
Publicis Healthcare Communications Group Limited

Annual Report and Financial Statements

31 December 2018

Registered Number: 01072087



Directors

A Fins
N Colucci
P Chin

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
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Strategic report

Principal activity and review of the business

The principal activity of Publicis Healthcare Communications Group Limited ("the Company") continues to be the provision of marketing, public and professional relations and educational project services to the pharmaceutical industry, charitable bodies and governmental entities, and advertising services in the healthcare sector.

During the year the Company adopted IFRS 15 and IFRS 9 which became mandatory on 1 January 2018 and IFRS 16 which was early adopted in the year. 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	51,863	32,798	58%
Operating profit	6,605	3,020	119%
Profit/(Loss) after tax	4,254	(172,792)	(102%)
Shareholder's deficit	(172,228)	(176,317)	(2%)
Current assets as a % of current liabilities	7%	6%	1%
Average number of employees	280	190	47%

On 1 April 2018, Langland Advertising Design and Marketing Limited transferred its trade and assets to the Company, resulting in an increase in revenue of £11,668,000, and an increase in operating profits of £146,000.

On 1 May 2018, Medical Commercial Contracting Solutions Limited transferred its trade and assets to the Company, resulting in an increase in revenue of £382,000 and operating profits of £160,000. On 31 December 2018, the Company transferred its trade and assets in relation to 'Tardis', a trading division of the Company, to Tardis Medical Consultancy Limited, a fellow subsidiary of the ultimate parent undertaking.

Revenue has increased by 58% due to the impact of the transfers described above and also an increase in our advertising, medical education and PR activities. In these sets of agencies (PLBRS), the revenue grew by 34%.

Operating profits have increased by 119% mainly due to transfers of business, but as the revenue grew in our brands PLBRS, our profits grew significantly too in alignment of the revenue increase.

Profit after tax has increased due to the profit on disposal of the Tardis trading division and the prior year impairment of the investment in Shanghai Genedigi Brand Management Co. which was sold in April 2019.

Shareholder's deficit has decreased due to the profit after tax as noted above.

Current assets as a percentage of current liabilities has not moved significantly.

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 market place where margins are continually under pressure. However, the Company is well positioned to maintain its market share.

- **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.

Strategic report (continued)

Principal risks and uncertainties (continued)

- Financial instrument risks (continued)

- 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. 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, including the deferred consideration on acquisition of investment, 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



P Chin
Director

27 June 2019

Directors' report

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

Results and dividends

The Company recorded a profit after tax for the financial year of £4,254,000 (2017: £172,792,000 loss). No dividends were declared and 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.

Future developments

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

Directors

The directors who served during the year and thereafter are as listed on page 1.

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

No 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 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 financial statements.

On behalf of the board



P Chin
Director

27 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 Healthcare Communications Group Limited

Opinion

We have audited the financial statements of Publicis Healthcare Communications Group Limited (the 'company') for the year ended 31 December 2018 which comprise the Statement of Total 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 profit 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 Healthcare Communications Group 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 Healthcare Communications Group Limited (continued)

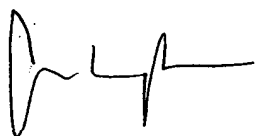
Auditor's responsibilities for the audit of the financial statements

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

Statement of total comprehensive income

for the year ended 31 December 2018

	Notes	Continuing 2018 £000	Discontinuing 2018 £000	Total 2018 £000	Restated 2017 £000
Revenue		39,439	12,424	51,863	32,798
Administrative expenses		(33,579)	(11,679)	(45,258)	(29,778)
Operating profit	3	5,860	745	6,605	3,020
Investment impairment	13	(1,347)	-	(1,347)	(210,609)
Goodwill impairment	14	(1,800)	-	(1,800)	-
Profit on disposal	7	3,043	-	3,043	-
Income from shares in group undertakings	7	1,100	-	1,100	40,860
Interest receivable and similar income	8	66	30	96	27
Interest payable and similar charges	9	(2,635)	(2)	(2,637)	(3,010)
Profit/(loss) on ordinary activities before taxation		4,287	773	5,060	(169,712)
Tax	10	(546)	(260)	(806)	(3,080)
Profit/(loss) for the financial year		3,741	513	4,254	(172,792)
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss) for the year		3,741	513	4,254	(172,792)

