

Virgo Health Limited

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

Year ended 31 December 2019

Registered Number: 4798253

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Virgo Health Limited

Strategic Report for the year ended 31 December 2019

The directors present their strategic report of Virgo Health Limited (the "Company") registered number 4798253 for the year ended 31 December 2019.

Principal activities and review of the business

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

The Company's profit for the year was £663,000 (2018: loss £148,000). The directors consider that the result for the year is in line with expectations. The Company had net assets of £3,872,000 as at 31 December 2019 (2018: net assets of £3,209,000).

Despite 2019 being a challenging year with the uncertainty caused by the UK vote to leave the EU, Virgo Health Limited were able to evolve in the Healthcare sector and create strong client relationships which was strengthened by our internal reorganisation undertaken in 2018.

Key performance indicators

The following are key performance indicators of the business:

	2019	2018
Revenue growth (%)		
Year on year revenue growth expressed as a percentage	13.2%	(15.7)%
Operating margin (%)		
Ratio of operating profit to revenue expressed as a percentage	14.5%	(3.9)%
Staff costs / revenue (%)		
Staff costs as a percentage of revenue	42.3%	52.3%
Headcount	38	41

Financial Reporting Standard 102 (FRS 102)

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

Principal risks and uncertainties

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

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

Strategy and future developments

The global COVID19 pandemic has had an unprecedented impact on clients and Virgo will continue its goal of driving sustainable profitable growth by helping clients through this time and providing strategic, creative and impactful communications and medical education support.

On behalf of the Board



S Topping
Director
10 September 2020

Virgo Health Limited

Directors' Report for the year ended 31 December 2019

The directors present their report and audited financial statements of Virgo Health Limited (the "Company") registered number 4798253 for the year ended 31 December 2019.

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 (2018: £nil).

Objectives and policies

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

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

Financial risk management

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

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

Credit risk

The Company has implemented policies to monitor customer debt levels and to ensure that excessive credit is not extended to any particular customer. This provides the business with visibility of balances and ensures that no further credit is extended in cases where this is not merited. The maximum exposure to credit risk at 31 December 2019 was mainly as follows: trade debtors £1,208,000, amounts owed by group undertakings £620,000, other debtors £4,000, prepayment and accrued income £717,000 and debtors due after more than one year £nil (2018: £1,109,000, £403,000, £8,000, £662,000, £nil respectively).

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

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

Liquidity risk

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

Political donations

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

Branches outside the UK

The Company has no branches outside the UK.

Virgo Health Limited

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

Disabled employee note

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

Employee involvement

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

Directors

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

J Hughes (resigned 9 December 2019)
D Nichols (resigned 16 January 2020)
B Beck
S Topping (appointed 16 January 2020)
M Neale (appointed 16 January 2020)
O Whittington (appointed 7 August 2020)

Events post statement of financial position

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

Virgo Health Limited

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

Statement of directors' responsibilities

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

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

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

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

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

The directors acknowledge their responsibilities for:

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

Disclosure of information to auditors in the Directors' Report

The directors consider that the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and company's position and performance, business model and strategy.

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 group and 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 group and company's auditors are aware of that information.

Independent auditors

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

On behalf of the Board



S Topping
Director
10 September 2020

Independent auditors' report to the members of Virgo Health Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report, Strategic Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

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

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

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

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

Independent auditors' report to the members of Virgo Health Limited *(continued)*

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Philip Stokes (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
10 September 2020

Virgo Health Limited

Statement of comprehensive income For the year ended 31 December 2019

	Note	2019 £000's	2018 £000's
Turnover	5	6,107	5,471
Cost of sales		(761)	(748)
Revenue/Gross profit		5,346	4,723
Administrative income		(4,573)	(4,907)
Operating profit/(loss)	6	773	(184)
Interest receivable and similar income	7	19	22
Interest payable and similar expenses	8	(3)	-
Profit/(loss) before taxation		789	(162)
Tax on profit/(loss)	10	(126)	14
Profit/(loss) for the financial year		663	(148)

All operations are continuing.

