Leo Burnett Limited

Annual Report and Financial Statements

for the year ended 31 December 2022

Registered Number: 00903797

Contents

Directors and other information

Directors

C Rudd
D Ikiler
J Draude

Secretary

P Muwanga

Registered office

1st Floor
2 Television Centre
101 Wood Lane
London
W12 7FR

Auditor

Mazars LLP
30 Old Bailey
London
EC4M 7AU

Strategic Report
for the year ended 31 December 2022

Principal activity and review of the business

The principal activity of Leo Burnett Limited ("the Company") continues to be the provision of a comprehensive service to clients covering advertising, marketing and allied services.

The Company's key financial and other performance indicators during the year were as follows:

	2022 £'000	Restated 2021 £'000	Change %
Revenue	25,816	24,748	4%
Operating profit	5,416	4,780	13%
Profit after tax	16,731	4,027	315%
Capital and reserves	21,627	8,955	142%
Current assets as a % of current liabilities	227%	132%	95%
Average number of employees	161	157	3%

The Company transferred its trade and assets relating to 'PG One', a trading division of the Company, to Saatchi & Saatchi Group Ltd, a fellow subsidiary of the ultimate parent undertaking on 24 June 2022.

Revenue has increased by 4% due to organic growth of existing key clients and new client wins in 2022.

Operating profit has increased by 13% which has partially been driven by revenue growth but mainly due to ongoing efforts by management to ensure that operating expenditure is managed appropriately.

Profit after tax has increased by 315% primarily due to the one-off write-back of an intercompany debt amounting to £17,931,000 which has been forgiven and has been offset by the impairment of goodwill amounting to £6,104,000 and investment of £106,000 relating to the purchase of the entire share capital of Fallon London Limited, a fellow subsidiary of the immediate parent company, on 28 February 2019.

Shareholder's funds increased primarily due to the profit after tax and other comprehensive income recognised in the year less dividends paid.

Current assets as a percentage of current liabilities has increased by 95% due to the write-back of an intercompany payable of £17,931,000.

The total average number of employees has remained consistent.

The services offered by the Company have minimal environmental impact. However, the board believes that good environmental practices support the board's strategy by enhancing the reputation of the firm.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are broadly grouped as competitive and financial instrument risk.

Competitive risks

The Company operates in a highly competitive marketplace where margins are continually under pressure. However, the Company is well positioned to maintain its market share.

Strategic Report (continued)
for the year ended 31 December 2022

Principal risks and uncertainties (continued)

Financial instrument risks

The Company has established a risk and financial management framework whose primary objectives are to protect the Company from events that hinder the achievement of the Company's performance objectives.

The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

- *Exposure to liquidity, cash flow and credit risk*

  Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. We aim to mitigate liquidity risk by managing cash generation by our operations and applying cash collection targets.

  Cash flow risk is the risk that inflows and outflows of cash and cash equivalents will not be sufficient to finance the day-to-day operations. We manage cash flow risk by careful negotiation of terms with customers and suppliers.

  Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Our policies are aimed at minimising such losses and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures.

- *Exposure to foreign exchange risk*

  Foreign exchange risk is the risk arising from purchases and sales of goods or services denominated in foreign currencies. Our commercial dealings including intercompany activity are transacted in multiple foreign currencies and therefore expose the Company to a significant level of foreign exchange risk.

  The Company manages this risk through the use of derivatives, namely currency forward contracts and currency swaps, with the overall aim being to minimise the foreign exchange charge or gain.

  As regards intercompany loans/borrowings, these are subject to appropriate hedges if they present significant net exposures to exchange rate risk.

Impairment of investments and intangible assets risk

An asset is impaired if the recoverable amount is less than the carrying value. There is a risk that a directly held entity or its subsidiary generates lower than forecasted revenue or profits, leading to an impairment of the investment and related goodwill to the recoverable amount.

We monitor the performance of all subsidiaries held and perform a detailed review of future cash flows to ensure any risk of impairment is identified and recorded in the financial statements. See Note 11 and 13 for details of impairment charges in the year.

Strategic Report (continued)
for the year ended 31 December 2022

This report was approved by the board and signed on its behalf by:

Charlie Rudd
Charlie Rudd (Jul 3, 2023 17:49 GMT+1)

C Rudd
Director

3 July 2023

Directors' Report
for the year ended 31 December 2022

The directors present their report and the audited financial statements of Leo Burnett Limited ("the Company") for the year ended 31 December 2022.

Results and dividends

The Company recorded a profit after tax for the year of £16,731,000 (2021 (restated): £4,027,000). A dividend of £3,332,000 (2021: £Nil) was declared and paid during the year.

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' report have been omitted as they are included in the Strategic report on pages 2 to 4. These matters relate to the principal activity and financial risks.

Future developments

The directors do not foresee any material changes to the nature of the business in the foreseeable future.

Directors

The directors of the Company who served during the year and up to the date of signing the financial statements were:

A King	(resigned 5 April 2023)
C Kay	(appointed 24 May 2022 and resigned 19 April 2023)
C Rudd	
D Ikiler	(appointed 19 April 2023)
J Draude	(appointed 19 April 2023)
M Djaba	(resigned 24 May 2022)

Directors' indemnity

The directors confirm that no qualifying third party indemnity provision in favour of any directors of the Company, as defined by Section 236 of the Companies Act 2006, either by the Company or by any other party, was in force at the time of the signing of the report, and that no such provision had been in force at any time in the year.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employees' engagement

The Company places considerable value on its engagement with employees and has continued its previous practice of keeping them informed on matters affecting them as employees and in various factors

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

Employee's engagement (continued)

affecting the performance of the Company through electronic communication. Employees are consulted regularly on a wide range of matters affecting their current and future interests.

Going concern

The Company has access to considerable financial resources together with long standing relationships with key clients and suppliers. The directors have prepared detailed budgets and financial forecasts taking into account expected future trading performance. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue to meet its obligations as they fall due for the foreseeable future being a period of at least twelve months from signing of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Disclosure of information to the auditor

The directors who held office at the date of approval of this Directors' report confirm that:

- so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This information is given and should be interpreted in accordance with s418 of the Companies Act 2006.

