

Honcho Agency Limited

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

Year ended 31 December 2020

Registered Number: 1993918

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Honcho Agency Limited

Strategic Report for the year ended 31 December 2020

The directors present their strategic report of Honcho Agency Limited (the "Company") registered number 1993918 for the year ended 31 December 2020.

Principal activities and review of the business

The Company's principal activity during the year was the provision of communications services to clients both in the UK and overseas.

The Company's loss for the year was £5,000 (2019: profit £25,000). The directors consider that the result for the year is in line with expectations. The Company had net assets of £94,000 as at 31 December 2020 (2019: net assets of £99,000).

The business structure and activity are expected to remain consistent and increasing the strength of the Company's position will continue to be vigorously pursued.

The directors are satisfied that the results for the year and the year-end financial position of the Company are in line with expectations.

Key performance indicators

The group's operations are managed on a divisional basis and for this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of IPG Holdings (UK) Limited, which include the Company, are discussed in that company's annual report, which does not form part of this report

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 2020, 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 Company continues to seek to grow through the on-going acquisition of new clients.

On behalf of the Board


Andrew Jones (Aug 17, 2021 11:14 GMT+1)

Andrew Jones
Director
23 July 2021

Honcho Agency Limited

Directors' Report for the year ended 31 December 2020

The directors present their report and financial statements of Honcho Agency Limited (the "Company") registered number 1993918 for the year ended 31 December 2020.

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 (2019: £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 2020 was mainly as follows: trade debtors £nil, amounts owed by group undertakings £nil, other debtors £87,000, prepayment and accrued income £nil and debtors due after more than one year £nil (2019: £nil, £nil, £88,000, £nil, £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 2020 (2019: £nil).

Honcho Agency Limited

Directors' Report for the year ended 31 December 2020 (continued)

Branches outside the UK

The Company has no branches outside the UK.

Disabled employees and Employee involvement

The Company has no employees.

Directors

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

Martin James Jackson
Andrew Robert Jones
Dean John Lovett

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.

Honcho Agency Limited

Directors' Report for the year ended 31 December 2020 (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 2020 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.

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 2020 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



Andrew Jones (Aug 17, 2021 11:14 GMT+1)

Andrew Jones
Director
23 July 2021

Honcho Agency Limited

Statement of comprehensive income For the year ended 31 December 2020

	Note	2020 £000's	2019 £000's
Turnover	5	2	386
Cost of sales		-	(367)
		<hr/>	<hr/>
Revenue/Gross profit		2	19
Administrative expenses		(11)	(7)
		<hr/>	<hr/>
Operating (loss)/profit	6	(9)	12
Interest receivable and similar income	7	2	1
		<hr/>	<hr/>
(Loss)/profit before taxation		(7)	13
Tax on (loss)/profit	9	2	12
		<hr/>	<hr/>
(Loss)/profit and total comprehensive (expense)/income for the financial year		(5)	25
		<hr/>	<hr/>

All operations are continuing.

Honcho Agency Limited

Statement of financial position As at 31 December 2020

	Note	2020 £000's	2019 £000's
Current assets			
Debtors	10	87	88
Cash at bank and in hand		465	384
		<u>552</u>	<u>472</u>
Creditors: amounts falling due within one year	11	(458)	(373)
Net current assets		<u>94</u>	<u>99</u>
Total assets less current liabilities		<u>94</u>	<u>99</u>
Net assets		<u>94</u>	<u>99</u>
Capital and reserves			
Called up share capital	12	-	-
Retained earnings		94	99
Total equity		<u>94</u>	<u>99</u>

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


- that for the year ended 31 December 2020 the Company was entitled to the exemption from a statutory audit under section 479A of the Companies Act 2006 relating to subsidiary companies; and
- that no notice has been deposited under section 476 of the Companies Act 2006 in relation to the financial statements for the financial year.

The directors acknowledge their responsibilities for:

- ensuring that the Company keeps adequate accounting records which comply with section 386 of the Companies Act 2006; and
- preparing financial statements which give a true and fair view of the state of the affairs of the Company at 31 December 2020 and of its profit or loss for the year then ended in accordance with the requirement of section 394 of the Companies Act 2006, and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements so far as applicable to the Company.

The notes on pages 9 to 18 are an integral part of these financial statements.

The financial statements on pages 6 to 18 were authorised for issue by the board of directors on 23 July 2021 and were signed on its behalf.


Andrew Jones (Aug 17, 2021 11:14 GMT+1)

Andrew Jones
Director
Honcho Agency Limited
Registered No. 1993918

Honcho Agency Limited

Statement of changes in equity for the year ended 31 December 2020

	Called up share capital £000's	Retained earnings £000's	Total Equity £000's
At 1 January 2019	-	74	74
Profit for the financial year	-	25	25
Total comprehensive income for the year	-	25	25
At 31 December 2019	-	99	99

	Called up share capital £000's	Retained earnings £000's	Total Equity £000's
At 1 January 2020	-	99	99
Loss for the financial year	-	(5)	(5)
Total comprehensive expense for the year	-	(5)	(5)
At 31 December 2020	-	94	94

Honcho Agency Limited

Notes to the financial statements for the year ended 31 December 2020

1 General information

The Company's principal activity during the year was the provision of communications services to clients both in the UK and overseas.

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

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

c) Exemptions for qualifying entities under FRS 102

As a qualifying entity, the Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its 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 accounts of IPG Holdings (UK) Limited include the equivalent disclosures.