Virgo Health Limited

Statement of financial position As at 31 December 2019

	Note	2019 £000's	2018 £000's
Fixed assets			
Tangible assets	11	29	41
		<u>29</u>	<u>41</u>
Current assets			
Work in progress		289	110
Debtors	12	2,567	2,207
Cash at bank and in hand		2,669	2,235
		<u>5,525</u>	<u>4,552</u>
Creditors: amounts falling due within one year	13	(1,682)	(1,384)
		<u>3,843</u>	<u>3,168</u>
Net current assets			
		<u>3,872</u>	<u>3,209</u>
Total assets less current liabilities			
		<u>3,872</u>	<u>3,209</u>
Net assets			
		<u>3,872</u>	<u>3,209</u>
Capital and reserves			
Called up share capital	14	-	-
Share premium account		12	12
Retained earnings		3,860	3,197
		<u>3,872</u>	<u>3,209</u>
Total equity		<u>3,872</u>	<u>3,209</u>

The notes on pages 11 to 25 are an integral part of these financial statements.

The financial statements on pages 8 to 25 were authorised for issue by the board of directors on 10 September 2020 and were signed on its behalf.



S Topping
Director
Virgo Health Limited
Registered No. 4798253

Virgo Health Limited

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

	Share premium account £000's	Retained earnings £000's	Total Equity £000's
At 1 January 2018	12	3,345	3,357
Loss for the financial year	-	(148)	(148)
At 31 December 2018	12	3,197	3,209

	Share premium account £000's	Retained earnings £000's	Total Equity £000's
At 1 January 2019	12	3,197	3,209
Profit for the financial year	-	663	663
At 31 December 2019	12	3,860	3,872

Virgo Health Limited

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

1 General information

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

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

2 Statement of compliance

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

3 Summary of significant accounting policies

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

a) Basis of preparation

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

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

b) Going concern

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

Virgo Health Limited

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

3 Summary of significant accounting policies (continued)

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.

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

d) Revenue recognition

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

Revenue for our services is recognised when all of the following criteria are satisfied: (i) persuasive evidence of an arrangement exists; (ii) the price is fixed or determinable; (iii) collectability is reasonably assured; and (iv) services have been performed.

Fees are recognised over the period or on the date of completion of assignments or contracts. Depending on the terms of a client contract, fees for services performed can be recognised in three principal ways: proportional performance (input or output), straight-line (or monthly basis) or completed contract.

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

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

e) Interest income

Interest income is recognised using the effective interest rate method.

f) Employee benefits

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

- **Short term benefits**

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

- **Pension costs**

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from the Company in an independently administered fund. The pension cost charge disclosed in note 16 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.

3 Summary of significant accounting policies (continued)

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 a ultimate parent company. The Interpublic Group of Companies Inc., 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 Instruments Issues, paragraphs 12.26 to 12.28A, on the basis that it is a qualifying entity and the consolidated accounts of The Interpublic Group of Companies Inc. include the relevant disclosures.

d) Revenue recognition

The Company's revenues are primarily derived from the planning and execution of public relations and communications programs in the United Kingdom. Revenues are directly dependent upon the marketing and corporate communications requirements of existing clients and the Company's ability to win new clients. Most client contracts are individually negotiated and, accordingly, the terms of client engagement and the basis on which the Company earns fees can vary significantly. As a customer in the industry, contracts generally provide for termination by either party on relatively short notice, usually 30 days.

Revenue for our services is recognised when all of the following criteria are satisfied: (i) persuasive evidence of an arrangement exists; (ii) the price is fixed or determinable; (iii) collectibility is reasonably assured; and (iv) services have been performed.

Fees are recognised over the period or on the date of completion of assignments or contracts. Depending on the terms of a client contract fees for services performed can be recognised in three principal ways: proportional performance (input or output), straight-line (or monthly) basis, or completed contract.