This report was approved by the board of directors and signed on its behalf by:

Charlie Rudd
Charlie Rudd (Jul 3, 2023 17:49 GMT+1)

C Rudd
Director

3 July 2023

Statement of Directors' Responsibilities
for the year ended 31 December 2022

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. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the 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 which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the members of Leo Burnett Limited
for the year ended 31 December 2022

Opinion

We have audited the financial statements of Leo Burnett Limited (the 'Company') for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report and Financial Statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information

Independent Auditor's Report to the members of Leo Burnett Limited (continued)
for the year ended 31 December 2022

Other information (continued)

and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

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 and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Independent Auditor's Report to the members of Leo Burnett Limited (continued)

for the year ended 31 December 2022

Auditor's 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 auditor's 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: UK tax legislation, employment regulation, health and safety regulation and anti-money laundering regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the Company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates in particular in relation to revenue recognition, which we pinpointed to cut-off, impairment of investments and significant one-off or unusual transactions.

Independent Auditor's Report to the members of Leo Burnett Limited (continued)

for the year ended 31 December 2022

Auditor's responsibilities for the audit of the financial statements (continued)

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of our report

This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Rachel Lawton

Rachel Lawton (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey
London
EC4M 7AU

12 July 2023

Statement of Comprehensive Income
for the year ended 31 December 2022

	Notes	2022 £'000	Restated 2021 £'000
Revenue	3	25,816	24,748
Administrative expenses		(20,399)	(19,968)
Operating profit	4	5,417	4,780
Impairment of goodwill	11	(6,104)	-
Impairment of investments	13	(106)	-
Other income	7	17,931	-
Interest receivable and similar income	8	533	19
Interest payable and similar charges	9	(3)	-
Profit before taxation		17,668	4,799
Taxation	10	(937)	(772)
Profit after taxation		16,731	4,027
Other comprehensive income			
Items that will not be reclassified to profit and loss:			
Net actuarial loss recognised in the pension schemes	20	(1,110)	(613)
Movement on deferred tax relating to actuarial gain on pension schemes	10	277	153
		(833)	(460)
Total comprehensive income for the year		15,898	3,567

The Company's revenue and operating profit all relate to continuing operations.

The notes on pages 15 to 42 form part of these financial statements.

Balance Sheet
At 31 December 2022

	Notes	2022 £'000	Restated 2021 £'000
Non-current assets			
Deferred tax	10	560	550
Intangible assets	11	-	6,104
Property, plant and equipment	12	336	419
Investments	13	-	106
		896	7,179
Current assets			
Work in progress		2,622	2,625
Trade and other receivables	14	51,073	43,203
Derivative assets	21	1	6
		53,696	45,834
Current liabilities			
Trade and other payables	15	(23,605)	(34,734)
Derivative liabilities	21	(40)	(1)
		(23,645)	(34,735)
Net current assets		30,051	11,099
Total assets less current liabilities		30,947	18,278
Non-current liabilities			
Trade and other payables	16	(9,243)	(9,243)
Defined benefit pension scheme liability	20	(77)	(80)
		(9,320)	(9,323)
Net assets		21,627	8,955
Capital and reserves			
Share capital	17	750	750
Retained earnings	18	20,877	8,205
Total equity		21,627	8,955

The financial statements were approved and authorised for issue by the board and were signed on its behalf by.

Charlie Rudd
Charlie Rudd (Jul 3, 2023 17:49 GMT+1)

C Rudd
Director

3 July 2023

The notes on pages 15 to 42 form part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2022

	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2021 (as previously reported)	750	4,059	4,809
Prior year adjustment	-	535	535
At 1 January 2021 (restated)	750	4,594	5,344
Profit for the year (restated)	-	4,027	4,027
Other comprehensive loss (restated)	-	(460)	(460)
Total comprehensive income for the year (restated)	-	3,567	3,567
Share-based payments (see Note 19)	-	44	44
At 31 December 2021 (restated)	750	8,205	8,955
Profit for the year	-	16,731	16,731
Other comprehensive loss	-	(833)	(833)
Total comprehensive income for the year	-	15,898	15,898
Share-based payments (see Note 19)	-	106	106
Dividends paid	-	(3,332)	(3,332)
At 31 December 2022	750	20,877	21,627

The notes on pages 15 to 42 form part of these financial statements.

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

1. Accounting policies

1.1. Basis of preparation

Leo Burnett Limited ("the Company") is a private company limited by shares incorporated and domiciled in the United Kingdom and registered in England and Wales. The address of the registered office is 1st Floor, 2 Television Centre, 101 Wood Lane, London W12 7FR. These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") and in accordance with the applicable provisions of the Companies Act 2006.

Basis of measurement

The financial statements have been prepared under the historical cost convention except for certain financial instruments which are measured at fair value. The Company's functional and presentational currency is Pound Sterling.

Consolidated financial statements

The Company is exempt from the requirement to prepare consolidated financial statements under Section 400 of the Companies Act 2006. Consolidated financial statements are prepared by Publicis Groupe S.A., the ultimate parent undertaking, incorporated in France and are available from the address set out in Note 24. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

Going concern

The Company has access to considerable financial resources together with long standing relationships with key clients and suppliers. The directors have prepared detailed budgets and financial forecasts taking into account expected future trading performance. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue to meet its obligations as they fall due for the foreseeable future being a period of at least twelve months from signing of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

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

1. Accounting policies (continued)

1.1. Basis of preparation (continued)

Disclosure exemptions applied

The Company has taken advantage of the following disclosure exemptions in preparing as permitted by FRS 101:

(i) The requirements of IFRS 2 'Share-based Payment' paragraphs 45(b) and 46 to 52 relating to certain disclosure requirements on share-based payments;

(ii) The requirement of IFRS 7 'Financial Instruments: Disclosures' relating to the disclosure of financial instruments and the nature and extent of risks arising from such instruments;

(iii) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from Contracts with Customers';

