
Publicis Limited

Annual Report and Financial Statements

31 December 2018

Registered Number: 01046052



Directors

A Heilbronner	
G Wieynk	(resigned 31 December 2018)
N Farnhill	(appointed 18 January 2019)
P Dumouchel	

Secretaries

J Munis	
N Raj	(resigned 15 February 2019)

Auditor

Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD

Registered office

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

Strategic report

Principal activity and review of the business

The principal activity of Publicis Limited (the “Company”) continues to be that of an advertising agency.

During the year the Company adopted IFRS 15 and IFRS 9 which became mandatory on 1 January 2018. The impact of the adoption of these standards are detailed in Note 1.3.

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

	2018	Restated 2017	Change
	£000	£000	%
Revenue	41,744	37,213	12%
Operating profit	4,913	3,165	55%
(Loss)/Profit after tax	(4,920)	1,858	(365%)
Shareholder’s (deficit)/funds	(2,884)	2,205	(231%)
Current assets as % of current liabilities	84%	89%	(5%)
Average number of employees	271	270	-%

The Company transferred its trade and assets in relation to ‘Publicis Chemistry’, a trading division of the Company, to Digitas LBi Limited, a fellow subsidiary of the ultimate parent undertaking on 1 May 2017, resulting in a decrease in revenue of £1.5m and minimal impact to operating profit during the year ended 31 December 2017.

The Company transferred its trade and assets in relation to ‘Vivid Brand’, a trading division of the Company, to Arc Integrated Marketing Ltd, a fellow subsidiary of the ultimate parent undertaking on 1 August 2017, resulting in a decrease in revenue of £1.7m and an increase in operating profit of £120k during the year ended 31 December 2017.

On 1 July 2017, August Media Limited transferred its trade and assets to the Company, resulting in an increase in revenue of £2.6m and an increase in operating profit of £520k during the year ended 31 December 2017.

On 1 September 2017, Poke London Limited transferred its trade and assets to the Company, resulting in an increase in revenue of £2.9m and a decrease in operating profit of £140k during the year ended 31 December 2017.

Revenue has increased by 12% mainly as a result of the various acquisitions made in 2017 described above, with 2018 results reflecting annualised impact on revenue.

There is a loss after tax of £4.9m mainly as a result of a £9.7m impairment charge to goodwill.

Shareholder’s deficit has arisen primarily due to loss generated for the year.

On 1 April 2019, the trade and assets of Arc Integrated Marketing Ltd, a fellow subsidiary of the ultimate parent undertaking, was transferred to the Company.

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 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 principal risks faced by the Company are as follows:

- Competitive risks

The business operates in a competitive market. The Company makes new business conversion a high priority in order to mitigate this risk to the greatest extent possible.

Strategic report (continued)

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. The majority of our commercial dealings are done in the local currencies of the countries in which they are transacted. As a result, exchange rate risk relating to such transactions is not very significant and is occasionally hedged through currency hedging agreements.

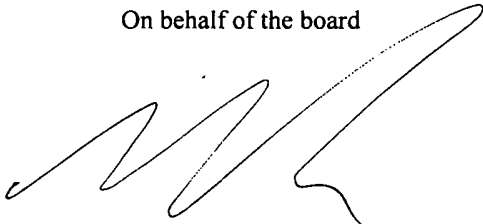
As regards intercompany loans/borrowings, these are subject to appropriate hedges if they present significant net exposures to exchange rate risk.

Derivatives used are generally forward currency contracts or currency swaps.

Brexit

Due to the uncertainty surrounding Brexit, it is not currently possible to fully evaluate all its potential implications on the Company's trade, customers and suppliers. However, the directors have performed an initial impact assessment and at the moment do not believe it will have a material impact on the company. The directors will continue to monitor this as the situation evolves.

On behalf of the board



N Farnhill
Director

25 June 2019

Directors' report

The directors present their report and financial statements for the year ended 31 December 2018.

Results and dividends

The loss for the year, after taxation, is £4,920,000 (2017: £1,858,000 profit). No dividends were declared or paid during the year (2017: £nil).

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 3. These matters relate to the principal activity and financial risks.

Directors

The directors of the Company that served during the year and thereafter are shown on page 1.

Future developments

The directors do not foresee any material changes in the continuing operations of the business.

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 financial year.

Events after the balance sheet date

On 1 April 2019, the Company acquired the trade and net assets of Arc Integrated Marketing Limited, a fellow subsidiary of the parent entity.

No other significant events affecting the Company since the end of the financial year were noted.

