

**CHI Partners Holdings Limited**

**Consolidated annual report and financial statements**

**Year ended 31 December 2018**

Registered number: 06220645 (England and Wales)

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# CHI Partners Holdings Limited

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# **CHI Partners Holdings Limited**

## **Officers and professional advisers**

### **Directors**

J P Hornby  
D Graham

### **Registered Office**

7 Rathbone Street  
London  
W1T 1LY

### **Solicitors**

Osborne Clarke

### **Auditor**

Deloitte LLP  
Statutory Auditor  
London  
United Kingdom

# CHI Partners Holdings Limited

## Strategic report

The directors, in preparing this strategic report, have complied with s414c of the Companies Act 2006.

### Principal activities

CHI Partners Holdings was incorporated on 20 April 2007. Its purpose is to hold an investment of 50.1% in The & Partners Group Limited.

The & Partners Group is an independent agency holding company that brings together specialisms including creative and design, media planning and buying, content and digital engagement, PR and influencer marketing, live events and experiential, and data analytics and CRM. A cross-discipline group built for the current complex industry landscape.

### Business review

The directors are pleased with the performance of the business in the year. The Group has achieved significant growth again in 2018 and has continued to service existing clients well whilst also securing a number of new clients. Gross profit across the Group for the year increased by 21% to £85.1 m (31 December 2017: £70.3m) with revenue increasing by 24.0 % to £557.5m (31 December 2017: £449.6m).

### Key performance indicators

As per our business review above, our key performance indicators are revenue, gross profit, operating profit and trade working capital. The directors are happy that the business is performing well and in line with its key performance indicators.

### Future developments and events after balance sheet date

The directors expect the general level of activity to increase in the forthcoming year. This is a result of continual expansion in new markets, and specifically, as a result of our first full year of trading in our European offices which were established in 2017.

A dividend of £2.6m (2017: £3.9m) has been declared and paid after the year end.

### Principal risks and uncertainties

The principal risks facing the Group in common with other marketing services' groups, remain the loss of key clients and retention of key personnel in a competitive marketplace. The directors continue to put concerted effort into maintaining strong and close relationships with clients and with staff servicing those clients.

### Financial and capital risk management

Financial assets and financial liabilities are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instrument. The financial instruments comprise primarily of cash, trade payables and trade receivables.

The Group's operations are cash generative and as such the Company has no borrowings and therefore no material exposure to interest rate risk. The Group's cash deposits are highly liquid. The directors seek to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and foreign exchange risk. The Group's principal financial assets are bank balances and cash, trade and other receivables, which represents the maximum exposure to credit risk in relation to financial assets. The principal credit risk is attributable to trade receivables. In order to mitigate this risk, the Company operates strict credit control procedures and restricts trading relationships to primarily blue-chip clients. The credit risk on cash balances is limited because the counterparties are banks with high credit ratings.

Whilst the impact of Brexit remains uncertain and hard to assess, based on current UK growth forecasts there is a risk that our revenues in the immediate future may be less than forecast. Our clients are not immune to the prevailing economic environment and may defer marketing spend pending greater certainty over the future direction and growth.

The Group makes sales in US Dollars, Canadian Dollars, Euros, Swedish Krona, Norwegian Krona, Danish Krona and Polish Zloty and has a US Dollar investment in The And Partnership Holdings Inc, Canadian Dollar investment in The&Partnership Inc and a euro investment in its European subsidiaries. The Group does not have a policy to hedge its risk against currency exposure. The Group does not have a policy to hedge its risk against currency exposure as it has a natural hedge, given the cost and income base in the foreign currencies in which it makes sales.

# **CHI Partners Holdings Limited**

## **Strategic report (continued)**

### **Longer-term viability statement**

The directors, taking account of CHI Partners Holdings Limited's current position and principal risks and having assessed the prospects of the company, have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due into the foreseeable future.

On behalf of the board of directors

A handwritten signature in black ink, appearing to be 'D Graham', followed by a long horizontal line extending to the right.

D Graham

Director

29 October 2019

# CHI Partners Holdings Limited

## Directors' report

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

Details of significant events since the balance sheet date are contained in note 28 to the financial statements. An indication of likely future developments in the business of the Company are included in the strategic report.

### Results and dividends

The results for the year are set out on page 12.

A dividend amounting to £3.90m (2017: £2.63m) was paid in the year.

### Directors

The following directors have held office during the year:

S P Clemmow (resigned 1 July 2018)  
J P Hornby  
C T Inge (resigned 1 July 2018)  
P Walker (resigned 1 September 2018)  
D Graham (appointed 1 September 2018)

### Directors' indemnities

The Group has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

### Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the 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 Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings; employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

### Going concern

The directors have a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Full details are given in note 3.

# CHI Partners Holdings Limited

## Directors' report (continued)

### Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor of the Company and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

On behalf of the board of directors



D Graham

Director

29 October 2019

# CHI Partners Holdings Limited

## Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent Company financial statements in accordance with 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 the parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has 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.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.



# CHI Partners Holdings Limited

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHI PARTNERS HOLDINGS LIMITED

### Report on the audit of the financial statements

#### Opinion

In our opinion:

- the financial statements of CHI Partners Holdings Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statement of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 35.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### 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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

# CHI Partners Holdings Limited

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHI PARTNERS HOLDINGS LIMITED (continued)

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 group's and the parent 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 group or the parent 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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Report on other legal and regulatory requirements

#### 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.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

# CHI Partners Holdings Limited

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHI PARTNERS HOLDINGS LIMITED (continued)

### Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

We have nothing to report in respect of these matters.