Balance sheet

at 31 December 2018

	Notes	2018 £000	Restated 2017 £000
Non-current assets			
Property, plant and equipment	12	812	208
Investment in subsidiaries	13	8,049	26,650
Goodwill	14	28,003	7,412
Right-of-use assets related to leases	11	2,294	-
Deferred tax asset	10	183	158
		<u>39,341</u>	<u>34,428</u>
Current assets			
Work in progress		311	714
Trade and other receivables	15	19,626	10,396
Assets on contracts		1,639	996
Derivatives - asset	19	1	115
Cash and cash equivalents		32	146
		<u>21,609</u>	<u>12,367</u>
Current liabilities			
Trade and other payables	16	(223,244)	(218,966)
Liabilities on contracts		(6,167)	(3,745)
Derivatives - liabilities	19	-	(113)
Short-term lease liabilities	11	(408)	-
Corporation tax		(1,454)	(288)
		<u>(231,273)</u>	<u>(223,112)</u>
Net current liabilities		<u>(209,664)</u>	<u>(210,745)</u>
Total assets less current liabilities		<u>(170,323)</u>	<u>(176,317)</u>
Non-current liabilities			
Long-term lease liabilities	11	(1,905)	-
		<u>(1,905)</u>	<u>-</u>
Net liabilities		<u>(172,228)</u>	<u>(176,317)</u>
Capital and reserves			
Called up share capital	17	140	140
Share premium		9	9
Capital reserve		10	10
Retained earnings		(172,387)	(176,476)
Total deficit		<u>(172,228)</u>	<u>(176,317)</u>

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



P Chin
Director

27 June 2019

Statement of changes in equity

for the year ended 31 December 2018

	Notes	Called up share capital £000	Share premium £000	Capital reserve £000	Retained earnings £000	Total Equity £000
At 1 January 2017		140	9	10	(3,843)	(3,684)
Loss for the financial year		-	-	-	(172,792)	(172,792)
Other comprehensive activity		-	-	-	-	-
Total comprehensive activity for the year		-	-	-	(172,792)	(172,792)
Share-based payment transactions	18	-	-	-	159	159
At 31 December 2017		140	9	10	(176,476)	(176,317)
Profit for the financial year		-	-	-	4,254	4,254
Other comprehensive income		-	-	-	-	-
Total comprehensive activity for the year		-	-	-	4,254	4,254
Share-based payment transactions	18	-	-	-	(165)	(165)
At 31 December 2018		140	9	10	(172,387)	(172,228)

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies

1.1. Basis of preparation

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 £996,000 has been 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 £3,745,000 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.

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

1.1. Basis of preparation (continued)

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

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.

Application of new standards and interpretations adopted early

IFRS 16 "Leases"

The Company has early adopted IFRS 16 "Lease Contracts" from 1 January 2018.

The Company has lease agreements in place in respect of office space, vehicles and equipment. Previously, each lease contract was qualified either as a finance lease, or as an operating lease, and accounted for accordingly. On application of IFRS 16, all lease contracts are now recognised as right-of-use assets with an amount recognised in lease liabilities corresponding to the discounted value of future payments. The lease term is defined on a contract-by-contract basis and corresponds to the firm period of the commitment taking into account any optional periods that are reasonably certain to be exercised.

The transition method applied consisted of recognising the cumulative effect of the initial application as an adjustment to opening equity, by considering that the right-of-use of the underlying asset is equal to the amount of the lease liability, adjusted by the amount of rent paid in advance as well as lease incentives received from the landlord and, where applicable, repair costs. The contractual rents corresponding to low unit value assets or to a short-term lease (less than 12 months) are recognised directly in expenses. In addition, the following practical expedients have been applied to the transition:

- contracts with a residual term of less than 12 months starting from 1 January 2018 are not accounted for as an asset and a debt;
- the discount rate applied as of the transition date is 1.4% and 1.7% which is based on the Group's marginal borrowing rate plus a spread to take into account the specific economic environment of the UK. The discount rate is determined with respect to the remaining terms of leases from the date of first-time application, namely January 1, 2018.