Honcho Agency Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

3 Summary of significant accounting policies (continued)

d) Revenue recognition

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

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

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

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. Because we operate broadly as an advertising agency, based on our primary lines of business and given the industry practice to generally record revenue on a net versus gross basis, we believe that there must be strong evidence in place to overcome the presumption of net revenue accounting. Accordingly, we generally record revenue net of pass-through charges as we believe the key indicators of the business suggest we generally act as an agent on behalf of our clients in our primary lines of business. In those businesses where the key indicators suggest we act as a principal (primarily sales promotion and event, sports and entertainment marketing), we record the gross amount billed to the client as revenue and the related incremental direct costs incurred as office and general expenses. In general, we also report revenue net of taxes assessed by governmental authorities that are directly imposed on our revenue-producing transactions.

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.

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

Honcho Agency Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

3 Summary of significant accounting policies (continued)

e) Interest income

Interest income is recognised using the effective interest rate method.

f) Dividend income

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

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) 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.

Honcho Agency Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

3 Summary of significant accounting policies (continued)

k) 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.

l) 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.

m) 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.

Honcho Agency Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

3 Summary of significant accounting policies (continued)

m) 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.

n) 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.

o) Deferred income

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

p) 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.

q) 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.

r) Distributions to equity holders

Dividends and other distributions to the Group's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

Honcho Agency Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

3 Summary of significant accounting policies (continued)

s) 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 17.

t) 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.

u) 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.

- (i) Impairment of trade and other debtors (note 10)

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

- (ii) Financial instruments (note 3m)

Financial assets are assessed for objective evidence of impairment annually and if an asset is impaired. Key sources of estimation are used to fair value certain non-controlling interest put/call option, which are accounted for as a derivative, and in fair valuing group loans received/issued at non-market rates.

Honcho Agency Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

5 Turnover

	2020 £000's	2019 £000's
Turnover by origin		
United Kingdom	2	386
	<u>2</u>	<u>386</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.

6 Operating (loss)/profit

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

	2020 £000's	2019 £000's
Remuneration of auditors		
- Non statutory audit fees	1	-
Exchange loss	6	5

7 Interest receivable and similar income

	2020 £000's	2019 £000's
Interest receivable on bank accounts	2	1
	<u>2</u>	<u>1</u>

8 Directors, key management and employee costs

The Company had no employees during the year (2019: none).

The remuneration of the directors and key management for the year ended 31 December 2020 was borne by fellow group undertakings. The charge to Honcho Agency Limited for the year is £nil (2019: £nil) as the directors and key management received no remuneration (2019: £nil) with respect to their services to the Company during the year.

Honcho Agency Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

9 Tax on (loss)/profit

	2020 £000's	2019 £000's
Current taxation		
UK corporation taxation	-	2
	<u>-</u>	<u>2</u>
Adjustments in respect of prior years		
- UK corporation taxation	(2)	(14)
	<u>(2)</u>	<u>(14)</u>
Tax on (loss)/profit	<u>(2)</u>	<u>(12)</u>

Factors affecting the tax charge for the year

The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%). The difference is explained below:

	2020 £000's	2019 £000's
(Loss)/profit before taxation	<u>(7)</u>	<u>13</u>
(Loss)/profit before taxation at the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(1)	2
Effects of:		
Group relief for nil consideration	1	-
Adjustments in respect of prior years	<u>(2)</u>	<u>(14)</u>
Total tax for the year	<u>(2)</u>	<u>(12)</u>

A previously enacted reduction in the rate of UK corporation tax from 19% to 17% from 1 April 2020 was reversed so the rate continues to be 19%.

In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. As the proposal to increase the rate to 25% has not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. It is not expected that this increase will have a material impact on the deferred tax balances.

At 31 December 2020 there were unused trading losses and non-trading deficits of £nil (2019: £nil) that are available indefinitely for offset against the Company's future taxable profits, and capital losses of £nil (2019: £nil) that are available for offset indefinitely against the Company's future capital gains.

Honcho Agency Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

10 Debtors

Debtors: amounts falling due within one year

	2020 £000's	2019 £000's
Other debtors	87	88
	<u>87</u>	<u>88</u>

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

11 Creditors: amounts falling due within one year

	2020 £000's	2019 £000's
Amounts owed to group undertakings	442	369
Corporation Tax	-	2
Other creditors including taxation and social security	14	-
Accruals and deferred income	2	2
	<u>458</u>	<u>373</u>

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 Lloyds Banking Group plc. The overdraft interest rate is linked to bank base rate and bank borrowing is secured by an ultimate parent undertaking guarantee. The remaining creditors are unsecured.

12 Called up share capital

	2020 Number	2019 Number	2020 £	2019 £
Allotted and fully paid:				
A ordinary shares of £1.00 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

13 Capital and other commitments

There were no capital commitments at year ended 31 December 2020 or 2019.

Honcho Agency Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

14 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.

15 Events after the reporting period

No material events post statement of financial position have occurred.

16 Company information

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

17 Ultimate parent undertaking and controlling party

The immediate parent undertaking is McCann-Erickson UK Group Limited, a company registered in England and Wales. Copies of its financial statements are available 135 Bishopsgate, London, EC2M 3TP.

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 group of undertakings to consolidate these financial statements at 31 December 2020, and the smallest group of undertakings to consolidate these financial statements at 31 December 2020 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.