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' involvement

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and in various factors affecting the performance of the Company through regular internal communications including emails and internal announcements. Employees are consulted regularly on a wide range of matters affecting their current and future interests.

Disclosure of information to the auditor

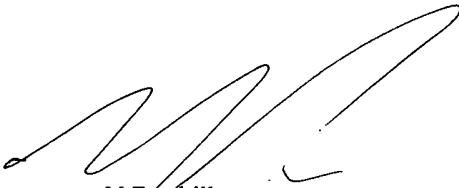
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' report (continued)

Going concern

The Company is reporting net liabilities in the current year and has received confirmation from its immediate parent company, MMS UK Holdings Limited, that it will provide the necessary funds to enable it to meet its liabilities as they fall due, for at least twelve months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

On behalf of the board

A handwritten signature in black ink, appearing to be 'N Farnhill', written over a horizontal line.

N Farnhill
Director

25 June 2019

Directors' responsibilities statement

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 Publicis Limited

Opinion

We have audited the financial statements of Publicis Limited (the 'company') for the year ended 31 December 2018 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and 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, 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 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

The impact of uncertainties due to Britain exiting the European Union on our audit

The Directors' view on the impact of Brexit is disclosed on page 3.

The terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

Conclusions relating to going concern

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

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

Independent auditor's report to the members of Publicis Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify 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 directors' responsibilities statement set out on page 6 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 Publicis Limited (continued)

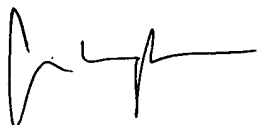
Auditor's responsibilities for the audit of the financial statements

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 these financial statements.

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 the audit 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.



Claire Larquetoux (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London E1W 1DD

9 ^{July} ~~June~~ 2019

Income statement

for the year ended 31 December 2018

	Notes	2018 £000	Restated 2017 £000
Revenue	2	41,744	37,213
Administrative expenses		(37,800)	(34,048)
Other operating income	3	969	-
Operating profit	3	4,913	3,165
Impairment on intangible assets	11	(8,988)	-
Interest receivable and similar income	7	31	2
Interest payable and similar charges	8	(16)	(115)
(Loss)/profit on ordinary activities before taxation		(4,060)	3,052
Tax on loss/profit on ordinary activities	9	(860)	(1,194)
(Loss)/profit for the financial year		<u>(4,920)</u>	<u>1,858</u>

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

Statement of comprehensive income

for the year ended 31 December 2018

	Note	2018 £000	2017 £000
(Loss)/profit for the financial year		(4,920)	1,858
Net actuarial (loss)/gain recognised in the pension scheme	18	(3)	103
Movement on deferred tax relating to actuarial loss/(gain) on pension scheme		1	(20)
Total comprehensive (loss)/income for the financial year		<u>(4,922)</u>	<u>1,941</u>

Balance sheet

at 31 December 2018

	Notes	2018 £000	Restated 2017 £000
Non-current assets			
Property, plant and equipment	10	513	617
Intangible assets	11	-	3,916
Investments	12	2,088	2,088
Deferred tax	9	360	460
		<u>2,961</u>	<u>7,081</u>
Current assets			
Work in progress		3,882	3,571
Trade and other receivables	13	25,051	25,908
Assets on contracts		2,265	3,191
Derivatives	17	6	-
Cash and cash equivalents		<u>-</u>	<u>29</u>
		31,204	32,699
Current liabilities			
Trade and other payables	14	(34,111)	(34,038)
Liabilities on contracts		(1,199)	(1,662)
Corporation tax		(1,703)	(950)
Derivatives	17	(9)	(51)
		<u>(37,022)</u>	<u>(36,701)</u>
Net current liabilities		<u>(5,818)</u>	<u>(4,002)</u>
Total assets less current liabilities		<u>(2,857)</u>	<u>3,079</u>
Non-current liabilities			
Defined benefit pension scheme liability	18	-	(826)
Provisions	15	(27)	(48)
Net (liabilities)/assets		<u>(2,884)</u>	<u>2,205</u>
Capital and reserves			
Called-up share capital	16	100	100
Retained earnings		<u>(2,984)</u>	<u>2,105</u>
Shareholder's (deficit)/funds		<u>(2,884)</u>	<u>2,205</u>