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 20. 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 financial statements.

Notes to the financial statements

for the year ended 31 December 2018

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 these financial statements, as permitted by FRS 101 paragraph 8:

- (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 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 38(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.

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 2018

1. Accounting policies (continued)

1.1. Basis of preparation (continued)

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 uncertainties 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;
- valuation of investments;
- impairment of goodwill;
- fair-value measurement of stock options awarded under Publicis Groupe S.A.'s stock option plans;

Detailed disclosures concerning these matters are provided in Notes 1.2, 12, 13 and 17.

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

1.2. 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 statement of comprehensive income. 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.

Income tax

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.

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Leases

Leases are recognised on the Balance sheet at the outset of the lease at the present value of future payments. These leases are recognised under "Lease liabilities", offset by "Right-of-use assets". They are amortised over the term of the lease, which is typically the fixed period of the lease unless there is a stated intention to renew or terminate. In the Income Statement, depreciation and amortisation expenses are recognised in the operating margin and interest expenses under net financial income (expenses).

Leases of low-value assets or short-term leases are immediately expensed in profit or loss.

Leases (applicable to 2017 comparative)

Rentals under operating leases are charged in the income statement on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term.

Dilapidations are provided for on leasehold properties where the terms of the lease require the Company to make good any changes made to the property during the period of the lease.

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:

Motor vehicles	–	4 years
Furniture and equipment	–	5 years
Leasehold improvements	–	over the shorter of the lease term and the useful life of the asset
Computer equipment	–	4 years

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)

Investment 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.

Investments are valued at the balance sheet date and adjusted for changes to the fair value where the deferred consideration is contingent on factors after the acquisition date.

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 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 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.

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.

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.

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Pensions

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

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 Group 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 Group acts as "Agent". Such advances are recorded under Trade payables.

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. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described in note 19.

Equity and reserves

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

Share premium represents the difference between the issue price and the nominal value of the shares issued.

Capital reserve represents the amount arising from the purchase of own share capital.

Retained earnings include all current and prior period retained profits.

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

1.2. Accounting principles (continued)

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 in 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.

Adoption of new and revised standards

In addition to IFRS 15 and IFRS 9, 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 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Clarifications of IFRS 15 ' <i>Revenue from Contracts with Customers</i> '	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 restatement due to first time application of IFRS 15 and IFRS 16

The following tables present the impacts of the application of IFRS 15 & IFRS 16 on the Company's financial statements at 31 December 2018:

IFRS 15

Impact on income statement

	As previously reported 2017 £000	IFRS 15 Impact £000	Restated 2017 £000
Revenue	27,330	5,468	32,798
Administrative expenses	(24,310)	(5,468)	(29,778)
Operating profit	3,020	-	3,020

Impact on balance sheet

	As previously reported 2017 £000	IFRS 15 Impact £000	Restated 2017 £000
Current assets			
Trade and other receivables ¹	11,392	(996)	10,396
Assets on contracts	-	996	996
Work in progress	714	-	714
Derivatives – assets	115	-	115
Cash and cash equivalents	146	-	146
	<u>12,367</u>	<u>-</u>	<u>12,367</u>
Current liabilities			
Trade and other payables ¹	(222,711)	3,745	(218,966)
Liabilities on contracts	-	(3,745)	(3,745)
Derivatives – liabilities	(113)	-	(113)
Corporation tax	(288)	-	(288)
	<u>(223,112)</u>	<u>-</u>	<u>(223,112)</u>

¹In the prior year derivatives were reported within trade and other receivables and trade and other payables. These amounts have been restated on the balance sheet. There is no impact on current assets and current payables.