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

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 travel, mileage, hotels, out-of-town meals and telecommunications charges. We record the reimbursements received for such incidental expenses as revenue with a corresponding offset to office and general expense.

e) Interest income

Interest income is recognised using the effective interest rate method.

f) Employee benefits

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

• Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the services are 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 16 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.

Virgo Health Limited

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

3 Summary of significant accounting policies (continued)

f) Employee benefits (continued)

- Annual bonus plan

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

g) Foreign currencies

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

h) Borrowing costs

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

i) 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.

j) 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.

k) Exceptional items

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

Virgo Health Limited

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

3 Summary of significant accounting policies (continued)

l) 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.

m) 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
Long leasehold and leasehold improvements	Lesser of 10 years or the remaining life of the lease
Computer hardware and software	3-4 years

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

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

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

Virgo Health Limited

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

3 Summary of significant accounting policies (continued)

m) Tangible assets (continued)

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.

Amorisation 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.

n) 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.

o) 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.

Virgo Health Limited

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

3 Summary of significant accounting policies (continued)

o) Financial instruments (continued)

(ii) Financial liabilities

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

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

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

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

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

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

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

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

p) 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.

q) Deferred income

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

r) 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.

s) 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.

Virgo Health Limited

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

3 Summary of significant accounting policies (continued)

t) 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 19.

u) 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.

v) Netting off policy

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

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

4 Critical accounting estimates and assumptions

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

(a) Critical accounting estimates and assumptions

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

Virgo Health Limited

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

4 Critical accounting estimates and assumptions (continued)

(i) Impairment of trade and other debtors (note 12)

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

5 Turnover

	2019 £000's	2018 £000's
Turnover by origin		
United Kingdom	6,107	5,471
	<u>6,107</u>	<u>5,471</u>

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

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

Virgo Health Limited

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

6 Operating profit/(loss)

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

	2019 £000's	2018 £000's
Employee costs (note 9)	2,264	2,472
Depreciation		
- Tangible fixed assets	22	32
Remuneration of auditors		
- Statutory audit fees	18	17
Bad debt - provision (decrease)/increase	(22)	8
Loss on disposal of tangible assets	-	16
Exchange loss/(gain)	17	(9)
Operating lease rentals		
- Office space	460	339
- Other	1	19

The operating lease rental costs relating to other space were recharged from another group company and the Company accordingly has no lease commitments.

No non-audit services were provided by the auditors during the year 2019 or 2018.

No remuneration or fees were paid by the Company to its directors during the year (2018: £nil). Directors' emoluments have been reflected in the Company where the director has spent a significant portion of their time.

7 Interest receivable and similar income

	2019 £000's	2018 £000's
Interest receivable on bank accounts	19	22
	<u>19</u>	<u>22</u>

8 Interest payable and similar expenses

	2019 £000's	2018 £000's
Interest payable on bank overdrafts	3	-
	<u>3</u>	<u>-</u>

Virgo Health Limited

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

9 Employee costs

	2019 £000's	2018 £000's
Wages and salaries (including directors)	1,930	1,942
Social security costs	218	265
Pension costs (note 16)		
- Defined contribution	90	69
Severance expense	-	148
Share based payment costs (note 30)	-	-
Miscellaneous, non-share based incentives and other costs	26	48
Employee costs	<u>2,264</u>	<u>2,472</u>

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

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

	2019	2018
United Kingdom	<u>38</u>	<u>41</u>
Average monthly number employed	<u>38</u>	<u>41</u>

Key management compensation

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

	2019 £000's	2018 £000's
Wages and salaries	204	251
Social security costs	27	37
Pension costs (note 16)		
- Defined contribution	8	8
Severance expense	-	69
Share based payments costs (note 30)	-	-
Miscellaneous, non-share based incentives and other costs	2	4
Key management compensation	<u>241</u>	<u>369</u>

Virgo Health Limited

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

10 Tax on profit/(loss)

There is no current or deferred tax during the year (2018: nil).