(iv) The applicable requirements of IAS 1 'Presentation of Financial Statements' relating to the disclosure of comparative information in respect of the number of shares outstanding at the beginning and end of the year (IAS 1.79(a)(iv)), the reconciliation of the carrying amount of property, plant and equipment (IAS 16.73(e)) and the reconciliation of the carrying amount of intangible assets (IAS 38(118)(e));

(v) The requirements of IAS 1 'Presentation of Financial Statements' paragraph 16, the requirement to make an explicit and unreserved statement of compliance with IFRS;

(vi) The requirements of IAS 1 'Presentation of Financial Statements' paragraphs 38A to 40D relating to disclosures of comparative information;

(vii) The requirement of IAS 1 'Presentation of Financial Statements' paragraphs 134 to 136 *relating to the disclosure of capital management policies and objectives;*

(viii) The requirements of IAS 7 'Statement of Cash Flows' and IAS 1 'Presentation of Financial Statements' paragraph 10(d) and 111 relating to the presentation of a Cash Flow Statement;

(ix) The requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31 relating to the disclosure of standards, amendments and interpretations in issue but not yet effective;

(x) The requirements of IAS 24 'Related Party Disclosures' paragraph 17 and 18(a) relating to the disclosure of key management personnel compensation and relating to the disclosure of related party transactions entered into between the Company and other wholly-owned subsidiaries of the group; and

(xi) The requirements of IAS 36 'Impairment of Assets' paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) relating to certain disclosure requirements of impairment testing.

For the disclosure exemptions listed in points (i) to (ii) and (x), the equivalent disclosures are included in the consolidated financial statements of the group, Publicis Groupe S.A. which the Company is consolidated into.

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

1. Accounting policies (continued)

1.1. Basis of preparation (continued)

Changes in accounting policies

New and amended standards and interpretations adopted

The following standards and interpretations have been adopted by the Company as they are mandatory for the year ended 31 December 2022:

	UK effective date Periods beginning on or after
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before intended use (Issued May 2020)	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	1 January 2022

The adoption of the standards and interpretations above has not had a material impact on the Company's financial statements.

1.2. *Accounting principles*

Revenue recognition

The Company's revenue stems from contracts with clients to provide creative and production services, direct and digital marketing, CRM (Customer Relationship Management), sales promotion and point of sales marketing, public relations, event management, institutional and financial communication.

Revenue recognised from contracts with clients comprises fees, commission, performance-based bonuses, and reimbursement of third-party costs incurred on behalf of clients and is stated exclusive of VAT, sales taxes and trade discounts. Fees are usually calculated on the basis of an hourly rate plus overheads and a margin. Commission-based contracts are calculated on the basis of a percentage of the total sum of costs paid to third parties to carry out the contract. Commission-based contracts mainly relate to media space bought on behalf of the clients and supervision of production carried out by third parties. Contracts are short-term in nature, generally under one year, and the Company typically has right to payment to the end of the contract or as a minimum for the work performed to date.

Performance obligations

Revenue is recognised when a performance obligation is satisfied in accordance with the terms of the contractual arrangement. Generally, the promised services in a contract are not considered distinct and are accounted for as a single performance obligation. The promised services are only distinct if the client can benefit from the services on its own and if the Company's promise to transfer these services is separately identifiable from other promises in the contract. As such, these services are recognised as separate performance obligations.

In creative advertising, there are two performance obligations, one for creative advisory services and the second for production, with the revenue being allocated for each performance obligation based on the stand-alone selling price as defined in the contract.

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

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Revenue recognition (continued)

Variable considerations of the transaction price

Some contracts include incentives that are subject to qualitative or quantitative performance criteria. These variable components are only included in the transaction price when it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Performance-based incentives are typically only recognised when the performance criteria specified in the contract have been met and the client has confirmed its agreement.

Revenue recognition

Almost all the Company's revenue is recognised over time because the client simultaneously receives and consumes the benefit of the services or an asset is generated with no alternative use and for which the Company is entitled to payment for the work done to date.

For the majority of fee arrangements, revenue is recognised over time based on internal measurement which best describes the level of effort spent on the project, usually calculated using an input method on the basis of hours worked and direct external costs incurred on the project to date. For retainer arrangements with a dedicated team, the Company considers that its performance obligation is to be ready at all times to make resources available to the client. In this instance, revenue is recognised on a straight-line basis over the term of the contract.

For commission based media contracts revenue is recognised at a point in time when the media is broadcast.

"Agent" vs. "Principal" Considerations

When third party suppliers are involved in providing services to clients, the Company considers that it is acting as "Principal" if at least one of the following criteria is satisfied:

- The Company obtains control of the asset or service before transferring it to the client;
- The Company has the ability to direct the supplier(s);
- The Company incorporates or combines the work of suppliers to deliver the promised goods or services to the client.

When the Company acts as "Principal", the revenue is recognised for the gross amount invoiced to the client. When the Company acts as "Agent", revenue is recognised net of the pass through costs to clients, which means that revenue recorded is solely comprised of fees or commission. In any case, out of pocket expenses reimbursed by clients (transport, hotels, meals, etc.) are always recognised in revenue.

Contract modifications

On occasion, the client may ask for changes to the scope of the services in the course of the contract. These changes are generally negotiated as new contracts encompassing the additional needs with the related compensation.

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

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Revenue recognition (continued)

Foreign currency transactions

Transactions denominated in foreign currencies are translated into sterling at the actual exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate applicable at the reporting date. All differences arising are recognised in the Statement of Comprehensive Income. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the Statement of Comprehensive Income.

Interest income and expense

Interest income arises from balances with group undertakings. Interest expense arises from financing activities. Interest income and expense are recognised in the Statement of Comprehensive Income using the effective interest method.

Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to an item of income or expense recognised as other comprehensive income or to an item directly recognised in equity is also recognised in other comprehensive income or directly in equity respectively.

Current tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date in the countries where the Company operates and generates income.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the Balance Sheet date except that:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted at the Balance Sheet date.

Intangible assets

Goodwill

Goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities of businesses acquired. Goodwill is allocated to a cash-generating unit(s) which the Company considers to be each brand or group of brands.