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

1.3 Impact of restatement due to first time application of IFRS 15 and IFRS 16 (continued)

IFRS 16

The following tables present the impacts of the first application of IFRS 16 on the balance sheet:

	As reported 2018 £000	IFRS 16 Impact £000	Information with IAS 17 2018 £000
Total assets			
Property, plant and equipment	812	-	812
Derivatives - assets	1	-	1
Right-of-use assets related to leases	2,294	(2,294)	-
Goodwill	36,052	-	36,052
Deferred tax assets	183	(3)	180
Trade and other receivables	19,626	-	19,626
Assets on contracts	1,639	-	1,639
Work in progress	311	-	311
Cash and cash equivalents	32	-	32
	<u>60,950</u>	<u>(2,297)</u>	<u>58,653</u>
Total liabilities			
Trade and other payables	(223,244)	-	(223,244)
Liabilities on contracts	(6,167)	-	(6,167)
Corporation tax	(1,454)	-	(1,454)
Short-term lease liabilities	(408)	408	-
Long-term lease liabilities	(1,905)	1,905	-
	<u>(233,178)</u>	<u>2,313</u>	<u>(230,865)</u>

The impacts of the first application of IFRS 16 on the balance sheet are the following:

- the accounting of the right-of-use assets and lease liabilities;
- the reclassification of recognised assets and liabilities related to existing financing leases as of 1 January 2018;
- the reclassification of lease incentive benefits in reduction to the right-of-use assets;
- the reclassification of provisions for vacant space provision in reduction of the right-of-use assets;
- the reclassification of rents paid in advance in addition to the right-of-use assets;

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

1.3 Impact of restatement due to first time application of IFRS 15 and IFRS 16 (continued)

IFRS 16 (continued)

Impact on income statement

	As reported 2018 £000	IFRS 16 Impact £000	Information with IAS 17 2018 £000
Revenue	51,863	-	51,863
Administrative expenses	(45,258)	(22) ¹	(45,280)
Operating profit	6,605	(22)	6,583
Investment impairment	(1,347)	-	(1,347)
Goodwill impairment	(1,800)	-	(1,800)
Profit on disposal	3,043	-	3,043
Income from shares in group undertakings	1,100	-	1,100
Interest receivable and similar income	96	-	96
Interest payable and similar charges	(2,637)	42 ²	(2,595)
Profit on ordinary activities before taxation	5,060	20	5,080
Tax	(806)	4	(802)
Profit for the financial year	4,254	24	4,278

¹ The balance consists of the net depreciation charges on the right of use asset of £425k and the impact of reversal of rental changes under IAS 17 (£447k).

² This relates to interest charges on the lease liability.

Reconciliation of lease liabilities on the date of transition with off-balance sheet commitments at 31 December 2017

	£000
Commitments given under operating leases at 31 December 2017	-
Commitments arising on transfer of trade and assets	556
Effects of optional periods not factored into off-balance sheet commitments	2,299
Lease liabilities before discounting	2,855
Effects of discounting	(145)
Lease liabilities after discounting	2,710
Existing finance leases	-
Lease liabilities at 1 January 2018 after first-time application of IFRS 16	2,710

Vacant property provision valuations are made by discounting the rent payable, less income expected from sub-leasing and additionally include lease expenses and any taxes on vacant premises, where the premises are not intended for use as part of its main activities. Since 1 January 2018, in accordance with IFRS 16, only lease expenses and any taxes are included in vacant property provisions.

Notes to the financial statements

for the year ended 31 December 2018

2. Revenue

The activities of the Company during the year were principally related to the provision of marketing, public and professional relations and educational project services to the pharmaceutical industry, charitable bodies and governmental entities, and advertising services in the healthcare sector. The members 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	9,265	5,931
Europe	27,886	21,860
USA	14,267	4,343
Asia	445	585
Rest of the world	-	80
	<u>51,863</u>	<u>32,798</u>

3. Operating profit

The operating profit is stated after charging/(crediting):

	2018	2017
	£000	£000
(Gain)/Loss on transactions denominated in foreign currency	(105)	79
Depreciation of property, plant and equipment (see note 12)	240	118
Staff costs (see note 5)	25,090	16,947
Auditor's remuneration (see note 4)	<u>16</u>	<u>17</u>

4. Auditor's remuneration

The remuneration of the auditor is further analysed as follows:

	2018	2017
	£000	£000
Audit of the financial statements – Company	<u>16</u>	<u>17</u>

Notes to the financial statements

for the year ended 31 December 2018

5. Staff costs

	2018	2017
	£000	£000
Wages and salaries	22,329	15,078
Social security costs	1,968	1,401
Defined contribution pension scheme costs	793	468
	<u>25,090</u>	<u>16,947</u>

Included in total staff costs is £397,000 (2017: £nil) in respect of directors' remuneration and a total credit for share-based payments of £165,000 (2017: £159,000 expense) arising from transactions accounted for as equity-settled share-based payment transactions (see note 17).