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



N Farnhill
Director

25 June 2019

Statement of changes in equity

for the year ended 31 December 2018

	Notes	Called-up share capital £000	Retained earnings £000	Total Equity £000
At 1 January 2017		100	240	340
Profit for the financial year		-	1,858	1,858
Other comprehensive income		-	83	83
Total comprehensive income for the year		-	1,941	1,941
Adjustment arising from the application of merger accounting principles		-	(412)	(412)
Share-based payment transactions	19	-	336	336
At 31 December 2017		100	2,105	2,205
Profit for the financial year		-	(4,920)	(4,920)
Other comprehensive income		-	(2)	(2)
Total comprehensive income for the year		-	(4,922)	(4,922)
Share-based payment transactions	19	-	(167)	(167)
At 31 December 2018		100	(2,984)	(2,884)

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies

Statement of compliance

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. Except for certain disclosure exemptions detailed below, the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (EU-adopted IFRSs) have been applied to these financial statements and, where necessary, amendments have been made in order to comply with the Companies Act 2006 and The Large and Medium-sized Companies and Groups Regulations 2008/410 ('Regulations').

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.

Application of new standards and interpretations mandatory as from 1 January 2018

The Company has adopted the following standards and interpretations, which are mandatory for financial periods beginning on or after 1 January 2018:

IFRS 15 - "Revenue from contracts with customers"

The Company has adopted IFRS 15 using the full retrospective transition method, and has thus restated its financial statements for the year ended 31 December 2017, in accordance with IAS 8. The restatements relating to the first application of IFRS 15 are presented in Note 1.3.

IFRS 15 introduces a prescriptive approach in which revenue is recognised when control of an asset and / or service is passed to the customer, and no longer on the basis of the transfer of risks and rewards.

- "Agent" vs. "Principal" considerations

The concept of control changes the Principal versus Agent consideration and has led to an increase in revenue through the recognition of the billing of external costs incurred on behalf of customers, which are to be immediately reimbursed by the customer, and which are part of a comprehensive service provided to customers (performance obligation). These costs primarily relate to production activities and other miscellaneous expenses payable by the customer, in particular travel expenses. These changes have no impact on operating income as the operating revenue and expenses are increased by the same amount.

- Contract Balances (Contract Assets and Liabilities):

Under IFRS15, revenue recognised when a performance obligation has been satisfied but not yet invoiced to the client is recognised within Assets on contracts rather than within Trade receivables. At 31 December 2017, an amount of £3,191,000 was reclassified from Trade and other receivables to Assets on Contracts.

Under IFRS15, consideration received or invoiced to a client in advance of the performance obligation being satisfied is reported within Liabilities on contracts. At 31 December 2017, an amount of £1,662,000 has been reclassified from Trade and other payables to Liabilities on contracts.

- Transaction prices allocated to remaining performance obligations

The Company has decided to apply the practical expedient permitted on transition to IFRS15, not to disclose information about remaining performance obligations on contracts that have an original expected duration of one year or less where the Company has the right to payment for hours carried out to date. Amounts relating to remaining performance obligations on contracts other than those mentioned above are immaterial and are therefore not presented.

IFRS 9 "Financial Instruments"

IFRS 9 has changed the accounting of impairment losses on financial assets by introducing a prospective approach for expected losses on trade receivables. The adoption of IFRS9 has had no material impact on the Company.

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

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 21. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

Going concern

The Company is reporting net liabilities in the current year and it has received confirmation in the form of a letter of support from its immediate parent company, MMS UK Holdings Limited that it will provide the necessary funds to enable it to meet its liabilities as they fall due, for at least twelve months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Disclosure exemptions applied

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS101 paragraph 8:

- (i) The requirements of IFRS 2 'Share-based Payments' 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 requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 'Leases';
- (v) 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 18(118)(e));
- (vi) The requirements of IAS 1 'Presentation of Financial Statements' paragraph 16, the requirement to make an explicit and unreserved statement of compliance with IFRS;
- (vii) The requirements of IAS 1 'Presentation of Financial Statements' paragraphs 38A to 40D relating to disclosures of comparative information;
- (viii) The requirement of IAS 1 'Presentation of Financial Statements' paragraphs 134 to 136 relating to the disclosure of capital management policies and objectives;
- (vii) 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;
- (viii) 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;
- (ix) 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
- (x) 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.

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

Disclosure exemptions applied (continued)

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.

Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the relevant notes highlighted below:

- Revenue recognition on client projects;
- Impairment of investments
- Fair-value measurements of stock options
- Provisions for liabilities and charges, particularly for defined benefit pension liabilities
- Goodwill impairment

Detailed disclosures concerning these matters are provided in Notes 1.2, 11, 12, 18, 19

1.2. Accounting principles

Revenue recognition

The Company recognises revenue when (or as) the control of the promised goods or services (identified as performance obligations) is transferred to the client, at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The Company receives compensation from clients in the form of fees, commission, performance-based bonuses, and reimbursement of third-party costs incurred on behalf of clients. 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 supervision of production carried out by third parties. Contracts are short-term, 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

In creative advertising, there are two performance obligations, one for creative advisory services and the second for production, with the compensation for each performance obligation defined in the contract.