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

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Intangible assets (continued)

Goodwill (continued)

Goodwill allocated to a cash generating unit are subject to impairment tests on at least an annual basis. The carrying value of a cash generating unit is compared to the recoverable amount, defined as the higher of fair value less costs to sell and value in use. Value in use is determined on the basis of discounted future cash flows. Calculations are based on five-year cash flow forecasts, a terminal growth rate for subsequent cash flows and the application of a discount rate to all future flows.

Any impairment is recognised immediately in the Statement of Comprehensive Income and is not subsequently reversed.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment. Cost comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated present value future costs of dismantling and removing the items.

Depreciation is provided at rates calculated to write off the cost of assets on a straight-line basis over its estimated useful life, as follows:

Leasehold improvements	-	over the shorter of the lease term and the useful economic life of the asset
Furniture and equipment	-	3 to 8 years

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying value of the asset and are recognised in the Statement of Comprehensive Income.

Investments

Investments are stated at cost less provision for impairment. At each reporting date, the Company assesses whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is determined which is the higher of fair value less costs to sell and value in use. Any impairment loss is recognised immediately in the Statement of Comprehensive Income.

Work in progress

This mainly includes work in progress linked to the advertising business, i.e. the technical work involved in the creation and production of advertisements for print, TV, radio, publishing, etc. for which the client is ultimately liable but has not yet been invoiced. They are recognised on the basis of costs incurred and a provision is recorded when their net realisable amount is lower than cost. Un-billable work or costs incurred relating to new client development activities are not recognised

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

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Work in progress (continued)

as assets, except for tendering expenses which may be re-invoiced to the client under the terms of the contract. In order to assess the net realisable amount work in progress is reviewed on a case-by-case basis and written down, if appropriate, on the basis of criteria such as the existence of commercial disputes with the client.

Trade and other receivables

Trade receivables are recognised at the initial amount of the invoice, except for longer-term debtors explained below. Trade receivables presenting a risk of non-recovery are subject to impairment. Such allowances are determined, on a case-by-case basis, using various criteria such as difficulties in recovering the receivables, the existence of any disputes and claims, or the financial position of the debtor. Due to the nature of the Company's activities, trade receivables are of a short-term nature and are measured at amortised cost using the effective interest method. Nevertheless, any trade and other receivables of a longer-term nature will be recognised at their discounted value.

Contract assets

Contract assets consist of revenue recorded when a performance obligation has been satisfied but not yet invoiced. Contract assets are transferred to trade receivables when the right to consideration becomes unconditional and the service is invoiced to the client in accordance with the terms of the contract.

Trade and other payables

This line item includes all operating payables (including notes payable and accrued supplier invoices) related to the purchase of goods and services. These payables are generally due within less than one year. Financial liabilities are measured at amortised cost using the effective interest method.

Contract liabilities

Contract liabilities correspond to deferred income. These are considerations received or invoiced to clients for which the Company has an obligation to provide goods or services.

Contract liabilities do not include client advances for external costs incurred on behalf of clients and that are directly pass-through to the clients when the Company acts as "Agent". Such advances are recorded under Trade payables.

Redeemable preference shares

Preference shares which are mandatorily redeemable are classified as liabilities in accordance with the substances of the contractual arrangement. The Company's preference shares have no set redemption date nor entitle holders of the shares to any dividends.

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

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Pensions

The Company operates a defined contribution scheme and a defined benefit scheme in a separate independently managed fund for its employees.

Contributions to the defined contribution scheme are recognised in the Statement of Comprehensive Income in the period in which they become payable.

The defined benefit scheme asset or liability recognised on the Balance Sheet is the fair value of the scheme's assets less the present value of the scheme's liabilities calculated at each period end by an independent actuary. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the plan liabilities.

The scheme's current service costs, past service costs, administrative expenses and gains and losses on settlements and curtailments are recognised within 'Administrative expenses' in the Statement of Comprehensive Income for the period in which they arise. Interest on the scheme's liabilities net of the expected return on the scheme's assets is recognised within 'Interest payable and other charges' in the Statement of Comprehensive income for the period in which they arise. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are reflected in 'Other Comprehensive Income' in the Statement of Comprehensive Income in the period in which they arise.

Financial liabilities carried at fair value

Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments to hedge its foreign exchange risk exposures.

On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

Derivatives are recognised initially at fair value determined either by reference to observable market prices at the reporting date or by the use of valuation models based on market parameters at the reporting date. Attributable transaction costs are recognised in the Statement of Comprehensive Income as incurred. Subsequently, derivatives are measured at fair value with any gain or loss resulting from changes in their value being recognised in the Statement of Comprehensive Income.

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

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Share-based payments

The Publicis Group operates various share plans whereby certain employees are awarded equity-settled shares by the ultimate parent company Publicis Groupe S.A. for services to the Company. The Company has no obligation to settle the awards.

The fair value of the equity-settled share-based payments at the date of grant is expensed to the Statement of Comprehensive Income over the vesting period with a corresponding entry in retained earnings. Fair value on grant date is determined by an independent expert and is either equal to the market price on the grant date adjusted to reflect the expected loss of dividend(s) during the vesting period or through the use of the Black Scholes model. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of shares that will eventually vest. Non-vesting and market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also expensed to the Statement of Comprehensive Income over the remaining vesting period.

Dividends paid

Dividends are recognised when they become legally payable. Interim dividends to equity shareholders are recognised when paid. Final dividends to equity shareholders are recognised when approved by the shareholders at the annual general meeting.

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires of the use of certain critical accounting judgements and estimates regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The judgements and estimates 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.

Critical accounting judgements

Revenue recognition

Revenue is recognised on the basis of the satisfaction of performance obligations and the stage of completion of projects ongoing at the year-end. Judgement is required to determine the satisfaction of performance obligations and the value and timing of recognition. Variable revenue is only recognised when it is highly probable that a significant reversal in the amount of cumulative revenue recognised to date will not occur. Revenue from projects ongoing at the year-end is recognised on an internal measurement which best describes the level of effort spent on the project, usually calculated using an input method on the basis of hours worked and direct external costs incurred on the project to date. Due

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

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical accounting judgements (continued)

Revenue recognition (continued)

to the subjective nature of these judgements, changes could materially affect the timing and extent of revenue and contract assets recognised in these financial statements.

