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# **Publicis Media Exchange Limited (previously Vivaki Limited)**

## **Annual Report and Financial Statements**

31 December 2018

Registered Number: 03423055



**Directors**

A Sayliss

S Frogley (appointed 29 August 2018)

G Boyle (appointed 29 August 2018)

**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 Media Exchange Limited (the "Company") altered during the year following the establishment of a UK digital centre of excellence team in the UK. This change resulted in clients being serviced by the Company, with related revenue and costs being recorded.

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

	2018 £000	2017 £000	Change %
Revenue	14,776	4	9,997%
Operating profit/(loss)	9,134	(1,256)	827%
Profit /(loss) after tax	7,411	(1,019)	827%
Shareholder's funds	24,848	17,522	42%
Current assets as a % of current liabilities	333%	272%	61%
Average number of employees	22	19	16%

Revenue has increased by 9,997% as a result of the company changing its operating model during the year.

Profit after tax has increased by 827% due to the changing operations as detailed above.

Current asset as a percentage of current liabilities has increased by 61% mainly due to the change in operating model noted above.

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.

- **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.

## Strategic Report (continued)

### Principal risks and uncertainties (continued)

- Exposure to market 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.

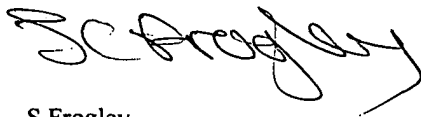
As regards intercompany loans/borrowings, these are subject to appropriate hedges if they present significant net exposures to exchange rate risk.

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



S Frogley  
Director

24 September 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 £7,411,000 (2017: £1,019,000 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 business and the profitability deriving there from.

### **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 group e-mails. Employees are consulted regularly on a wide range of matters affecting their current and future interests.

### **Disclosure of information to the auditor**

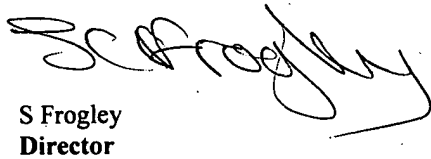
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make 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 has access to considerable financial resources together with long standing relationships with key clients and suppliers. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

On behalf of the Board



S Frogley  
Director

24 September 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.

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# **Independent auditor's report to the members of Publicis Media Exchange Limited**

## **Opinion**

We have audited the financial statements of Publicis Media Exchange 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 Media Exchange 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 Media Exchange Limited (continued)**

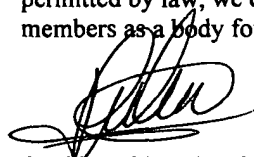
### **Auditor's responsibilities for the audit of the financial statements**

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](http://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.



David Herbinet (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

26 September 2019

## Statement of total comprehensive income

for the year ended 31 December 2018

	Notes	2018 £000	2017 £000
Revenue		14,776	4
Administrative expenses		(5,642)	(1,260)
<b>Operating profit/(loss)</b>	3	9,134	(1,256)
Interest receivable and similar income	7	4	2
Interest payable and similar charges	8	(7)	(2)
<b>Profit/(loss) on ordinary activities before taxation</b>		9,131	(1,256)
Tax	9	(1,720)	237
<b>Profit/(loss) for the financial year</b>		7,411	(1,019)
Other comprehensive income		-	-
<b>Total comprehensive income/(loss) for the financial year</b>		7,411	(1,019)

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

**Balance sheet**

at 31 December 2018

	Notes	2018 £000	2017 £000
<b>Non-current assets</b>			
Deferred tax asset	9	3	17
Property, plant and equipment	10	28	50
		31	67
<b>Current assets</b>			
Work in progress		29	1,180
Trade and other receivables	11	34,694	25,664
Assets on contracts		685	-
Corporation tax		-	760
Derivatives	13	82	-
		35,490	27,604
<b>Current liabilities</b>			
Trade and other payables	12	(8,956)	(10,149)
Corporation tax		(1,717)	-
		(10,673)	(10,149)
<b>Net current assets</b>		24,817	17,455
<b>Total assets less current liabilities</b>		24,848	17,522
<b>Capital and reserves</b>			
Called up share capital	14	23,100	23,100
Share premium		20,757	20,757
Retained earnings		(19,009)	(26,335)
<b>Total equity</b>		24,848	17,522

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



S Frogley  
Director

24 September 2019

## Statement of changes in equity

for the year ended 31 December 2018

	Called up share capital £000	Share premium £000	Retained earnings £000	Total Equity £000
<b>At 1 January 2017</b>	23,100	20,757	(25,399)	18,458
Loss for the financial year	-	-	(1,020)	(1,020)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss for the year</b>	-	-	(1,020)	(1,020)
Share-based payment transactions	-	-	83	83
<b>At 31 December 2017</b>	23,100	20,757	(26,335)	17,522
Profit for the financial year	-	-	7,411	7,411
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	7,411	7,411
Share-based payment transactions	-	-	(85)	(85)
<b>At 31 December 2018</b>	23,100	20,757	(19,009)	24,848

## 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. There are no restatements relating to the first application of IFRS 15.