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.

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Revenue recognition (continued)

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.

- Fixed fee projects - revenue is recognised over time based on internal measurement which best describes the level of effort spent on the project, usually calculated on the basis of hours worked and direct external costs incurred on the project. 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.
- Commission based media contracts – revenue is recognised when the media is broadcast.
- Fees based on performance criteria - revenue is recognised when the performance criteria have been met and the client has confirmed its agreement.

"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.

Effect of foreign currency

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 at the balance sheet date are reported at the rates of exchange prevailing at that date. 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 income statement. The Company uses derivatives such as foreign currency hedges to hedge its current or future positions against foreign exchange rate risks. These derivatives are measured at fair value, determined by reference to observable market prices at the reporting date.

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Taxation

UK corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Property, plant and equipment

Property, plant and equipment are stated net of accumulated depreciation and accumulated impairment losses.

An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost. Cost of an item of property, plant and equipment comprises the purchase price, 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 an initial estimate of the cost of dismantling and removing the asset and restoring the site on which it is located.

After recognition, all property, plant and equipment are carried at costs less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided at rates calculated to write off the cost of the asset on a straight line basis over their estimated useful lives as follows:

Furniture and equipment	–	3 to 8 years
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Residual value is calculated on prices prevailing at the date of acquisition, and reviewed annually. The carrying values of the property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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 profit or loss.

Interest income and expense

Interest income arises from cash and cash equivalents and balances with group undertakings. Interest expense arises from financing activities. Interest income and expense are recognised in the profit and loss account using the effective interest method.

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Investments in subsidiaries

Investments in subsidiaries are shown at cost less provision for impairment in value. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Intangible assets

Intangible assets that are recorded in the balance sheet are not amortised but instead subject to impairment tests on at least an annual basis. Impairment tests are performed for the cash-generating unit(s) by comparing the recoverable value and the carrying amount of the cash-generating unit(s). The Company considers each agency or group of agencies to be a cash-generating unit.

The recoverable value of a cash-generating unit is the greater of its fair value (generally its market value), net of disposal costs, and its 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. The discounted rate used reflects current market assessments of the time value of money and the specific risks to which the cash-generating unit is exposed.

If the carrying amount of a cash-generating unit is higher than its recoverable value, the assets of the cash-generating unit are written down to their recoverable value. Impairment losses are recognised through the statement of comprehensive income and against the investment.

Work in progress

This mainly includes work in progress linked to our 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 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. 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 debtors are of a short-term nature and are measured at amortised cost using the effective interest method. Nevertheless, any trade and other debtors of a longer-term nature will be recognised at their discounted value.

Assets on contracts

Assets on contracts consist of revenue recorded when a performance obligation has been satisfied but not yet invoiced. Assets on contracts 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.

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less. Cash and cash equivalents is carried at amortised cost.

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.

Liabilities on contracts

Liabilities on contracts 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.

Pensions

The Company operates a defined benefit scheme which requires contributions to be made to a separately administered fund. The defined benefit pension scheme was closed to new members in a prior period and these benefits are funded. The Company also has a defined contributions scheme.

The cost of providing benefits under the defined benefit scheme is determined using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) based on actuarial advice. Past service costs are recognised in the profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occurs the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the income statement. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

The interest element of the defined benefit cost represents the change in present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest costs is recognised in the income statement as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service costs not yet recognised and less fair-value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published mid-price.

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

1.2. Accounting principles (continued)

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; attributable transaction costs are recognised in profit or loss as incurred. The fair value includes an allowance for debit/credit value adjustment in respect of both the Company and the derivative counterparty. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Share-based payments

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any service or performance condition (vesting conditions), other than market conditions.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition, which are treated as vesting irrespective of whether or not the market vesting condition or non-vesting condition is satisfied, provided that all other non-market vesting conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management’s best estimate of achievement or otherwise of non-market vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition or a non-vesting condition, be treated as vesting as described above. The movement is cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity. Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period.

In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Equity and reserves

Called-up share capital represents the nominal value of shares that have been issued.

Retained earnings include all current and prior period retained profits.