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

	2018	2017
	No.	No.
Administration	51	38
Advertising Staff	229	152
	<u>280</u>	<u>190</u>

6. Directors' emoluments

The directors' emoluments were as follows:

	2018	2017
	£000	£000
Emoluments	373	-
Company contributions to defined contribution pension schemes	24	-
	<u>397</u>	<u>-</u>

There was 1 director who was a member of a money purchase pension scheme during the year (2017: none).

There were no directors who exercised share options during the year (2017: none).

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

	2018	2017
	£000	£000
Emoluments	373	-
Company contributions to defined contribution pension schemes	24	-
	<u>397</u>	<u>-</u>

Notes to the financial statements

for the year ended 31 December 2018

7. Income from shares in group undertakings and profit on disposal

	2018 £000	2017 £000
Dividends received from:		
Shanghai Genedigi Brand Management Co. Ltd	-	40,860
Medical Commercial Contracting Solutions Limited	1,100	-
	<u>1,100</u>	<u>-</u>
Profit on disposal of Tardis trading division	3,043	-
	<u>3,043</u>	<u>-</u>

8. Interest receivable and similar income

	2018 £000	2017 £000
Bank interest received	-	27
Intercompany interest receivable	96	-
	<u>96</u>	<u>-</u>

9. Interest payable and similar charges

	2018 £000	2017 £000
Intercompany interest payable	2,595	2,482
Interest on lease contracts	42	-
Unwinding of discount on deferred consideration	-	528
	<u>2,637</u>	<u>3,010</u>

10. Taxation

(a) Analysis of charge for year

	2018 £000	2017 £000
Current tax:		
Corporation tax	744	143
Other adjustments	-	2,971
Total current tax	<u>744</u>	<u>3,114</u>
Deferred tax:		
Origination & reversal of temporary difference	46	(25)
Adjustment in respect of previous periods	2	(17)
Rate change	18	8
Total deferred tax (see note 10(c))	<u>62</u>	<u>(34)</u>
Tax on profit/loss on ordinary activities (see note 10(b))	<u>806</u>	<u>3,080</u>

Notes to the financial statements

for the year ended 31 December 2018

10. Taxation (continued)

(b) Factors affecting tax charge for the year

The tax assessed on the profit/(loss) on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are reconciled below:

	2018 £000	2017 £000
Profit/(Loss) on ordinary activities before tax	5,060	(169,712)
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	961	(32,670)
Expenses not deductible for tax purposes	23	23
Share based payment	(5)	(13)
Investment impairment	21	40,644
UK dividend not taxable	(209)	(7,866)
Overseas withholding taxes	-	2,971
Adjustment in respect of previous periods	2	(17)
Rate change	14	8
Total tax (see note 10(a))	806	3,080

(c) Deferred taxation

	Accelerated tax depreciation £000	Other temporary differences £000	Total £000
As at January 2017	68	55	123
Debit/(credit) to profit or loss	(4)	29	25
Adjustment in respect to prior period	19	(2)	17
Rate change	(6)	(1)	(7)
As at December 2017	77	81	158
Debit/(credit) to profit or loss	(14)	(32)	(46)
Deferred tax in respect of prior year	(2)	-	(2)
Transfer from associated company	87	-	87
Rate change	(13)	(1)	(14)
As at December 2018	135	48	183

Analysis of deferred tax balances for financial reporting purposes:

	2018 £000	2017 £000
Deferred tax assets	183	158

(d) Factors that may affect future tax charges

The UK corporation tax rate has decreased from 20% to 19% from 1 April 2018 and will decrease further to 17% from 1 April 2020. As the rate changes were substantively enacted by the balance sheet date, the deferred tax balance has been calculated at a rate of 17%. These rate changes will also affect the amount of future cash payments made by the Company.