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, no amount 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, no amount 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)

#### 1.1. Basis of preparation (continued)

##### *Going concern*

The Company has access to considerable financial resources together with long standing relationships with key clients and suppliers. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. 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 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 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));
- (iv) The requirements of IAS 1 'Presentation of Financial Statements' paragraph 16, the requirement to make an explicit and unreserved statement of compliance with IFRS;
- (v) The requirements of IAS 1 'Presentation of Financial Statements' paragraphs 38A to 40D relating to disclosures of comparative information;
- (vi) 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 the requirements 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;
- 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, and 15.

#### 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 media space bought on behalf of the clients and 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 media services, the transaction price generally covers strategic media planning services as well as media buying. In these contracts, we consider that these two groups of services are separate performance obligations and the transaction price is allocated on the basis of the employees assigned to these services.



## Notes to the financial statements

for the year ended 31 December 2018

### 1. Accounting policies (continued)

#### 1.2. Accounting principles (continued)

##### Revenue recognition (continued)

The Company also receives volume rebates from suppliers on transactions carried out on behalf of clients. These rebates are either remitted to clients based on contractual terms or local laws, or retained by the Company. The portion paid back to clients is recognised under liabilities and the portion retained is typically recognised under revenue when the media is broadcast, if a contract exists with the media vendor and we anticipate exceeding volume criteria.

##### *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)

##### 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.

##### 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:

Office equipment and furniture	–	4 to 6 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.

##### 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 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.

## Notes to the financial statements

for the year ended 31 December 2018

### 1. Accounting policies (continued)

#### 1.2. Accounting principles (continued)

##### Contract assets

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

##### Trade and other payables

This line item includes all operating payables (including notes payable and accrued supplier invoices) related to the purchase of goods and services including those related to media buying where the Company acts as agent. 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.

##### 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.

Retained earnings include all current and prior period retained profits.

##### 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, 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.

## Notes to the financial statements

for the year ended 31 December 2018

### 1. Accounting policies (continued)

#### 1.2. Accounting principles (continued)

##### Share based payments (continued)

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.

##### Financial liabilities carried at fair value

###### *Derivative financial instruments, including hedge accounting*

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

On initial designation of the hedge, the Group 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 Group 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 13.

##### Adoption of new and revised standards

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
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
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

### 2. Revenue

The activities of the Company during the year were principally related to the provision of specialist digital media services. The £14.7m increase in revenue is a result of the company establishing a UK digital centre of excellence during the year, with resultant revenues being generated via the group entities that hold the client relationships.

An analysis of revenue by geographical market is given below:

	2018 £000	2017 £000
United Kingdom	-	3
Europe	14,776	1
USA	-	-
	<u>14,776</u>	<u>4</u>

### 3. Operating (profit)/loss

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

	2018 £000	2017 £000
Loss/(gain) on transactions denominated in foreign currency	3	(12)
Depreciation of property, plant and equipment (see note 10)	22	21
Staff costs (see note 5)	-	1,055
Auditor's remuneration (see note 4)	<u>7</u>	<u>8</u>

### 4. Auditor's remuneration

The remuneration of the auditor is further analysed as follows:

	2018 £000	2017 £000
Audit of the financial statements – Company	<u>7</u>	<u>8</u>

## Notes to the financial statements

for the year ended 31 December 2018

**5. Staff costs**

The increase in staff costs can be directly linked to the change in the operating model. Staff costs are no longer recharged to group entities in 2018 as the revenue is earned through the establishment of the UK digital centre of excellence.

	2018 £000	2017 £000
Wages and salaries	5,560	779
Social security costs	219	248
Pension costs	53	31
	<u>5,832</u>	<u>1,055</u>

Included in total staff costs is £nil (2017: £nil) in respect of directors' remuneration (see note 6) and a total credit for share-based payments of £85,000 (2017: expense of £83,000) arising from transactions accounted for as equity-settled share-based payment transactions (see note 14).

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

	2018 No.	2017 No.
Advertising	20	14
Administrative	2	5
	<u>22</u>	<u>19</u>

**6. Directors' remuneration**

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. 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	<u>4</u>	<u>2</u>

# Notes to the financial statements

for the year ended 31 December 2018

## 8. Interest payable and similar charges

	2018 £000	2017 £000
Intercompany interest payable	<u>7</u>	<u>2</u>

## 9. Taxation

### (a) Analysis of charge for year

	2018 £000	2017 £000
Current tax:		
Corporation tax	1,706	(220)
Other tax adjustments	-	-
Total current tax	<u>1,706</u>	<u>(220)</u>
Deferred tax:		
Origination and reversal of temporary difference	14	(17)
Rate change	(1)	-
Adjustment in respect of previous periods	1	-
Total deferred tax (see note 9(c))	<u>14</u>	<u>(17)</u>
Tax on loss on ordinary activities (see note 9(b))	<u>1,720</u>	<u>(259)</u>

