Publicis Media Limited

Annual Report and Financial Statements

31 December 2020

Registered Number: 04244479

Directors

S D King	
S Frogley	(appointed 24 June 2021)
A King	(appointed 24 June 2021)
A C Sayliss	(resigned 24 June 2021)

Secretaries

P Muwanga	(appointed 16 June 2020)
J Munis	(resigned 16 June 2020)

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 Company is the global head office for the media brands of Publicis Groupe. The Company's subsidiary companies carry on the business of media planning and buying in the advertising industry. The Company also provides its own media services through the sale of media books and franchise fees.

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

	2020	2019	Change
	£000	£000	%
Revenue	-	337	(100%)
Operating loss	(4,427)	(8,269)	(46%)
Loss after tax	(2,748)	(6,898)	(60%)

Revenue has decreased by 100% as a result of a change in operational structure of the Company. As such, there is no more franchise fee or licence fee earned in 2020.

Loss after tax has decreased by 60% largely due to the reversal of share based payment charge in the year.

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. The Company manages 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 the Company's commercial dealings are done in the local currencies of the countries in which they are transacted. For transactions denominated in foreign currencies the foreign exchange risk is typically 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.

Covid-19

In 2020, the global economy suffered a completely unprecedented shock: the Covid-19 pandemic, which caused the voluntary shutdown of economies to combat the spread of the virus. The Company took certain actions in response to the Covid-19 pandemic to manage the crisis, which included:

- Prioritising employees' health & safety; both physical and mental. This includes the provision of necessary equipment and transferring almost all of its workforce to remote working, as well as improving access and solutions to Employee's Assistance Programs;
- Supporting clients as closely as possible to their needs, by offering steadfast availability and providing them with strategic, creative and technological support in all areas;
- Implementing cost saving measures such as reducing expenses on travel, finding equitable solutions with suppliers and benefitting from governmental support; and
- Addressing employees through continuous communications by the Board, via video or email.

The Company entered 2021 in a context characterized by economic uncertainty related to Covid-19. After 2020, this situation could continue to have an impact on economic activity in the markets in which the Company operates. It could also pose risks to the health and safety of the Company's employees. At the date of filing of these financial statements, the duration of this pandemic and the magnitude of its impact on the Company's growth are still difficult to assess. In general, all of the principal risks and uncertainties identified above should be considered in light of the consequences of the Covid-19 pandemic.

We have also looked at their impact on estimates made within these financial statements, including on the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. We specifically comment on the impact on our going concern assessment on page 5.

On behalf of the Board

Steve King

S King
Director

8 November 2021

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2020.

Results and dividends

The Company recorded a loss after tax for the financial year of £2,748,000 (2019: 6,898,000). A dividend of £nil was declared and paid during the year (2019: £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.

Directors

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

Directors' indemnity

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

Events after the balance sheet date

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

Disabled employees

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

Employees' involvement

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

Disclosure of information to the auditor

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

Directors' Report (continued)

Going concern

The Company is in a net current liability position at the year end, and has received confirmation from MMS UK Holdings Limited, an immediate parent company, that it will provide the necessary funds to enable it to meet its liabilities as they fall due, for at least twelve months from the date of approval of the financial statements. The directors have prepared detailed budgets and forecasts taking into account expected future trading performance, including the ongoing impact of COVID-19 and are satisfied that MMS UK Holdings Limited will be able to provide the support required, and that the going concern basis of preparation therefore remains appropriate.

On behalf of the board

Steve King

S King
Director

8 November 2021

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Opinion

We have audited the financial statements of Publicis Media Limited (the 'company') for the year ended 31 December 2020 which comprise the statement of comprehensive income, statement of financial position, 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, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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 11, 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to impairment of investments and recoverability of deferred tax assets.

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

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

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

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

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

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

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

Use of 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 (Nov 9, 2021 11:18 GMT)

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

9 November 2021

Statement of Total Comprehensive Income

for the year ended 31 December 2020

	Notes	2020 £000	2019 £000
Revenue		-	337
Administrative expenses		(4,427)	(8,606)
Operating loss	3	(4,427)	(8,269)
Income from shares in group undertakings	7	727	-
Interest receivable and similar income	8	8	16
Interest payable and similar charges	9	(222)	(450)
Loss on ordinary activities before taxation		(3,914)	(8,703)
Tax	10	1,166	1,805
Total comprehensive income for the financial year		(2,748)	(6,898)

