

CNC - Communications & Network Consulting Limited

Annual Report and Financial Statements

31 December 2016

Registered Number: 04131534

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COMPANIES HOUSE

Directors

R Campbell	
P Dumouchel	(appointed 29 November, 2016)
G Herbette	(appointed 29 November, 2016)
R Johansson	(resigned 31 March, 2016)
A Kempe	(resigned 11 January, 2016)

Secretaries

J Munis	
N Raj	(appointed 7 June, 2017)
R Basran	(resigned 18 January, 2017)

Auditor

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

Registered Office

Pembroke Building
Kensington Village
Avonmore Road
London
W14 8DG

Strategic Report

Principal activity and review of the business

The principal activity of the Company continues to be corporate and financial communication consulting and support.

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

	2016 £000	2015 £000	Change %
Revenue	9,449	6,919	37%
Operating profit	1,799	775	132%
Profit after tax	1,343	557	141%
Shareholder's funds	3,531	2,324	52%
Current assets as a % of current liabilities	82%	68%	14%
Average number of employees	46	42	10%

Revenue has increased by 37% mainly as a result of acquiring new clients and building up our accounts with existing clients.

Profit after tax has increased by 163% due to the increase in revenue whilst operating costs have increased at a lower rate due to a significant increase in productivity.

Shareholder's funds increased by 64% due to the reasons listed above.

Current assets as a percentage of current liabilities has increased by 14% mainly due to the settlement of balance owed to the Parent company. Assets increased due to the reasons listed above.

The total average number of employees has increased by 10% compared to the prior year due to the increase in revenue.

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)

- Exposure to liquidity, cash flow and credit risk

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

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

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

- Exposure to foreign exchange risk

Foreign exchange risk is the risk arising from purchases and sales of goods or services denominated in foreign currencies. The majority of our commercial dealings are done in the local currencies of the countries in which they are transacted. As a result, exchange rate risk relating to such transactions is not very significant and is occasionally hedged through currency hedging agreements.

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

Derivatives used are generally forward currency contracts or currency swaps.

On behalf of the board



R Campbell
Director

10th July 2017

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2016.

Results and dividends

The Company recorded a profit after tax for the financial year of £1,343,000 (2015: £557,000). No dividends were declared and paid during the year (2015: 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.

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.

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 enquires, 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



R Campbell
Director

10th July 2017

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 CNC - Communications & Network Consulting Limited

We have audited the financial statements of CNC - Communications & Network Consulting Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and the related notes. 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'.

Respective responsibilities of directors and auditors

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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion 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 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.

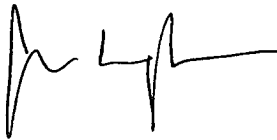
Independent auditor's report to the members of CNC - Communications & Network Consulting Limited (continued)

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 where 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.



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

17th July 2017

Statement of comprehensive income

for the year ended 31 December 2016

	Note	2016 £000	2015 £000
Billings¹		<u>10,287</u>	<u>8,553</u>
Revenue	2	9,449	6,919
Administrative expenses		<u>(7,650)</u>	<u>(6,144)</u>
Operating profit	3	1,799	775
Interest receivable and similar income	7	6	4
Interest payable and similar charges	8	<u>(1)</u>	<u>(2)</u>
Profit on ordinary activities before taxation		1,804	777
Tax	9	<u>(461)</u>	<u>(220)</u>
Profit for the financial year		1,343	557
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the financial year		<u>1,343</u>	<u>557</u>

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

¹Billings is a management alternative performance measure and comprises the gross amounts billed to clients in respect of commission-based/fee-based income together with the total of other fees earned and recharge of third party costs.

Statement of comprehensive income

for the year ended 31 December 2016

	Note	2016 £000	2015 £000
Billings¹		<u>10,287</u>	<u>8,553</u>
Revenue	2	9,449	6,919
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Tax	9	<u>(461)</u>	<u>(220)</u>
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Other comprehensive income		-	-
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The Company's revenue and operating profit all relate to continuing operations.