Impairment of investments and goodwill

An assessment is performed for any indication that the carrying value of investments in subsidiaries and goodwill has suffered an impairment loss by comparing this carrying value to the expected value in use of the underlying investment and cash generating unit]. The value in use calculation takes into account estimated future cash flows which are discounted to their present value using a pre-tax discount rate considering 5-year forecasts into perpetuity. During the year, an impairment charge of £106,000 (2021: £Nil) has been recognised and at 31 December 2022 the carrying value of investments in subsidiaries is £Nil (2021: £106,000). During the year, an impairment charge of £6,104,000 has been recognised and the carrying value of goodwill is £Nil (2021: £6,104,000).

Key sources of estimation uncertainty

Defined benefit pension scheme and post-retirement healthcare schemes

The calculation of the present value of the defined benefit pension scheme and post-retirement health schemes requires management to make key assumptions which are inputted into the actuarial valuations which are prepared by an independent actuary. These key assumptions include the determination of the discount rate, future salary increases, inflation and mortality rates which may differ from actual experience in the future. As a result, the valuation of the schemes are highly sensitive to changes in these assumptions. The sensitivity of these assumptions is disclosed in Note 20. At 31 December 2022, a liability of £77,000 (2021: £80,000) has been recognised in the Balance Sheet.

Share-based payments

In determining the fair value of equity-settled share-based awards and the related expense to the Statement of Comprehensive Income, the Company makes assumptions about future events and market conditions. In particular, the Company has to as assess the likely number of shares that will vest, and the fair value of each award granted. The fair value is determined by an independent expert using a valuation model which is dependent on a number of assumptions, including the ultimate parent company's future dividend policy and the future volatility in the share price of the ultimate parent company's shares. These assumptions are inherently uncertain and could result in a material difference to the reported value of share-based payment expense. The total expense recognised for share-based payments in respect of employee services received during the year to 31 December 2022 is £106,000 (2021: £44,000).

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

3. Revenue

The activities of the Company during the year were principally related to the provision of a comprehensive service to clients covering advertising, marketing and allied services. The directors believe that such activities comprise a unified class of business which cannot be further analysed into segments.

An analysis of revenue by geographical market is given below:

	2022 £'000	2021 £'000
United Kingdom	20,252	18,627
Europe	3,985	3,983
USA	1,033	1,060
Rest of the world	546	1,078
	25,816	24,748

4. Operating profit

Operating profit is stated after charging:

	2022 £'000	2021 £'000
(Gain) / loss on transactions denominated in foreign currency	3	-
Depreciation of property, plant and equipment (see Note 12)	83	84
Auditor's remuneration	36	45

5. Employees

Staff costs were as follows:

	2022 £'000	2021 £'000
Wages and salaries	13,204	11,376
Social security costs	1,659	1,369
Defined contribution pension costs	439	424
Defined benefit pension costs	-	502
	15,302	13,671

Included in total staff costs is a total expense for share-based payments of £106,000 (2021: £44,000) arising from transactions accounted for as equity-settled share-based payment transactions (see Note 19).

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

5. Employees (continued)

The average monthly number of persons employed by the Company during the year was:

	2022 No.	2021 No.
Advertising	140	135
Administration	21	22
	161	157

6. Directors' remuneration

Several of the directors are also directors of a number of subsidiaries of the ultimate parent undertaking and are directly remunerated for services provided by fellow subsidiaries of the ultimate parent undertaking. The below represents the amount allocated to the Company for the services these directors have provided to the Company as directors and amounts paid to directors remunerated directly by the Company.

	2022 £'000	2021 £'000
Emoluments	822	586
Defined contribution pension costs	1	-
	823	586

There were 3 (2021: None) directors who were members of a money purchase pension scheme during the year.

There were 4 (2021: 3) directors who were granted share options and 3 (2021: 1) directors who exercised options during the current year.

The above amounts for remuneration include the following in respect of the highest paid director:

	2022 £'000	2021 £'000
Emoluments	631	471

The highest paid director exercised share options in the year (2021: did not exercise) and received shares under a long term incentive scheme.

7. Other income

	2022 £'000	2021 £'000
Waiver of intercompany debt	17,931	-

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

8. Interest receivable and similar income

	2022 £'000	Restated 2021 £'000
Intercompany interest receivable	425	-
Interest on defined benefit pension scheme	108	19
	533	19

9. Interest payable and similar charges

	2022 £'000	2021 £'000
Intercompany interest payable	3	-

10. Taxation

(a) Analysis of charge for the year

	2022 £'000	Restated 2021 £'000
Current tax		
Corporation tax	1,224	994
Total current tax	1,224	994
Deferred tax		
Origination and reversal of temporary differences	(212)	(78)
Adjustment in respect of previous periods	125	(15)
Change in tax rate	(200)	(129)
Total deferred tax (see Note 10(c))	(287)	(222)
Tax on profit on ordinary activities (see Note 10(b))	937	772

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

10. Taxation (continued)

(b) Factors affecting tax charge for the year

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%). The differences are reconciled below:

	2022 £'000	Restated 2021 £'000
Profit on ordinary activities before taxation	17,668	4,799
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	3,357	912
Expenses not deductible for tax purposes	17	16
Investment impairment	(2,341)	-
Share-based payments	(21)	(12)
Adjustment in respect of previous periods	125	(15)
Remeasurement of deferred tax for changes in tax rates	(200)	(129)
Total tax charge (see Note 10(a))	937	772

(c) Deferred taxation

	Accelerated capital allowances £'000	Retirement benefit obligation £'000	Other temporary differences £'000	Total £'000
At 1 January 2021	166	-	252	418
(Debit) / credit to profit and loss (restated)	(21)	153	9	141
Debit to other comprehensive income (restated)	-	(153)	-	(153)
Deferred tax in respect of prior year (restated)	-	15	-	15
Changes in tax rates	46	-	83	129
At 31 December 2021 (restated)	191	15	344	550
(Debit) / credit to profit and loss	(19)	211	20	212
Debit to other comprehensive income	-	(277)	-	(277)
Deferred tax in respect of prior year	(42)	-	(83)	(125)
Changes in tax rates	41	70	89	200
At 31 December 2022	171	19	370	560

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

10. Taxation (continued)

(c) Deferred taxation (continued)

Analysis of deferred tax balance for financial reporting purposes:

	2022 £'000	Restated 2021 £'000
Deferred tax assets	560	550

(d) Factors that may affect future tax charges

The UK Government announced plans to increase the standard rate of corporation tax from 19% to 25% from 1 April 2023. This change was substantively enacted by the year end and therefore has been reflected in the calculation of deferred tax above.