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

Balance sheet

at 31 December 2020

	Notes	2020 £000	2019 £000
Non-current assets			
Property, plant and equipment	11	-	-
Investment in subsidiaries	12	50,323	50,323
Deferred tax asset	10	2,228	2,548
		52,551	52,871
Current assets			
Work in progress		479	125
Trade and other receivables	13	16,793	28,481
Derivatives	18	-	52
Cash and cash equivalents		-	-
		17,272	28,658
Current liabilities			
Trade and other payables	14	(91,636)	(95,923)
Liabilities on contracts		-	(1,491)
Derivatives	18	-	(44)
Corporation tax	10	(2,725)	(4,211)
		(94,361)	(101,669)
Net current liabilities		(77,089)	(73,011)
Total assets less current liabilities		(24,538)	(20,140)
Capital and reserves			
Called up share capital	15	9	9
Other reserves		(1)	(1)
Retained earnings		(24,546)	(20,148)
Total equity		(24,538)	(20,140)

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

Steve King

S King
Director

8 November 2021

Statement of changes in equity

for the year ended 31 December 2020

	Called up share capital £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 January 2019	9	(1)	(19,099)	(19,091)
Loss for the financial year	-	-	(6,898)	(6,898)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(6,898)	(6,898)
Share-based payment transactions	-	-	5,849	5,849
Equity dividends paid	-	-	-	-
At 31 December 2019	9	(1)	(20,148)	(20,140)
Loss for the financial year	-	-	(2,748)	(2,748)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(2,748)	(2,748)
Share-based payment transactions	-	-	(1,649)	(1,649)
Equity dividends paid	-	-	-	-
At 31 December 2020	9	(1)	(24,546)	(24,538)

Notes to the financial statements

for the year ended 31 December 2020

1. Accounting policies

1.1. Basis of preparation

Statement of compliance

Publicis Media Limited is a private Company limited by shares incorporated and domiciled in the United Kingdom and registered in England and Wales. 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.

Consolidated financial statements

The Company is exempt from the requirement to prepare consolidated financial statements under Section 400 of the Companies Act 2006. Consolidated financial statements are prepared by Publicis Groupe S.A., the ultimate parent undertaking, incorporated in France and are available from the address set out in note 20. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

Going concern

The Company's business activities, together with the factors likely to affect its future development and financial position, including the impact of Covid-19, are set out in the Strategic and Directors Report. The Company is reporting net current liabilities in the current year and has received confirmation from its immediate parent company, MMS UK Holdings Limited, that it will provide the necessary funds to enable it to meet its liabilities as they fall due, for at least twelve months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

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;

Notes to the financial statements

for the year ended 31 December 2020

1. Accounting policies (continued)

1.1. Basis of preparation (continued)

Disclosure exemptions applied (continued)

(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:

- 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 2020

1. Accounting policies (continued)

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.

Some contracts include incentives that are subject to qualitative or quantitative performance criteria. These variable components are only included in the transaction price when it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

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.

Notes to the financial statements

for the year ended 31 December 2020

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Revenue recognition (continued)

"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.

Income tax

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

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

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

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

Notes to the financial statements

for the year ended 31 December 2020

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

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.

Dividends

Dividend income is recognised when the Company's right to receive payment is established.

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.

Work in progress

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

Cash and cash equivalents

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

Notes to the financial statements

for the year ended 31 December 2020

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Trade and other receivables

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

Contract assets

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

Trade and other payables

This line item includes all operating payables (including notes payable and accrued supplier invoices) related to the purchase of goods and services 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.

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.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. The fair value includes an allowance for debit/credit value adjustment in respect of both the Company and the derivative counterparty. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described in note 18.

Equity and reserves

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

Retained earnings include all current and prior period retained profits.

Notes to the financial statements

for the year ended 31 December 2020

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 market conditions.

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

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

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

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

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 2020:

	EU effective date Periods beginning on or after
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Definition of a Business (Amendments to IFRS 3)	1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020

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 2020

2. Revenue

The activities of the Company during the year were principally related to the provision of media planning, buying and researching services. The Company also provides its own media services through the sale of media books and franchise fees. 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:

	2020 £000	2019 £000
United Kingdom	-	91
Europe	-	95
USA	-	72
Asia	-	79
	-	337

3. Operating loss

The operating loss is stated after charging:

	2020 £000	2019 £000
(Gain)/loss on transactions denominated in foreign currency	300	(295)
Depreciation of property, plant and equipment (see note 11)	-	1
Impairment on investments	-	-
Staff costs (see note 5)	11,960	17,173
Auditor's remuneration (see note 4)	4	4

4. Auditor's remuneration

The remuneration of the auditor is further analysed as follows:

	2020 £000	2019 £000
Audit of the financial statements	4	4

Notes to the financial statements

for the year ended 31 December 2020

5. Staff costs

	2020 £000	2019 £000
Wages and salaries	9,952	62,029
Social security costs	1,703	2,004
Defined contribution pension scheme costs	305	254
	11,960	64,287
Amount recharged to other group entities	-	(47,114)
Net staff costs incurred	11,960	17,173

Included in total staff costs is £nil (2019: £nil) in respect of directors' remuneration (see note 6) and a total credit for share-based payments of £1,649,000 (2019: £5,849,000) 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:

	2020 No.	2019 No.
Senior management operational	73	72

6. Directors' remuneration

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 due to the immaterial nature of the services provided to the Company.