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Balance sheet

at 31 December 2016

	Notes	2016 £000	2015 £000
Non-current assets			
Property, plant and equipment	10	110	33
Intangible assets	11	2,246	2,567
Investment in subsidiaries	12	2,155	2,278
Deferred tax asset	9	16	16
		<u>4,527</u>	<u>4,894</u>
Current assets			
Trade and other receivables	13	4,663	5,410
Work in progress		3	-
Cash and cash equivalents		11	90
		<u>4,677</u>	<u>5,500</u>
Current liabilities			
Trade and other payables	14	(5,009)	(7,840)
Corporation tax		(664)	(230)
		<u>(5,673)</u>	<u>(8,070)</u>
Net current liabilities		<u>(996)</u>	<u>(2,570)</u>
Total assets less current liabilities		<u>3,531</u>	<u>2,324</u>
Net assets		<u>3,531</u>	<u>2,324</u>
Capital and reserves			
Called up share capital	15	-	-
Share premium		85	85
Other reserve (Translation Reserve)		(143)	-
Retained earnings		3,589	2,239
Total equity		<u>3,531</u>	<u>2,324</u>

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



R Campbell
Director

10th July 2017

Statement of changes in equity

for the year ended 31 December 2016

	Called up share capital £000	Share premium £000	Other Reserve £000	Retained earnings £000	Total Equity £000
At 1 January 2015	-	85	-	1,676	1,761
Profit for the financial year	-	-	-	557	557
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	557	557
Share-based payment transactions	-	-	-	6	6
At 31 December 2015	-	85	-	2,239	2,324
Profit for the financial year	-	-	-	1,343	1,343
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	1,343	1,343
Translation reserve	-	-	(143)	-	(143)
Share-based payment transaction	-	-	-	7	7
At 31 December 2016	-	85	(143)	3,589	3,531

Notes to the financial statements

for the year ended 31 December 2016

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.

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 risk 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;

Notes to the financial statements

for the year ended 31 December 2016

1. Accounting policies (continued)

- (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 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.

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;
- impairment of investments;

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

Notes to the financial statements

for the year ended 31 December 2016

1. Accounting policies (continued)

1.2. Accounting principles

Revenue Recognition

A written agreement with clients (purchase order, letter, contract, etc.) indicating the nature and the amount of the work to be performed is required for the recognition of revenue. The Company's revenue recognition policies are summarised below:

- project-based arrangements: revenue is recognised in the accounting period in which the service is rendered;
- fixed-fees: revenue is recognised on a straight-line basis, which reflects the nature and the scope of the services rendered;
- time-based fees: revenue is recognised on the basis of work done; and
- fees based on performance criteria: revenue is recognised when the performance criteria have been met and the customer has confirmed its agreement.

In most of its transactions, the Company acts as an agent for its clients. For these transactions, the Company recognises the net amount earned, and any expenses incurred with third-party suppliers are excluded from revenue. In certain instances, the Company acts as the principal. In these circumstances, the Company recognises the gross amount invoiced as revenue.

Billings

Billings represent amounts billed to clients during the year, excluding advanced billings, and is stated net of allowances, VAT and other sales related taxes.

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.

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.

Leases

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.

Notes to the financial statements

for the year ended 31 December 2016

1. Accounting policies (continued)

1.2. Accounting principles (continued)

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:

Computer equipment	– 4 years
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Residual value is calculated on prices prevailing at the date of acquisition. 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 tangible fixed assets 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.

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.

Intangible assets

Intangible assets that is recorded in the balance sheet is 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 Groupe 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 income statement and against the investment.

Notes to the financial statements

for the year ended 31 December 2016

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Work in Progress

This mainly includes work in progress linked to our advertising business, i.e. the technical work involved in the creation and production of advertisements for print, TV, radio, publishing, etc. for which the client is ultimately liable but has not yet been invoiced. They are recognised on the basis of costs incurred and a provision is recorded when their net realisable amount is lower than cost. Un-billable work or costs incurred relating to new client development activities are not recognised as assets, except for tendering expenses which may be re-invoiced to the client under the terms of the contract. In order to assess the net realisable amount work in progress is reviewed on a case-by-case basis and written down, if appropriate, on the basis of criteria such as the existence of commercial disputes with the client.

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. 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 Group'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.

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.

Equity and reserves

Share capital represents the nominal value of shares that have been issued.