11. Intangible assets

	Goodwill £'000
Cost	
At 1 January and 31 December 2022	16,793
Provision for impairment	
At 1 January 2022	10,689
Charge for the year	6,104
At 31 December 2022	16,793
Net book value	
At 31 December 2022	-
At 31 December 2021	6,104

Following a review of the ongoing business of the trade operations acquired, it was determined that a provision was required.

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

12. Property, plant and equipment

	Leasehold improvements £'000	Furniture and equipment £'000	Total £'000
Cost			
At 1 January and 31 December 2022	609	512	1,121
Depreciation			
At 1 January 2022	221	481	702
Charge for the year	62	21	83
At 31 December 2022	283	502	785
Net book value			
At 31 December 2022	326	10	336
At 31 December 2021	388	31	419

13. Investments

	Subsidiaries £'000
Cost	
At 1 January and 31 December 2022	1,139
Provision for impairment	
At 1 January 2022	1,033
Charge for the year	106
At 31 December 2022	1,139
Net book value	
At 31 December 2022	-
At 31 December 2021	106

The Company has investments in the following subsidiary undertakings at the year-end:

Name	Direct %	Indirect %	Country of Incorporation	Activities	Registered office
Fallon London Limited	100		England & Wales	Holding Company	1
Itacco M Ltd		100	Republic of Belarus	Advertising	2

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

13. Investments (continued)

1. 1st Floor, 2 Television Centre, 101 Wood Lane, London W12 7FR, United Kingdom
2. Office 21 (Sector C), 7a Pobediteley Avenue, Minsk 220004, Republic of Belarus

14. Trade and other receivables

	2022 £'000	2021 £'000
Trade receivables	7,267	4,971
Amounts owed by group undertakings	43,413	37,737
Prepayments	118	100
Contract assets	222	344
Other receivables	53	51
	51,073	43,203

15. Trade and other payables

	2022 £'000	Restated 2021 £'000
Trade payables	3,523	2,637
Amounts owed to group undertakings	8,013	22,054
Other taxation and social security costs	713	725
Accruals	5,137	8,327
Contract liabilities	775	686
Payments on account	3,344	217
Other payables	2,100	88
	23,605	34,734

16. Trade and other payables: amounts falling due in more than one year

	2022 £'000	2021 £'000
Redeemable preference shares		
9,243,396 (2021: 9,243,396) redeemable ordinary shares of £1 each	9,243	9,243

17. Share capital

	2022 £'000	2021 £'000
Allotted, called up and fully paid		
750,000 (2021: 750,000) ordinary shares of £1 each	750	750

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

18. Reserves

Retained earnings

This reserve represents the cumulative profits and losses of the Company less amounts distributed to shareholders.

19. Share-based payments

The total expense recognised for share-based payments in respect of employee services received during the year to 31 December 2022 is £106,000 (2021: £44,000). The total expense arose from equity-settled share-based payment transactions.

Free share plans (senior employees)

Free shares are granted to senior employees of the Company at the discretion of the Management Board of the ultimate parent company Publicis Groupe S.A.. The free share plans outstanding at 31 December 2022 have the following characteristics:

Long Term Incentive Plan (LTIP) 2021

Under this plan, a certain number of Group managers were awarded free shares, subject to two conditions:

- a continued presence condition, during the three-year vesting period;
- conditions for achieving the Group's revenue growth and profitability targets for the year 2021;
- conditions based on progress made on the CSR (corporate social responsibility) policy, in the area of both Diversity, Equality and Inclusion and in the area of combating climate change, for which indicative interim points have been set. At the end of 2021, the percentage of women in key management positions as well as the percentage of change of integration of renewable energies in the Groupe will be assessed against targets set.

The shares ultimately awarded in accordance with the level of attainment of these performance targets will be deliverable at the end of a three-year period, i.e. in March 2024.

Long Term Incentive Plan (LTIP) 2022

Under this plan, a certain number of Group managers were awarded free shares, subject to two conditions:

- a continued presence condition, during the three-year vesting period;
- conditions for achieving the Group's revenue growth and profitability targets for the year 2022, compared to a reference group including the other three main global communications groups (Omnicom, WPP and IPG);
- conditions based on progress made on the CSR (corporate social responsibility) policy, in the area of both Diversity, Equality and Inclusion and in the area of combating climate change, for which indicative interim points have been set. At the end of 2022, the percentage of women in key management positions as well as the percentage of change of integration of renewable energies in the Groupe will be assessed against targets set.

The shares ultimately awarded in accordance with the level of attainment of these performance targets will be deliverable at the end of a three-year period, i.e. in March 2025.

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

19. Share-based payments (continued)

Free share plans (senior employees) (continued)

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

No other features of options grant were incorporated into the measurement of fair value.

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

20. Pension and other retirement benefits

Defined benefit pension scheme

The Company operates a defined benefit pension scheme for qualifying employees. The scheme is funded by the payment of contributions to separately administered trust funds. The Company also provides certain additional post-retirement healthcare benefits to one employee in the UK. These benefits are unfunded.

The valuation used has been based on the most recent actuarial valuation at 31 December 2018 and was updated by Aon Hewitt Limited into take account the requirements of IAS 19 in order to assess the liabilities of the scheme at 31 December 2022 and 31 December 2021. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets.