Notes to the financial statements

for the year ended 31 December 2020

7. Income from shares in group undertakings

	2020 £000	2019 £000
Dividends	727	-

8. Interest receivable and similar income

	2020 £000	2019 £000
Intercompany interest receivable	8	16

9. Interest payable and similar charges

	2020 £000	2019 £000
Intercompany interest payable	222	450

10. Taxation

(a) Analysis of charge for year

	2020 £000	2019 £000
Current tax:		
Corporation tax	(1,486)	(686)
Adjustment in respect of previous periods	-	-
Foreign taxes	-	-
Total current tax	(1,486)	(686)
Deferred tax:		
Origination & reversal of temporary difference	313	(1,110)
Adjustment in respect of previous periods	7	142
Rate change	-	(151)
Total deferred tax (see note 10(c))	320	(1,119)
Tax on profit/loss on ordinary activities (see note 10(b))	(1,166)	(1,805)

Notes to the financial statements

for the year ended 31 December 2020

10. Taxation (continued)

(b) Factors affecting tax charge for the year

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%). The differences are reconciled below:

	2020 £000	2019 £000
(Loss)/profit on ordinary activities before tax	(3,914)	(8,703)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(744)	(1,654)
Expenses not deductible for tax purposes	-	7
Share based payments	(291)	(149)
Tax under provided in prior years	7	142
UK dividend not taxable	(138)	-
Rate change	-	(151)
Impairment on investment	-	-
Total tax (see note 10(a))	(1,166)	(1,805)

(c) Deferred taxation

	Accelerated tax depreciation £000	Other temporary differences £000	Total £000
As at January 2019	8	1,421	1,429
(Credit)/debit to profit or loss	(2)	1,111	1,109
Deferred tax in respect of prior year	-	(142)	(142)
Rate change	1	151	152
As at December 2019	7	2,541	2,548
(Credit)/debit to profit or loss	-	(313)	(313)
Deferred tax in respect of prior year	(7)	-	(7)
Rate change	-	-	-
As at December 2020	-	2,228	2,228

Analysis of deferred tax balances for financial reporting purposes:

	2020 £000	2019 £000
Deferred tax assets	2,228	2,548

Notes to the financial statements

for the year ended 31 December 2020

10. Taxation (continued)

(d) Factors that may affect future tax charges

The UK corporation tax rate is 19% and the deferred tax balance has been calculated at this rate.

11. Property, plant and equipment

	Computer Equipment £000	Total £000
Cost:		
At 1 January 2020	85	85
At 31 December 2020	85	85
Depreciation:		
At 1 January 2020	85	85
Charge for the year	-	-
At 31 December 2020	85	85
Net book value:		
At 31 December 2020	-	-
At 31 December 2019	-	-

12. Investment in subsidiaries

	£000
Cost:	
At 1 January 2020	96,787
Additions	-
At 31 December 2020	96,787
Impairment:	
At 1 January 2020	46,464
Charge for year	-
At 31 December 2020	46,464
Net book value:	
At 31 December 2020	50,323
At 31 December 2019	50,323

Notes to the financial statements

for the year ended 31 December 2020

12. Investment in subsidiaries (continued)

The Company has investments in the following subsidiary undertakings:

Name	*Direct %*	*Indirect %*	*Country of Incorporation*	*Activities*
Zenith (Media) International Limited	100%		England and Wales	Media planning and buying
Zenith UK (Media) Limited	100%		England and Wales	Media planning and buying
Zenith Services (Media) Limited	100%		England and Wales	Media planning and buying
Meridian Outdoor Advertising Limited	50%		England and Wales	Media planning and buying
Publicis Media UK Limited		100%	England and Wales	Media planning and buying

13. Trade and other receivables

	2020 £000	2019 £000
Trade receivables	99	174
Amounts owed by group undertakings	16,422	26,944
Other receivables	29	121
Prepayments and accrued income	243	1,242
	16,793	28,481

14. Trade and other payables

	2020 £000	2019 £000
Bank overdraft	6	15
Trade payables	17	106
Amounts owed to group undertakings	79,772	87,924
Other taxation and social security costs	1,522	646
Accruals and deferred income	9,490	6,717
Other payables	829	515
	91,636	95,923

15. Allotted and issued share capital

	2020 £000	2019 £000
Allotted, called up and fully paid		
2,500 'A' ordinary shares of 50p each	1	1
7,500 'B' ordinary shares of £1 each	8	8
	9	9

Notes to the financial statements

for the year ended 31 December 2020

16. Share based payments

The total credit recognised for share-based payments in respect of employee services received during the year to 31 December 2020 is £1,649,000 (2019: expense of £5,849,000). 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 2020 have the following characteristics:

Long Term Incentive Plan (LTIP) 2019

Under this plan, a certain number of Group managers were awarded free shares, subject to two conditions: i) employment must continue throughout the three-year vesting period; ii) the free shares are subject to performance criteria and the total number of shares delivered will depend on the overall growth and profitability targets attained in 2019.