Notes to the financial statements

for the year ended 31 December 2018

11. Lease contracts

	Property £000	Total £000
At 31 December 2017	-	-
First application of IFRS 16 on 1 January 2018	2,712	2,710
Amortisation expense	(418)	(418)
At 31 December 2018	<u>2,294</u>	<u>2,292</u>

Analysis of maturities of lease liabilities:

	2018 £000	2017 £000
Not later than one year	408	-
After one year but not more than five years	1,905	-
	<u>2,312</u>	<u>-</u>

Notes to the financial statements

for the year ended 31 December 2018

12. Property, plant and equipment

	Motor vehicles £000	Leasehold improvements £000	Furniture and equipment £000	Computer equipment £000	Total £000
Cost:					
At 1 January 2018	-	342	182	697	1,221
Additions	-	64	305	-	369
Disposals	(29)	(3)	(11)	(208)	(251)
Transfers	29	1,577	512	235	2,353
At 31 December 2018	-	1,980	988	724	3,692
Depreciation:					
At 1 January 2018	-	328	158	527	1,013
Charge for the year	-	72	58	110	240
Disposals	(29)	(3)	(9)	(207)	(248)
Transfers	29	1,120	496	230	1,875
At 31 December 2018	-	1,517	703	660	2,880
Net book value:					
At 31 December 2018	-	463	285	64	812
At 31 December 2017	-	14	24	170	208

Notes to the financial statements

for the year ended 31 December 2018

13. Investment in subsidiaries

	£000
Cost:	
At 1 January 2018	237,260
Additions	31,787
Transferred to goodwill	(22,391)
Disposals	(237,260)
At 31 December 2018	9,396
Impairment:	
At 1 January 2018	210,610
Charge for the year	1,347
Disposals	(210,610)
At 31 December 2018	1,347
Net book value:	
At 31 December 2018	8,049
At 31 December 2017	26,650

The directors consider any need for impairment taking into consideration the group's assessment of goodwill and intangible assets, and 5 year forecasts into perpetuity in relation to the underlying investments.

On 1 April 2018, the Company acquired the entire issued share capital of Langland Advertising Design and Marketing Limited for a purchase price of £28,640,000, and immediately afterwards hived up the trade and assets of Langland Advertising Design and Marketing Limited in to the Company. Hybrid accounting using the principles of merger accounting has been applied to the transfer of trade and assets. The final investment carrying value represents the net assets of Langland Advertising Design and Marketing Limited at 31 December 2018.

On 30 April 2018, the Company acquired the entire issued share capital of Medical Commercial Contracting Solutions Limited for a purchase price of £3,146,626, and immediately afterwards hived up the trade and assets of Medical Commercial Contracting Solutions Limited in to the Company. Hybrid accounting using the principles of merger accounting has been applied to the transfer of trade and assets. Medical Commercial Contracting Solutions Limited subsequently paid a dividend to the Company, and the remaining investment carrying value has therefore been written down to nil at 31 December 2018 on the basis that the entity is not expected to trade in the future.

Shanghai Genedigi Brand Management Co. was sold on 13 April 2018 for consideration of £26,650,000.

The Company has investments in the following subsidiary undertakings at 31 December 2018:

<i>Name</i>	<i>Direct %</i>	<i>Country of Incorporation</i>	<i>Activities</i>
Intelligent Healthcare Limited	100	England and Wales	Dormant
Langland Advertising Design and Marketing Limited	100	England and Wales	Dormant
Medical Commercial Contracting Solutions Limited	100	England and Wales	Dormant

Notes to the financial statements

for the year ended 31 December 2018

14. Goodwill

	£000
Cost:	
At 1 January 2018	9,914
Transfer from investment	22,391
At 31 December 2018	32,305
Impairment:	
At 1 January 2018	2,502
Charge for the year	1,800
At 31 December 2018	4,302
Net book value:	
At 31 December 2018	28,003
At 31 December 2017	7,412

The addition to goodwill represents the acquisition of the trade and assets of Langland Advertising Design and Marketing Limited on 1 April 2018 and the acquisition of the trade and assets of Medical Commercial Contracting Solutions Limited on 30 April 2018. Hybrid accounting using the principles of merger accounting has been applied. The goodwill relating to Medical Commercial Contracting Solutions Limited has subsequently been impaired.