Year ended 31 December 2022

	Defined benefit pension plan £'000	Retirement healthcare benefits £'000	Total £'000
Fair value of plan assets	43,694	-	43,694
Present value of defined benefit obligation	(33,286)	(77)	(33,363)
	10,408	(77)	10,331)
Unrecognised asset due to asset ceiling	(10,408)	-	(10,408)
	-	(77)	(77)

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

20. Pension and other retirement benefits (continued)

Defined benefit pension scheme (continued)

Year ended 31 December 2021

	Defined benefit pension plan £'000	Retirement healthcare benefits £'000	Total £'000
Fair value of plan assets	59,019	-	59,019
Present value of defined benefit obligation	(55,604)	(80)	(55,684)
	3,415	(80)	3,335
Unrecognised asset due to asset ceiling	(3,415)	-	(3,415)
	-	(80)	(80)

Changes in the fair value of the plan assets are as follows:

Year ended 31 December 2022

	Defined benefit pension plan £'000	Retirement healthcare benefits £'000	Total £'000
At 1 January 2022	59,019	-	59,019
Actual return	(13,656)	-	(13,656)
Contributions by employer	1,000	5	1,005
Benefits paid	(2,669)	(5)	(2,674)
At 31 December 2022	43,694	-	43,694

Year ended 31 December 2021

	Defined benefit pension plan £'000	Retirement healthcare benefits £'000	Total £'000
At 1 January 2021	60,886	-	60,886
Actual return	1,341	-	1,341
Contributions by employer	1,094	4	1,098
Contributions by employees	7	-	7
Benefits paid	(4,309)	(4)	(4,313)
At 31 December 2021	59,019	-	59,019

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

20. Pension and other retirement benefits (continued)

Defined benefit pension scheme (continued)

Changes in the present value of the defined benefit obligation are as follows:

Year ended 31 December 2022

	Defined benefit pension plan £'000	Retirement healthcare benefits £'000	Total £'000
At 1 January 2022	55,604	80	55,684
Interest cost	890	2	892
Actuarial gains	(20,539)	-	(20,539)
Contributions by employees	-	-	-
Benefits paid	(2,669)	(5)	(2,674)
At 31 December 2022	33,286	77	33,363

Year ended 31 December 2021

	Defined benefit pension plan £'000	Retirement healthcare benefits £'000	Total £'000
At 1 January 2021	57,064	83	57,147
Service cost	41	-	41
Interest cost	879	1	880
Actuarial losses	1,461	-	1,461
Contributions by employees	-	-	7
Plan curtailment	461	-	461
Benefits paid	(4,309)	(4)	(4,313)
At 31 December 2021	55,604	80	55,684

The defined benefit obligation comprises £33,286,000 (2021: £55,604,000) arising from plans that are wholly or partly funded and £76,000 (2021: £80,000) from plans that are unfunded.

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

20. Pension and other retirement benefits (continued)

Defined benefit pension scheme (continued)

The assets and liabilities of the scheme are as follows:

Year ended 31 December 2022

	Defined benefit pension plan £'000	Retirement healthcare benefits £'000	Total £'000
Scheme assets at fair value			
Cash	19,468	-	19,468
Equities	1,547	-	1,547
Bonds	21,641	-	21,641
Real estate	1,038	-	1,038
Fair value of scheme assets	43,694	-	43,694
Present value of funded obligations	(33,286)	-	(33,286)
Present value of unfunded obligations	-	(77)	(77)
Restriction due to asset ceiling	(10,408)	-	(10,408)
Defined benefit pension scheme deficit	-	(77)	(77)

Year ended 31 December 2021

	Defined benefit pension plan £'000	Retirement healthcare benefits £'000	Total £'000
Scheme assets at fair value			
Cash	7,643	-	7,643
Equities	27,466	-	27,466
Bonds	22,802	-	22,802
Real estate	1,108	-	1,108
Fair value of scheme assets	59,019	-	59,019
Present value of funded obligations	(55,604)	-	(55,604)
Present value of unfunded obligations	-	(80)	(80)
Restriction due to asset ceiling	(3,415)	-	(3,415)
Defined benefit pension scheme deficit	-	(80)	(80)

The pension plans have not invested in any of the Company's own financial instruments nor in properties or other assets used by the Company.

The defined benefit obligation includes benefits for current employees, former employees and current pensioners.

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

20. Pension and other retirement benefits (continued)

Defined benefit pension scheme (continued)

A broad indication of the profile is set out below:

- about Nil% (2021: Nil%) of the liabilities are attributable to current employees, 50% (2021: 55%) to former employees and 50% (2021: 45%) to current pensioners.

The scheme duration is an indicator of the weighted-average time until benefit payments are made. The approximate scheme duration is as follows:

- the duration is around 10-15 years.

The amounts recognised in the Statement of Comprehensive Income for the year are analysed as follows:

Year ended 31 December 2022

	Defined benefit pension plan £'000	Retirement healthcare benefits £'000	Total £'000
Amounts recognised in the Statement of Comprehensive Income			
Net interest (credit) / charge	(110)	2	(108)
	(110)	2	(108)
Amounts recognised in Other Comprehensive Income			
Actual return less expected return on pension scheme assets	(14,656)	-	(14,656)
Experience losses arising on scheme liabilities	(532)	-	(532)
Changes in assumptions underlying the present value of scheme liabilities	21,071	-	21,071
Changes in irrecoverable surplus	(6,993)	-	(6,993)
	(1,110)	-	(1,110)

Notes to the financial statements
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20. Pension and other retirement benefits (continued)

Defined benefit pension scheme (continued)

The amounts recognised in the Statement of Comprehensive Income for the year are analysed as follows:

Year ended 31 December 2021 (restated)

	Defined benefit pension plan £'000	Retirement healthcare benefits £'000	Total £'000
Amounts recognised in the Statement of Comprehensive Income			
Current service cost	41	-	41
Plan curtailments	461	-	461
Net interest (credit) / charge	(21)	1	(20)
	481	1	482
Amounts recognised in Other Comprehensive Income			
Actual return less expected return on pension scheme assets	442	-	442
Experience losses arising on scheme liabilities	831	-	831
Changes in assumptions underlying the present value of scheme liabilities	(2,292)	-	(2,292)
Other actuarial gains	406	-	406
	(613)	-	(613)

The total contributions to the defined benefit plans in 2023 are expected to be £1,005,000 (2022: £1,005,000).