Retained earnings include all current and prior period retained profits.

Notes to the financial statements

for the year ended 31 December 2016

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 and performance (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

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

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

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

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

Notes to the financial statements

for the year ended 31 December 2016

1. Accounting policies (continued)

1.2. Accounting principles (continued)

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 2016:

	EU effective date Periods beginning on or after
IAS 1 (amendment) Presentation of Financial Statements	1 January 2016
IAS 16 (amendment) Property, Plant and Equipment and IAS 38 (amendment) Intangible Assets	1 January 2016
IAS 16 (amendment) Property, Plant and Equipment and IAS 41 (amendment) Agriculture – Agriculture: Bearer plants	1 January 2016
IAS 19 (amendment) Employee Benefits	1 February 2015
IAS 27 (amendment) Separate Financial Statements	1 January 2016
IFRS 10 (amendment) Consolidated Financial Statements, IFRS 12 (amendment) Disclosures of Interests in Other Entities and IAS 28 (amendment) Investments in Associates and Joint Ventures	1 January 2016
IFRS 11 (amendment) Joint Arrangements	1 January 2016
Annual Improvements to IFRS (2010 - 2012)	1 February 2015
Annual Improvements to IFRS (2012 - 2014)	1 January 2016

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 2016

2. Revenue

The activities of the Company during the year were principally related to the principal activity of corporate and financial communication, consulting and support. 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:

	2016 £000	2015 £000
United Kingdom	4,536	2,063
Europe	4,819	3,273
USA	-	993
Asia	-	331
Rest of the World	94	259
	<u>9,449</u>	<u>6,919</u>

3. Operating profit

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

	2016 £000	2015 £000
(Gain)/loss on transactions denominated in foreign currency	(15)	196
Depreciation of property, plant and equipment (see note 10)	43	18
Amortisation of intangibles (see note 11)	321	321
Operating leases – other	4	16
Impairment on investments	123	-s
Staff costs (see note 5)	5,396	3,814
Auditor's remuneration (see note 4)	<u>12</u>	<u>12</u>

4. Auditor's remuneration

The remuneration of the auditor is further analysed as follows:

	2016 £000	2015 £000
Audit of the financial statements – Company	<u>12</u>	<u>12</u>

Notes to the financial statements

for the year ended 31 December 2016

5. Staff costs

	2016 £000	2015 £000
Wages and salaries	4,794	3,252
Social security costs	441	407
Defined contribution pension scheme costs (see note 17)	161	155
	<u>5,396</u>	<u>3,814</u>

Included in total staff costs is £342,000 (2015: £220,000) in respect of directors' emoluments (see note 6) and a total expense for share-based payments of £7,000 (2015: £6,000) arising from transactions accounted for as equity-settled share-based payment transactions (see note 16).

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

	2016 No.	2015 No.
Client services	37	33
Finance	3	3
General administration	6	6
	<u>46</u>	<u>42</u>

6. Directors' emoluments

The directors' emoluments were as follows:

	2016 £000	2015 £000
Emoluments	322	200
Company contributions to money purchased contribution pension schemes	20	20
	<u>342</u>	<u>220</u>

There was 1 director who was a member of a money purchase pension scheme during the year (2015: 1).

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

	2016 £000	2015 £000
Emoluments	322	200
Company contributions to money purchased contribution pension schemes	20	20
	<u>342</u>	<u>220</u>

Notes to the financial statements

for the year ended 31 December 2016

7. Interest receivable and similar income

	2016 £000	2015 £000
Intercompany interest receivable	<u>6</u>	<u>4</u>

8. Interest payable and similar charges

	2016 £000	2015 £000
Intercompany interest payable	<u>1</u>	<u>2</u>

9. Taxation

(a) Analysis of charge for year

	2016 £000	2015 £000
Current tax:		
Corporation tax	460	229
Other adjustments	1	-
Adjustment in respect of previous periods	-	(6)
Total current tax	<u>461</u>	<u>223</u>
Deferred tax:		
Origination & reversal of temporary difference	2	(3)
Adjustment in respect of previous periods	(3)	-
Rate change	1	-
Total deferred tax (see note 9(c))	<u>-</u>	<u>(3)</u>
Tax on profit on ordinary activities (see note 9(b))	<u>461</u>	<u>220</u>