Adoption of new and revised standards

In addition to IFRS 15 and IFRS9, the following standards and interpretations have been adopted in the financial statements as they are mandatory for the year ended 31 December 2018:

	EU effective date Periods beginning on or after
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Clarifications of IFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2018
Transfers of Investment Property (Amendments to IAS 40)	1 January 2018
Annual Improvements to IFRS (2014-2016): Amendment to IFRS 1 and IAS 28)	1 January 2018

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

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

1.3 Impact of first time application of IFRS 15

The following tables present the impacts of the application of IFRS 15 on the Company's financial statements at 31 December 2017:

Impact on income statement

	As previously reported 2017 £000	IFRS 15 Impact £000	Restated 2017 £000
Revenue	36,634	579	37,213
Administrative expenses	(33,469)	(579)	(34,048)
Operating profit	<u>3,165</u>	<u>-</u>	<u>3,165</u>

Impact on balance sheet

	As previously reported 2017 £000	IFRS 15 Impact £000	Restated 2017 £000
Current assets			
Assets on contracts	-	3,191	3,191
Trade and other receivables	29,099	(3,191)	25,908
Work in progress	3,571	-	3,571
Cash and cash equivalents	29	-	29
	<u>32,699</u>	<u>-</u>	<u>32,699</u>
Current liabilities			
Liabilities on contracts	-	(1,662)	(1,662)
Trade and other payables	(35,700)	1,662	(34,038)
Corporation tax	(950)	-	(950)
Derivatives	(51)	-	(51)
	<u>(36,701)</u>	<u>-</u>	<u>(36,701)</u>

Notes to the financial statements

for the year ended 31 December 2018

2. Revenue

The activities of the Company during the year continued to be that of an advertising agency. 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:

	2018	Restated 2017
	£000	£000
United Kingdom	13,444	14,855
Europe	17,297	13,637
USA	11,003	8,699
Rest of the world	-	22
	<u>41,744</u>	<u>37,213</u>

3. Operating profit

This is stated after charging/(crediting):

	2018	2017
	£000	£000
Write-off of intercompany loan	(969)	-
Loss on transactions denominated in foreign currency	50	6
Depreciation of property, plant and equipment (see note 10)	296	374
Gain on disposal of investments	-	(2,148)
Loss on disposal of investments	-	4,630
Loss/(Gain) on disposal of property, plant and equipment	7	(6)
Staff costs (see note 5)	22,393	18,865
Auditor's remuneration (see note 4)	<u>56</u>	<u>61</u>

4. Auditor's remuneration

The remuneration of the auditor is further analysed as follows:

	2018	2017
	£000	£000
Audit of the financial statements	<u>56</u>	<u>61</u>

Notes to the financial statements

for the year ended 31 December 2018

5. Staff costs

The average monthly number of persons employed by the Company (including directors) during the year was as follows:

	2018 No.	2017 No.
Advertising staff	237	234
Administration staff	34	36
	<u>271</u>	<u>270</u>

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	18,704	15,923
Social security costs	3,048	2,444
Pension costs	641	498
	<u>22,393</u>	<u>18,865</u>

Included in total staff costs is £1,081,000 (2017: £437,000) in respect of directors' remuneration (see note 6) and a total credit for share-based payments of £167,000 (2017: £336,000 expense) arising from transactions accounted for as equity-settled share-based payment transactions (see note 20).

6. Directors' emoluments

The directors' emoluments were as follows:

	2018 £000	2017 £000
Emoluments	1,024	402
Company contributions to defined contribution pension schemes	57	35
	<u>1,081</u>	<u>437</u>

There were 2 directors who were members of a money purchase pension scheme during the year (2017: 2).

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

	2018 £000	2017 £000
Emoluments	757	402
Company contributions to defined contribution pension schemes	35	35
	<u>792</u>	<u>437</u>

The highest paid director exercised share options in the year of £nil (2017: £nil) and received shares under a long term incentive scheme.

Notes to the financial statements

for the year ended 31 December 2018

6. Directors' emoluments (continued)

Some of the directors of the Company are also directors of a number of subsidiaries of the ultimate parent undertaking. The directors do not believe that it is practicable to apportion the remuneration between remuneration as directors of the Company and their remuneration as directors of the fellow subsidiary companies. For those directors, the directors' remuneration is therefore disclosed in the accounts of the fellow subsidiaries that make the remuneration payments.