The shares ultimately awarded in accordance with the level of attainment of these performance targets will be deliverable at the end of a three-year period, i.e. in May 2022.

Long Term Incentive Plan (LTIP) 2018

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

Firstly, employment must continue throughout the three-year vesting period. Furthermore, the free shares are subject to performance criteria, such that the total number of shares received will depend on the overall attainment of growth and profitability targets in 2018. The shares ultimately awarded in accordance with the level of attainment of these performance targets will be deliverable at the end of a three-year period, i.e. in April 2021.

Long Term Incentive Plan (LTIP) 2017

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

Firstly, employment must continue throughout the three-year vesting period. Furthermore, the free shares are subject to performance criteria, such that the total number of shares received will depend on the overall attainment of growth and profitability targets in 2017. The shares ultimately awarded in accordance with the level of attainment of these performance targets will be deliverable at the end of a three-year period, i.e. in May 2020.

Special "Star Growth Performers" 2019 plan

To retain Group players that have a direct impact on growth, some of the Group's employees were awarded free shares subject only to a continued employment condition. The shares will be deliverable at the end of a three-year period, in May 2022.

Special Retention Plan 2019-2022

A new 3-year retention plan was established for certain Groupe managers. This plan is subject, in addition to the condition of continued employment, to personal performance conditions for 2020 to 2022. It will be deliverable in March 2023, at the end of a 3-year period.

Notes to the financial statements

for the year ended 31 December 2020

16. Share based payments (continued)

Share option plans:

Share Options 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 stock option plans outstanding at 31 December 2019 have the following characteristics:

LionLead II 2013 (options)

Under this plan, the ultimate parent company, Publicis Groupe S.A. has awarded one free share and 7.03 stock options for each Publicis share purchased on their behalf by LionLead, a specific structure dedicated to this operation. The stock options are subject to conditions: i.e., that the entire investment remains unsold and that employment continues throughout the four-year vesting period. These options, which were granted in June 2016, will become exercisable in June 2020.

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.

Special Retention Plan 2020-2022

A new 3-year retention plan was established for certain Groupe managers. This plan is subject, in addition to the condition of continued employment, to personal performance conditions for 2020 to 2022. It will be deliverable in March 2023, at the end of a 3-year period.

Share option plans:

Share Options 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 stock option plans outstanding at 31 December 2020 have the following characteristics:

LionLead II 2013 (options)

Under this plan, the ultimate parent company, Publicis Groupe S.A. has awarded one free share and 7.03 stock options for each Publicis share purchased on their behalf by LionLead, a specific structure dedicated to this operation. The stock options are subject to conditions: i.e., that the entire investment remains unsold and that employment continues throughout the four-year vesting period. These options, which were granted in June 2016, will become exercisable in June 2020.

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 2020

17. 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 2020 the Company had the following transactions with other subsidiaries of Publicis Groupe S.A. that are not 100% owned.

	Payables		Receivables		Billings	
Related Party	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Leo Burnett Estonia	-	-	-	1	-	-
Optimedia Philippines	-	(0)	-	-	-	-
Publicis Bulgaria	-	(2)	5	5	-	-
Publicis Media Denmark A/S	-	-	163	82	(81)	-
S&S (Vietnam) J.V. Co. Ltd.	-	-	263	-	-	-
SMG Indonesia	-	-	284	289	-	-
Starcom Manila WW Phils	-	-	-	527	-	-

18. 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

	2020	2019
	£000	£000
Financial assets at fair value through profit and loss		
Derivative instruments – Assets	-	52
Total	-	52
Financial liabilities at fair value through profit and loss		
Derivative instruments – Liabilities	-	(44)
Total	-	(44)

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.

Notes to the financial statements

for the year ended 31 December 2020

18. Financial instruments (continued)

Changes in the value of financial instruments at fair value

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

	2020 £000	2019 £000
Financial assets at fair value through profit and loss		
Derivative instruments – Assets	15	59
Total	15	59
Financial liabilities at fair value through profit and loss		
Derivative instruments – Liabilities	(3)	(164)
Total	(3)	(164)

20. 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.