Notes to the financial statements

for the year ended 31 December 2016

9. Taxation (continued)

(b) Factors affecting tax charge for the year

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%). The differences are reconciled below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	1,804	777
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	361	158
Expenses not deductible for tax purposes	11	3
Share based payments	1	-
Effects of changes in tax rates	1	-
Goodwill amortisation	64	65
Adjustment in respect of previous periods	(2)	(6)
Investment impairment	25	-
Total tax (see note 9(a))	461	220

(c) Deferred taxation

	Accelerated tax depreciation £000	Other temporary differences £000	Total £000
As at January 2015	11	2	13
Debit/(credit) to profit or loss	5	(2)	3
As at December 2015	16	-	16
Credit to profit	(2)	-	(2)
Deferred tax in respect of prior year	3	-	3
Rate change	(1)	-	(1)
As at December 2016	16	-	16

Notes to the financial statements

for the year ended 31 December 2016

9. Taxation (continued)

(c) Deferred taxation (continued)

Analysis of deferred tax balances for financial reporting purposes:

	2016 £000	2015 £000
Deferred tax assets	<u>16</u>	<u>16</u>

(d) Factors that may affect future tax charges

The UK corporation tax rate will decrease from 20% to 19% from 1 April 2017 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 an average rate of 18.5%. These rate changes will also affect the amount of future cash payments made by the Company.

10. Property, plant and equipment

	Computer equipment & software £000	Total £000
Cost:		
At 1 January 2016	67	67
Additions	135	135
Disposal	(45)	(45)
At 31 December 2016	<u>157</u>	<u>157</u>
Depreciation:		
At 1 January 2016	34	34
Charge for the year	43	43
Disposal	(30)	(30)
At 31 December 2016	<u>47</u>	<u>47</u>
Net book value:		
At 31 December 2016	<u>110</u>	<u>110</u>
At 31 December 2015	<u>33</u>	<u>33</u>

Notes to the financial statements

for the year ended 31 December 2016

11. Intangible assets

	Intangible assets £000	Total £000
Cost:		
At 1 January 2016	2,888	2,888
At 31 December 2016	2,888	2,888
Depreciation:		
At 1 January 2016	321	321
Charge for the year	321	321
At 31 December 2016	642	642
Net book value:		
At 31 December 2016	2,246	2,246
At 31 December 2015	2,567	2,567

Communications & Network Consulting (UK) Limited ("CNC UK") and CNC – Communications & Network Consulting Limited merged on January 1, 2015. The Transfer of Trade and Assets from CNC UK to CNC gave rise to an intangible asset, recognised and directly related to the brand "Communications & Network Consulting" and is amortised over its useful economic life of 9 years.

12. Investment in subsidiaries

	CNC £000	Dubai £000	Total £000
Cost:			
At 1 January 2016	1,631	647	2,278
Fair value adjustment/Translation	-	-	-
At 31 December 2016	1,631	647	2,278
Impairment:			
At 1 January 2016	-	-	-
Charge for the year	123	-	123
At 31 December 2016	123	-	123
Net book value:			
At 31 December 2016	1,508	647	2,155
At 31 December 2015	1,631	647	2,278

Notes to the financial statements

for the year ended 31 December 2016

12. Investment in subsidiaries (continued)

The directors consider any need for impairment taking into consideration 5 year forecasts into perpetuity in relation to the underlying investments.

The Company has investments in the following subsidiary undertakings:

<i>Name</i>	<i>Direct %</i>	<i>Country of Incorporation</i>	<i>Activities</i>
Capital MSL FZ-LLC	100	Dubai, UAE	Public relations
CNC Communications & Network Consulting (UK) Limited	100	UK	Public relations

13. Trade and other receivables

	2016 £000	2015 £000
Trade receivables	1,597	932
Amounts owed by group undertakings	2,301	3,972
Other receivables	65	70
Prepayments and accrued income	700	436
	<u>4,663</u>	<u>5,410</u>