7. Interest receivable and similar income

	2018 £000	2017 £000
Interest received from group undertakings	31	2
	<u>31</u>	<u>2</u>

8. Interest payable and similar charges

	2018 £000	2017 £000
Interest payable relating to pension scheme	5	30
Interest payable to group undertakings	11	85
	<u>16</u>	<u>115</u>

9. Taxation

(a) Analysis of charge for the year

	2018 £000	2017 £000
<i>Current tax:</i>		
UK corporation tax	752	961
Overseas withholding tax	8	(15)
Prior year adjustment	-	15
Total current tax	<u>760</u>	<u>961</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	201	138
Rate change	(103)	12
Prior year adjustment	2	83
Total deferred tax activities (see note 9(c))	<u>100</u>	<u>233</u>
Tax on profit on ordinary activities (see note 9(b))	<u>860</u>	<u>1,194</u>

Notes to the financial statements

for the year ended 31 December 2018

9. Taxation (continued)

(b) Factors affecting current tax charge for the year:

The tax rate used for the reconciliation is the corporate tax rate of 19.00% (2017: 19.25%) payable by the Company in the UK on taxable profits under UK tax law.

	2018 £000	2017 £000
(Loss)/profit on ordinary activities before tax	(4,060)	3,052
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	(771)	588
<i>Effects of:</i>		
Expenses not deductible for tax purposes	45	543
Employee share options	(29)	(32)
Investment impairment	1,708	
Rate change	2	12
Tax underprovided in prior years	(103)	98
Withholding tax	8	(15)
Total tax (see note 9(a))	860	1,194

(c) Deferred tax

	Accelerated tax depreciation £000	Retirement benefit obligation £000	Other temporary differences £000	Total £000
As at 1 January 2017	277	343	73	693
Debit / (credit) to profit	5	(208)	65	(138)
Deferred tax in respect of prior years	(86)	3	-	(83)
Rate change	(17)	11	(6)	(12)
As at 31 December 2017	179	149	132	460
Debit / (credit) to profit	(22)	(157)	(22)	(201)
Deferred tax in respect of prior years	103	-	-	103
Rate change	(5)	8	(5)	(2)
As at 31 December 2018	255	-	105	360

Analysis of deferred tax balances for financial reporting purposes:

	2018 £000	2017 £000
Deferred tax assets	360	460

Notes to the financial statements

for the year ended 31 December 2018

10. Property, plant and equipment

	Furniture and equipment £000	Total £000
Cost:		
At 1 January 2018	1,717	1,717
Additions	199	199
Disposals	(181)	(181)
At 31 December 2018	<u>1,735</u>	<u>1,735</u>
Depreciation:		
At 1 January 2018	1,100	1,100
Charge for the year	296	296
Disposals	(174)	(174)
At 31 December 2018	<u>1,222</u>	<u>1,222</u>
Net book value:		
At 31 December 2018	<u>513</u>	<u>513</u>
At 1 January 2018	<u>617</u>	<u>617</u>

11. Intangible assets

	£000
Cost:	
At 1 January 2018	3,916
Additions	<u>5,072</u>
At 31 December 2018	8,988
Impairment:	
At 1 January	-
Impairment for the year	<u>8,988</u>
At 31 December 2018	8,988
Net book value:	
At 31 December 2018	<u>-</u>
At 1 January 2018	<u>3,916</u>

The brought forward goodwill represents the acquisition of the trade and assets of August Media Limited on 1 July 2017. The addition in the year relates to the earn out payments during the year. The goodwill was fully impaired during the year as a result of the impairment review performed.

Notes to the financial statements

for the year ended 31 December 2018

12. Investments

	Shares in group undertakings £000	Total £000
Cost		
Balance as at 1 January 2018	2,088	2,088
Balance as at 31 December 2018	2,088	2,088

The Company's investments in subsidiary undertakings are as follows as at 31 December 2018:

	<i>Activity</i>	<i>Country of incorporation</i>	<i>Class of shares</i>	<i>Percentage of shares held</i>
Poke London Limited	Advertising	England & Wales	Ordinary	100%
August Media Limited	Advertising	England & Wales	Ordinary	100%

13. Trade and other receivables

	2018 £000	Restated 2017 £000
Trade receivables	7,228	11,166
Amounts owed by group undertakings	17,329	13,430
Prepayments	356	602
Other debtors	138	710
	25,051	25,908

14. Trade and other payables - current

	2018 £000	Restated 2017 £000
Bank overdraft	362	-
Payments on account	6,157	6,573
Trade payables	1,591	1,692
Amounts owed to group undertakings	19,007	18,486
Other taxation and social security costs	1,235	886
Accruals	5,155	6,171
Other payables	604	230
	34,111	34,038

Notes to the financial statements

for the year ended 31 December 2018

15. Provisions

	2018 £000	2017 £000
Balance as at 1 January	48	-
Increase in provisions	19	443
Utilised during the year	(94)	(395)
Balance as at 31 December	<u>27</u>	<u>48</u>

The provision relates to severance payments provided for during the year.