15. Trade and other receivables

	2018	Restated 2017
	£000	£000
Trade receivables	13,116	9,755
Amounts owed by group undertakings	6,212	359
Other receivables	34	251
Prepayments	264	31
	<u>19,626</u>	<u>10,396</u>

Notes to the financial statements

for the year ended 31 December 2018

16. Trade and other payables

	2018	Restated 2017
	£000	£000
Trade payables	723	525
Amounts owed to group undertakings	213,925	212,964
Other taxation and social security costs	773	328
Accruals	6,035	2,611
Other payables	1,493	246
Payments on account	125	776
Bank overdraft	170	1,516
	<u>223,244</u>	<u>218,966</u>

17. Allotted and issued share capital

	2018	2017
	£000	£000
<i>Allotted, called up and fully paid</i>		
139,510 redeemable ordinary shares of £1 each	<u>140</u>	<u>140</u>

18. Share based payments

The total credit recognised for share-based payments in respect of employee services received during the year to 31 December 2018 is £165,000 (2017: £159,000 expense). The credit recognised during the year to 31 December 2018 is largely due to performance conditions of the 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.

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 2018 have the following characteristics:

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.

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18. Share based payments (continued)

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.

Firstly, employment must continue throughout the four-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 2015. The award, made in 2015, will become effective in April 2019.

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.

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

	2018		2017	
	No	WAEP (£)	No	WAEP (£)
Outstanding at 1 January	8,850		23,600	
Granted	1,500		3,450	
Transferred from UK entity	375			
Exercised	(4,075)	64.08 ¹	(18,200)	20.70 ²
Outstanding at 31 December	6,650	62.65	8,850	64.22

¹ The weighted average share price at the date of exercise for the options exercised is £64.08.

² The weighted average share price at the date of exercise for the options exercised is £20.70.

For the share options outstanding as at 31 December 2018, the weighted average remaining contractual life is 1.07 years (2017: 1.59 years).

The range of exercise prices for options outstanding at the end of the year was £54.32 - £67.27 (2017: £59.84 - £67.27).

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19. 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 in to account credit risk.

Categories of financial instruments held at fair value

	2018 £000	2017 £000
Financial assets at fair value through profit and loss		
Derivative instruments – Assets	1	115
Total	<u>1</u>	<u>115</u>
Financial liabilities at fair value through profit and loss		
Derivative instruments – Liabilities	-	(113)
Total	<u>-</u>	<u>(113)</u>

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):

	2018 £000	2017 £000
Financial assets at fair value through profit and loss		
Derivative instruments – Assets	6	18
Total	<u>6</u>	<u>18</u>
Financial liabilities at fair value through profit and loss		
Derivative instruments – Liabilities	(7)	(371)
Total	<u>(7)</u>	<u>(371)</u>

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20. Related party transactions

The Company has taken advantage of the exemption under IAS 24, "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	<u>Payables</u>		<u>Receivables</u>		<u>Services</u>		<u>Billings</u>	
	2018	2017	2018	2017	2018	2017	2018	2017
	£000	£000	£000	£000	£000	£000	£000	£000
Publicis Conseil S.A.	(22)	(29)	-	32	-	15	-	7
Publicis Activ	-	(65)	-	-	28	65	-	-
Publicis Consultants I France	-	-	-	-	-	3	-	-
Leo Burnett Publicidade Ltda	(14)	(38)	-	-	15	27	-	-
Viva Tech	-	-	-	-	33	-	-	-
P.S US Health	-	-	-	-	264	-	-	-
Publicis Reputation	-	-	-	-	4	-	-	-

21. 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.