)
Outstanding as at 1 January	**1,585**	**27.79**	3,098	17.23
Granted during the year	**2,270**	**27.45**	-	-
Transferred (to)/from a Group company	**-**	**-**	(1,161)	17.18
Cancelled during the year	**(396)**	**25.98**	-	-
Vested during the year	**-**	**-**	(352)	18.44
Outstanding at 31 December	**3,459**	**27.67**	1,585	27.79

	2022 £000's	2021 £000's
Compensation expense in connection with the restricted stock awards	**7**	-

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.

Share Settled Time Based Restricted Stock Units

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

	2022 No. of units	**2022 Weighted average fair value (£)**	2021 No. of units	2021 Weighted average fair value (£)
Outstanding as at 1 January	**1,585**	**27.79**	3,098	17.23
Granted during the year	**2,272**	**27.45**	-	-
Transferred (to)/from a Group company	**-**	**-**	(1,161)	17.18
Cancelled during the year	**(396)**	**25.98**	-	-
Vested during the year	**-**	**-**	(352)	18.44
Outstanding at 31 December	**3,461**	**27.67**	1,585	27.79

	2022 £000's	2021 £000's
Compensation expense in connection with the restricted stock awards	**18**	9

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 £318,000 (2021: £323,000). At 31 December 2022, £25,000 remained unpaid and accrued (2021: £25,000).

24 Events after the reporting period

No material events post statement of financial position have occurred.

25 Company information

The Company is registered in England and Wales and its registered office is at 135 Bishopsgate, London, UK, EC2M 3TP.

26 Ultimate parent undertaking and controlling party

The immediate parent undertaking is IPG Holdings (UK) Limited, a company registered in England and Wales. Copies of its financial statements are available from 135 Bishopsgate, London, EC2M 3TP.

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

The Interpublic Group of Companies, Inc. is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2022, and the smallest group of undertakings to consolidate these financial statements at 31 December 2022 is IPG Holdings (UK) Limited.

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

The consolidated financial statements for IPG Holdings (UK) Limited can be obtained from 135 Bishopsgate, London, United Kingdom, EC2M 3TP.