16. Allotted and issued share capital

	2018 £000	2017 £000
<i>Allotted, called up and fully paid</i>		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>

17. Financial instruments

Categories of financial instruments held at fair value

	2018 £000	2017 £000
Financial assets at fair value through profit and loss		
Derivative instruments – Assets	<u>6</u>	<u>-</u>
	<u>6</u>	<u>-</u>
Financial liabilities at fair value through profit and loss		
Derivative instruments – Liabilities	<u>9</u>	<u>51</u>
	<u>9</u>	<u>51</u>

Notes to the financial statements

for the year ended 31 December 2018

17. 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 the financial instruments at fair value

	2018 £000	2017 £000
Financial assets at fair value through profit and loss		
Derivative instruments – Assets	5	7
	<u>5</u>	<u>7</u>
Financial liabilities at fair value through profit and loss		
Derivative instruments – Liabilities	(13)	(20)
	<u>(13)</u>	<u>(20)</u>

18. Defined benefit pension liability

The Company operates a defined benefit scheme in the UK. The scheme is funded by the payment of contributions to separately administered trust funds.

The valuation used has been based on the most recent actuarial valuation at 31 December 2015 and was updated by Aon Hewitt Limited to take into account the requirements of IAS 19 in order to assess the liabilities of the scheme at 31 December 2018 and 31 December 2017. 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.

The assets and liabilities of the scheme at 31 December are:

	2018 £000	2017 £000
Defined benefit scheme		
<i>Scheme assets at fair value</i>		
Bonds	22,552	22,794
Cash	702	1,162
Fair value of plan assets	23,254	23,956
Present value of funded obligations	(17,394)	(19,462)
Defined benefit pension plan surplus	5,860	4,494
Unrecognized asset due to asset ceiling	(5,860)	(4,494)
Adjustment in respect of minimum funding requirement	-	(826)
	<u>-</u>	<u>(826)</u>

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

Notes to the financial statements

for the year ended 31 December 2018

18. Defined benefit pension liability (continued)

The amounts recognised in the Statement of Comprehensive Income and in the Statement of Total Recognised Gains and Losses for the year are analysed as follows:

	2018	2017
	£000	£000
Recognised in the Income Statement		
Interest on obligation	5	30
Total recognised in the Income Statement	5	30
Taken to the Statement of Comprehensive Income	2018	2017
	£000	£000
Actual return less expected return on pension scheme assets	(886)	468
Experience gains arising on scheme liabilities	(25)	122
Changes in assumptions underlying the present value of scheme liabilities	1,062	92
Change in irrecoverable surplus, effect of limit in Para 64	(1,001)	(1,699)
Adjustment for minimum funding requirement (IFRIC 14)	847	1,120
	(3)	103

Principal actuarial assumptions at the balance sheet date:

	Defined benefit scheme	
	2018	2017
Rate of salary increases	-%	-%
Rate of increase in pensions in payment	3.20%	3.20%
Discount rate	2.85%	2.45%
Expected return on plan assets at 31 December		
Equities	2.85%	2.45%
Corporate bonds	2.85%	2.45%
Government bonds	2.85%	2.45%
Real Estate / Property	2.85%	2.45%
Cash	2.85%	2.45%
Overall expected return on plan assets at 31 December	2.85%	2.45%
Inflation assumption	2.10%	2.10%

The total contributions to the defined benefit plans in 2018 are expected to be £nil (2017: £834,000).

Notes to the financial statements

for the year ended 31 December 2018

18. Defined benefit pension liability (continued)

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

	2018 £000	2017 £000
As at 1 January	19,462	19,867
Interest cost	466	438
Actuarial gains and losses	(1,037)	(214)
Benefits paid	(1,497)	(629)
As at 31 December	<u>17,394</u>	<u>19,462</u>

The defined benefit obligation comprises £17,394,000 (2017: £19,462,000) arising from plans that are wholly or partly funded.

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

	2018 £000	2017 £000
As at 1 January	23,956	22,123
Expected return	(38)	1,451
Contributions by employer	833	1,011
Benefits paid	(1,497)	(629)
As at 31 December	<u>23,254</u>	<u>23,956</u>

The amount included in the balance sheet arising from the Company's obligation in respect of its defined benefit scheme is as follows:

	2018 £000	2017 £000
Present value of defined benefit obligations	(17,394)	(19,462)
Fair value of scheme assets	<u>23,254</u>	<u>23,956</u>
Defined benefit pension plan surplus	5,860	4,494
Unrecognized asset due to asset ceiling	(5,860)	(4,494)
Adjustment in respect of minimum funding requirement	-	(826)
	<u>-</u>	<u>(826)</u>

19. Share-based payments

The total expense recognised for share-based payments in respect of employee services received during the year to 31 December 2018 is a credit of £167,000 (2017: expense of £336,000). The credit recognised during the year to 31 December 2018 is largely due to performance conditions of schemes not being met; as such, cumulative expenses recognised up to 31 December 2017 and expenses during the year to 31 December 2018 are reversed. The total expense arose from equity-settled share-based payment transactions.