	2019 £000's	2018 £000's
Current taxation		
UK corporation taxation	119	-
	<u>119</u>	<u>-</u>
Adjustments in respect of prior years		
- UK corporation taxation	-	(1)
	<u>-</u>	<u>(1)</u>
Total current taxation	<u>119</u>	<u>(1)</u>
Deferred taxation		
Origination & reversal of timing differences	(2)	(14)
Adjustments in respect of prior years	9	-
Effect of change in the tax rate	-	1
	<u>7</u>	<u>(13)</u>
Total deferred taxation	<u>7</u>	<u>(13)</u>
Tax on profit/(loss)	<u>126</u>	<u>(14)</u>

Factors affecting the tax charge for the year

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

	2019 £000's	2018 £000's
Profit/(loss) before taxation	789	(162)
	<u>789</u>	<u>(162)</u>
Profit before taxation at the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	150	(31)
	<u>150</u>	<u>(31)</u>
Effects of:		
Expenses not deductible for taxation purposes	8	8
Group relief for nil consideration	(41)	10
Adjustments in respect of prior years	9	(1)
Effect of change in tax rate	-	1
	<u>8</u>	<u>8</u>
Total tax for the year	<u>126</u>	<u>(14)</u>

Virgo Health Limited

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

10 Tax on (loss)/profit (continued)

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

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

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.

[Free-text comment]

11 Tangible assets

	Long leasehold & leasehold improvements £000's	Computer equipment £000's	Equipment, fixtures & fittings £000's	Total £000's
At 31 December 2018				
Cost	47	75	12	134
Accumulated depreciation	(47)	(39)	(7)	(93)
Net book value	-	36	5	41
Cost				
1 January 2019	47	75	12	134
Additions	-	17	-	17
Disposals	(47)	(14)	(12)	(73)
31 December 2019	-	78	-	78
Accumulated depreciation				
1 January 2019	(47)	(39)	(7)	(93)
Charge for the year	-	(21)	(1)	(22)
Disposals	47	11	8	66
31 December 2019	-	(49)	-	(49)
Net book value				
31 December 2019	-	29	-	29
Net book value				
31 December 2018	-	36	5	41

Virgo Health Limited

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

12 Debtors

Debtors: amounts falling due within one year

	2019 £000's	2018 £000's
Trade debtors	1,208	1,109
Amounts owed by group undertakings	620	403
Other debtors	4	8
Prepayments and accrued income	717	662
Deferred taxation (see below)	18	25
	<u>2,567</u>	<u>2,207</u>

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

Deferred taxation

	2019 £000's	2018 £000's
Accelerated capital allowances	15	15
Other short term timing differences	3	10
Total deferred tax asset	<u>18</u>	<u>25</u>

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

	£000's
At 1 January 2019	25
Charged to statement of comprehensive income	(7)
At 31 December 2019	<u>18</u>

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

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

Virgo Health Limited

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

13 Creditors: amounts falling due within one year

	2019 £000's	2018 £000's
Bank loans and overdrafts	210	-
Trade creditors	77	31
Amounts owed to group undertakings	342	269
Corporation Tax	119	19
Other creditors including taxation and social security	130	258
Accruals and deferred income	804	807
	<u>1,682</u>	<u>1,384</u>

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

14 Called up share capital

	2019 Number	2018 Number	2019 £	2018 £
Allotted and fully paid:				
A ordinary shares of £1.00 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

15 Contingent liabilities

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

16 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 £90,000 (2018: £69,000). At 31 December 2019, £16,000 remained unpaid and accrued (2018: £5,000).

17 Events after the reporting period

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

Virgo Health Limited

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

18 Company information

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

19 Ultimate parent undertaking and controlling party

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

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

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

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

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