### (b) Factors affecting tax charge for the year

The tax assessed on the 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
Loss on ordinary activities before tax	<u>9,131</u>	<u>(1,256)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	1,735	(242)
Expenses not deductible for tax purposes	(15)	5
Other tax adjustments	-	-
Rate change	1	-
Tax underprovided in prior years	(1)	-
Total tax (see note 9(a))	<u>1,720</u>	<u>(237)</u>

## Notes to the financial statements

for the year ended 31 December 2018

### 9. Taxation (continued)

#### (c) Deferred taxation

	Accelerated tax depreciation £000	Other temporary differences £000	Total £000
As at January 2017	-	-	-
Credit to statement of comprehensive income	-	17	17
As at December 2017	-	17	17
Debit/(credit) to profit or loss	2	(16)	(14)
Deferred tax in respect of prior year	1	-	1
Rate change	-	(1)	(1)
As at December 2018	3	-	3

Analysis of deferred tax balances for financial reporting purposes:

	2018 £000	2017 £000
Deferred tax assets	3	17

At the balance sheet date, the Company has unused tax losses of £nil (2017: £nil) available for offset against future profits. There are no deferred tax assets recognised for the unused tax losses.

#### (d) Factors that may affect future tax charges

The UK corporation tax rate was decreased from 20% to 19% from 1 April 2017 and will decrease further to 17% from 1 April 2020. As the rate changes were enacted by the balance sheet date, the deferred tax balance has been calculated at 17%. These rate changes will also affect the amount of future cash payments made by the Company.

### 10. Property, plant and equipment

	Furniture and equipment £000	Total £000
<b>Cost:</b>		
At 1 January 2018	95	95
Additions	-	-
At 31 December 2018	95	95
<b>Depreciation:</b>		
At 1 January 2018	(45)	(45)
Charge for the year	(22)	(22)
At 31 December 2018	(67)	(67)
<b>Net book value:</b>		
At 31 December 2018	28	28
At 31 December 2017	50	50



## Notes to the financial statements

for the year ended 31 December 2018

### 11. Trade and other receivables

	2018 £000	2017 £000
Trade receivables	4,282	3,033
Amounts owed by group undertakings	30,339	21,502
Other receivables	11	3
Prepayments and accrued income	62	1,126
	<u>34,694</u>	<u>25,664</u>

### 12. Trade and other payables

	2018 £000	2017 £000
Prebilling	-	163
Trade payables	5,547	6,789
Amounts owed to group undertakings	2,102	1,571
Other taxation and social security costs	632	449
Accruals and deferred income	422	668
Other payables	253	509
	<u>8,956</u>	<u>10,149</u>

### 13. 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
<b>Financial liabilities at fair value through profit and loss</b>		
Derivative instruments – Assets	<u>82</u>	<u>-</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
<b>Financial liabilities at fair value through profit and loss</b>		
Derivative instruments – Liabilities	<u>9</u>	<u>3</u>

## Notes to the financial statements

for the year ended 31 December 2018

### 14. Allotted and issued share capital

	2018 £000	2017 £000
<i>Allotted, called up and fully paid</i>		
11,550,002 Ordinary "A" shares at £1 each	11,550	11,550
11,550,002 Ordinary "B" shares at £1 each	11,550	11,550

All of the A shares and B shares are owned by MMS UK Holdings Limited, a company registered in England and Wales.

### 15. 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 £85,000 (2017: expense of £82,000). 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 credit/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) 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 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 June 2019.

#### Long Term Incentive Plan (LTIP) 2015

Under this plan, the ultimate parent company, Publicis Groupe S.A. has awarded 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.

#### 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.

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.

## Notes to the financial statements

for the year ended 31 December 2018

### 15. Share based payments (continued)

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	3,925	-	6,400	-
Granted	-	-	-	-
Cancelled	(350)	-	-	-
Exercised	(1,400)	63.48 <sup>1</sup>	(2,475)	55.28 <sup>1</sup>
Outstanding at 31 December	2,175	64.83	3,925	63.90

<sup>1</sup> The weighted average share price at the date of exercise for the options exercised is £63.48 (2017: £55.28).

For the share options outstanding as at 31 December 2018, the weighted average remaining contractual life is 0.41 years (2017: 1.33 years).

The range of exercise prices for options outstanding at the end of the year was £64.83 (2017: £59.84 to £67.27).

### 16. 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	Payables		Receivables		Services		Billings	
	2018	2017	2018	2017	2018	2017	2018	2017
	£000	£000	£000	£000	£000	£000	£000	£000
Walker Media Limited	-	1,039	608	-	-	2,477	1,691	-

### 17. 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.