Notes to the financial statements

for the year ended 31 December 2018

19. Share-based payments (continued)

Long Term Incentive Plan (LTIP) 2018

Under this plan, the ultimate parent company, Publicis Groupe S.A. has awarded free shares to individuals within the Company under two conditions.

Firstly, employment must continue throughout the three-year vesting period. Furthermore, the free shares are subject to performance criteria, such that the total number of shares received will depend on the overall attainment of growth and profitability targets in 2018. 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 April 2021.

Long-Term Incentive Plan (LTIP) 2017

Under this plan, the ultimate parent company, Publicis Groupe S.A. has awarded free shares to individuals within the Company under two conditions.

Firstly, employment must continue throughout the three-year vesting period. Furthermore, the free shares are subject to performance criteria, such that the total number of shares received will depend on the overall attainment of growth and profitability targets in 2017. 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 May 2020.

Long Term Incentive Plan (LTIP) 2016

Under this plan, the ultimate parent company, Publicis Groupe S.A. has awarded free shares to individuals within the Company under two conditions.

Firstly, employment must continue throughout the three-year vesting period. Furthermore, the free shares are subject to performance criteria, such that the total number of shares received will depend on the overall attainment of growth and profitability targets in 2016. 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 June 2019.

Long Term Incentive Plan (LTIP) 2015

Under this plan, the ultimate parent company, Publicis Groupe S.A. has awarded free shares to individuals within the Company under two conditions.

First of all, the shares are subject to a condition of presence during the period of acquisition for a period of 4 years. The shares are also subject to criteria of additional performance, so that the total number of shares delivered will depend on the level of achievement of objectives of growth and profitability for the year 2015. The award, made in March 2015, will become effective in March 2019.

Long Term Incentive Plan (LTIP) 2014

Under this plan, the ultimate parent company, Publicis Groupe S.A. has awarded free shares to individuals within the Company under two conditions.

First of all, the shares are subject to a condition of presence during the period of acquisition for a period of 4 years. The shares are also subject to criteria of additional performance, so that the total number of shares delivered will depend on the level of achievement of objectives of growth and profitability for the year 2014. The award, made in March 2014, will become effective in March 2018.

Notes to the financial statements

for the year ended 31 December 2018

19. Share-based payments (continued)

The following table illustrates the number and weighted average exercise prices (WAEP) of share options exercised during the year.

	2018		2017	
	No	WAEP (£)	No	WAEP (£)
Outstanding at 1 January	20,350		32,385	
Granted	800		8,000	
Cancelled	(1,050)		-	
Exercised	(9,150)	63.87 ¹	(23,535)	24.50 ¹
Transfers	-		3,500	
Outstanding at 31 December	10,950	63.99	20,350	64.33

¹ The weighted average share price at the date of exercise for the options exercised is £63.87 (2017: £24.50)

The range of exercise prices for options outstanding at the end of the year was £59.84 - £67.27- (2017: £59.84 - £67.27).

For the share options outstanding as at 31 December 2018, the weighted average remaining contractual life is 1.76 years (2017: 1.76 years).

20. Related party transactions

The Company has taken advantage of the exemption under Financial Reporting Standard 8, "Related Party Disclosures", 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 2018 the Company had the following transactions with other subsidiaries of Publicis Groupe S.A that are not 100% owned.

Related Party	Creditors		Debtors		Services		Billings	
	2018	2017	2018	2017	2018	2017	2018	2017
	£000	£000	£000	£000	£000	£000	£000	£000
Publicis Bulgaria	-	-	-	-	2	-	-	-
Publicis Conseil S.A.	(39)	(35)	102	195	419	102	(573)	(211)
MMS Communications Vietname Company Ltd	-	-	13	13	-	-	-	-
Viva Tech	-	-	-	-	-	-	-	(30)
MMS Communication South Africa (Pty) Ltd	-	-	-	-	-	-	-	(11)

21. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is MMS UK Holdings Limited which is registered 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., which is incorporated in France. The consolidated accounts of this group may be obtained from the secretary at 133, Avenue des Champs-Élysées, 75008 Paris, France.