14. Trade and other payables

	2016 £000	2015 £000
Bank overdraft	67	-
Trade payables	116	97
Amounts owed to group undertakings	2,594	7,052
Other taxation and social security costs	345	128
Accruals and deferred income	1,742	408
Other payables	131	127
Derivatives	14	-
Payments on account	-	28
	<u>5,009</u>	<u>7,840</u>

15. Allotted and issued share capital

	2016 £	2015 £
<i>Allotted, called up and fully paid</i>		
300 ordinary shares of £1 each	<u>300</u>	<u>300</u>

Notes to the financial statements

for the year ended 31 December 2016

16. Share based payments

The total expense recognised for share-based payments in respect of employee services received during the year to 31 December 2016 is £7,000 (2015: £6,000). The total expense arose from equity-settled share-based payment transactions.

Free share plans (senior employees):

Free shares are granted to senior employees of the Company at the discretion of the Management Board of the ultimate parent company Publicis Groupe S.A.. The free share plans outstanding at 31 December 2016 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 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.

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

No other feature 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.

	2016		2015	
	No	WAEP (€)	No	WAEP (€)
Outstanding at 1 January	-		500	
Granted	1,000		-	
Exercised	-		(500)	32.04 ¹
Outstanding at 31 December	1,000	63.48	-	-

¹ The weighted average share price at the date of exercise for the options exercised is €32.04.

For the share options outstanding as at 31 December 2016, the weighted average remaining contractual life is 2.48 years.

17. Pension and other post-retirement benefits

Defined contribution scheme

The Company operates a defined contribution scheme for the majority of its UK based employees, which is in the nature of money purchase scheme. The assets of the schemes are held independently from those of the Company. The total pension costs of £161,000 (2015: £155,000) represents contributions payable to this scheme.

Notes to the financial statements

for the year ended 31 December 2016

18. 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 2016 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	
	2016	2015	2016	2015	2016	2015	2016	2015
	£000	£000	£000	£000	£000	£000	£000	£000
MMS Holdings UK	-	(4,519)	1,641	3,674	-	-	-	-
RE;Sources UK BS	(19)	(102)	-	-	-	-	-	-
CNC Dubai	-	-	-	-	-	-	-	-
Andreoli MSL	-	(8)	-	-	(30)	(133)	-	-
MSL Shanghai	-	(3)	-	-	-	-	-	-
CNC Germany	(66)	(27)	-	220	(388)	(275)	1,848	1,086
Publicis Consultants I Paris	-	-	-	3	-	-	-	-
CNC UK (old)	(1,508)	(1,631)	-	-	-	-	-	-
MSL London	(6)	-	-	41	(9)	(47)	18	-
CNC India	-	-	-	-	(15)	(8)	-	-
Hanmer MSL	-	-	-	-	(5)	(14)	-	-
CNC Japan	-	-	-	-	(13)	(10)	11	-
Ciszewski MSL Public Relations	-	-	-	-	-	-	-	6
JKL Brussels	-	-	-	-	-	(170)	-	-
JKL Stockholm	-	(84)	-	-	-	-	-	-
MSL Stockholm	-	-	-	60	-	-	-	-
MSL Chicago	-	-	-	-	-	-	6	16
MSL New York	-	-	-	-	-	(26)	-	-

Notes to the financial statements

for the year ended 31 December 2016

18. Related party transactions (continued)

Related Party	Payables		Receivables		Services		Billings	
	2016	2015	2016	2015	2016	2015	2016	2015
	£000	£000	£000	£000	£000	£000	£000	£000
Kekst & Company	(88)	-	-	15	(94)	-	47	65
MSL Brussels	(89)	-	-	-	(473)	-	-	-
Influence Paris	-	-	-	-	-	-	25	-
Publicis UK agency	-	-	-	-	-	-	-	-
S&S UK	(53)	-	-	-	(53)	-	-	-
SalterBaxter	-	-	-	-	-	-	10	-
Publicis Consultants I PR Italy	-	-	-	-	(2)	-	-	-
MSL Netherlands	-	-	-	-	-	-	68	-
MSL Singapore	-	-	-	-	(6)	-	-	-
Qorvis MSL	-	-	-	-	-	-	170	-

19. Ultimate parent undertaking and controlling party

The immediate parent undertaking is MSLGroup London 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.