Principal actuarial assumptions at the balance sheet date:

	Defined benefit pension plan		Retirement healthcare benefits	
	2022	2021	2022	2021
Rate of salary increases	-	3.75%	-	-
Rate of increase in pensions in payment	3.20%	3.30%	-	-
Discount rate	4.80%	1.65%	1.60%	1.60%
Expected return om plan assets at 31 December				
Equities	4.80%	1.65%	-	-
Corporate bonds	4.80%	1.65%	-	-
Government bonds	4.80%	1.65%	-	-
Real estate	4.80%	1.65%	-	-
Cash	4.80%	1.65%	-	-
Overall expected return on plan assets at 31 December	4.80%	1.65%	-	-
Inflation assumption (CPI)	2.70%	2.75%	-	-
Rate of increase in healthcare costs	-	-	5.00%	5.50%

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20. Pension and other retirement benefits (continued)

Defined benefit pension scheme (continued)

* *Rate of increase in healthcare costs are initially 5% (2021: 5.50%) and falling to 4% in 2025 (2021: 4%)*

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

A 0.5 percentage point change in discount rate would have the following effects:

	Defined benefit pension plan		Retirement healthcare benefits	
	Increase 0.5% £'000	Decrease 0.5% £'000	Increase 0.5% £'000	Decrease 0.5% £'000
Effect on defined benefit obligation	(2,019)	2,279	-	-

A 0.5 percentage point change in the inflation rate would have the following effects:

	Defined benefit pension plan		Retirement healthcare benefits	
	Increase 0.5% £'000	Decrease 0.5% £'000	Increase 0.5% £'000	Decrease 0.5% £'000
Effect on defined benefit obligation	1,752	(1,308)	-	-

21. Financial instruments

The derivatives, which have a three month life, are valued based on a discounted cash flow, using quoted forward rates (an observable input) and discounted at a rate that takes into account credit risk.

Categories of financial instruments held at fair value

	2022 £'000	2021 £'000
Financial assets at fair value through profit and loss		
Derivative instruments – Assets	1	6
Financial liabilities at fair value through profit and loss		
Derivative instruments – Liabilities	40	1

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

21. Financial instruments (continued)

Fair value hierarchy

The table below breaks down financial instruments recognised at fair value according to the measurement method used. The different levels of fair value have been defined as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Observable data other than quoted prices for identical assets or liabilities in active markets;
- Level 3: Unobservable data.

Derivative financial instruments valued using level 2 valuation techniques.

Changes in the value of financial instruments at fair value

Profit for the year has been arrived after charging/ (crediting):

	2022 £'000	2021 £'000
Financial assets at fair value through profit and loss		
Derivative instruments – Assets	2	1
Financial liabilities at fair value through profit and loss		
Derivative instruments – Liabilities	(2)	(1)

22. Related party transactions

The Company has taken advantage of the exemption under FRS 101 not to disclose transactions with Group undertakings as it is a subsidiary undertaking which is 100% controlled by the ultimate parent undertaking.

For the year ended 31 December 2022 the Company had the following transactions with other subsidiaries of Publicis Groupe S.A. that are not 100% owned.

	Payables		Receivables		Services		Billings	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Publicis Conseil S.A.	(1)	-	-	53	6	-	(436)	(1,488)

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

23. Prior year restatement

A prior year restatement of the financial statements has been recognised due to:

- An error has been identified in the allocation of the movements recorded within administrative expenses and other comprehensive income in relation to the defined benefit liability for the year ended 31 December 2021. Therefore, adjustments amounting to £820,000 have been processed to correctly present the allocation between administrative expenses and other comprehensive income for the year ended 31 December 2021;
- A historical expense in relation to the defined benefit pensions scheme was accrued in 2019 and was subsequently settled in the year ended 31 December 2020. However, the accrual has not correctly been released to the profit and loss during the year ended 31 December 2020. Therefore, an adjustment amounting to £535,000 has been processed to correctly present accruals as at 31 December 2021 and 31 December 2020 and to correct the expense recorded in the year ended 31 December 2021;
- A number of reclassification adjustments have been recognised in respect of administrative expenses and interest receivable and similar income for the year ended 31 December 2021, corporation tax and amounts owed to group undertakings at 31 December 2021 and accruals and amounts owed to group undertakings at 31 December 2021. These reclassifications aid comparability for readers of the financial statements and there is no impact on the reported profit after tax or net assets in the prior year.

The impact of the above restatements on the financial statements has been summarised below:

	Previously reported £'000	Adjustment £'000	After restatement £'000
Balance Sheet at 1 January 2021			
Accruals	(9,414)	535	(8,879)
Retained earnings	4,059	535	4,594
Statement of Comprehensive Income for the year ended 31 December 2021			
Administrative expenses	(20,769)	801	(19,968)
Interest receivable and similar income	-	19	19
Profit before taxation	3,979	820	3,799
Taxation	(647)	(125)	(772)
Profit after taxation	3,332	695	4,027
Other comprehensive income	390	(850)	(460)
Profit after taxation	3,722	(155)	3,567
Balance Sheet at 31 December 2021			
Deferred tax	520	30	550
Corporation tax	(1,068)	1,068	-
Amounts owed to group undertakings	(21,205)	(849)	(22,054)
Accruals	(8,457)	130	(8,327)
Retained earnings	7,825	380	8,205

Notes to the financial statements
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24. Ultimate parent undertaking and controlling party

The immediate parent undertaking is MMS UK Holdings Limited, a company incorporated in England and Wales. The ultimate parent undertaking, controlling party and the parent undertaking of the largest and smallest group to include the Company in its group financial statements is Publicis Groupe S.A., incorporated in France. Copies of its consolidated financial statements are available from 133 Avenue des Champs Elysees, 75008 Paris, France.