### Use of our 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.



Jeremy Black (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

29 October 2019

# CHI Partners Holdings Limited

## Consolidated income statement

For the year ended 31 December 2018

	Notes	2018 £000	Restated 2017 £000
Revenue	5	557,533	449,586
Cost of sales		(472,476)	(379,309)
<b>Gross profit</b>		<b>85,057</b>	<b>70,277</b>
Administrative expenses		(78,340)	(67,416)
Share of results of associates		5,687	5,100
<b>Operating profit</b>		<b>12,404</b>	<b>7,961</b>
Investment revenues	9	229	201
Finance costs	10	(52)	(199)
<b>Profit before tax</b>		<b>12,581</b>	<b>7,963</b>
Tax	11	(3,300)	(2,250)
<b>Profit for the year</b>	<b>6</b>	<b>9,281</b>	<b>5,713</b>
Attributable to:			
Owners of the Company		4,650	2,862
Non-controlling interests		4,631	2,851
		<b>9,281</b>	<b>5,713</b>

# CHI Partners Holdings Limited

## Consolidated statement of comprehensive income

For the year ended 31 December 2018

	Notes	2018 £000	Restated 2017 £000
<b>Profit for the year</b>		<u>9,281</u>	<u>5,713</u>
<b>Other comprehensive (loss)/Income</b>			
Foreign currency translation reserve		<u>(387)</u>	<u>271</u>
<b>Total comprehensive income for the year</b>		<u><u>8,984</u></u>	<u><u>5,984</u></u>
Profit for the year attributable to:			
Owners of the Company	30	4,650	2,862
Non-controlling interests	30	<u>4,631</u>	<u>2,851</u>
		9,281	5,713
Total comprehensive income attributable to:			
Owners of the Company	30	4,456	2,998
Non-controlling interests	30	<u>4,438</u>	<u>2,986</u>
		<u><u>8,894</u></u>	<u><u>5,984</u></u>

# CHI Partners Holdings Limited

## Consolidated statement of financial position

For the year ended 31 December 2018

		2018	Restated 2017
	Notes	£000	£000
<b>Non-current assets</b>			
Goodwill	13	2,712	2,648
Property, plant and equipment	14	3,582	3,349
Interests in associates ehad	16	6,616	2,432
		<u>12,910</u>	<u>8,429</u>
<b>Current assets</b>			
Work in progress	17	16,786	10,380
Trade and other receivables	18	125,412	95,683
Cash and bank balances		42,222	66,576
		<u>184,420</u>	<u>172,639</u>
<b>Total assets</b>		<u>197,330</u>	<u>181,068</u>
<b>Current liabilities</b>			
Trade and other payables	20	174,788	160,888
Current tax liabilities		2,013	2,425
Borrowings	19	410	2,630
		<u>177,211</u>	<u>165,943</u>
<b>Net current assets</b>		<u>7,209</u>	<u>6,696</u>
<b>Net assets</b>		<u>20,119</u>	<u>15,125</u>

# CHI Partners Holdings Limited

## Consolidated statement of financial position (continued)

For the year ended 31 December 2018

		2018	Restated 2017
	Notes	£000	£000
<b>Equity</b>			
Share capital	21	1	1
Share Premium		30	30
Retained earnings	23,30	10,437	7,606
Translation reserve	22,30	(388)	(60)
<b>Equity attributable to owners of the Company</b>		<b>10,080</b>	<b>7,577</b>
<b>Non-controlling interests</b>	30	<b>10,039</b>	<b>7,548</b>
<b>Total equity</b>		<b>20,119</b>	<b>15,125</b>

The prior year misstatement is as a result of the non-controlling interest being incorrectly disclosed.

As a result of the restatement, the retained earnings as at 1 January 2017 has decreased from to £12,479,000 to £6,061,000 and the translation reserve has increased from (£390,000) to (£196,000). The effect of these changes means that the total equity attributable to the owners of the Company as at 1 January 2017, has decreased from £12,120,000 to £5,896,000, however the total equity of the Company as at 1 January 2017 has remained the same.

The consolidated financial statements of CHI Partners Holdings Limited (registered number 06220645) were approved by the board of directors and authorised for issue on 29 October 2019. They were signed on its behalf by:



David Graham

Director

# CHI Partners Holdings Limited

## Consolidated Statement of changes in equity

At 31 December 2018

	Equity attributable to equity holders of the Company					Restated Non- controlling interest	Total equity
	Share capital £000	Share premium £000	Restated Translation reserve £000	Restated Retained earnings £000	Restated Total £000	£000	£000
<b>Balance at 1 January 2017</b>	1	30	(390)	12,479	12,120	(352)	11,768
Restatement	-	-	194	(6,418)	(6,224)	6,224	-
<b>Balance at 1 January 2017 – as restated</b>	1	30	(196)	6,061	5,896	5,872	11,768
Profit for the year	-	-	-	2,862	2,862	2,851	5,713
Other comprehensive income for the year	-	-	136	-	136	135	271
<b>Total comprehensive income for the year</b>	-	-	136	2,862	2,998	2,986	5,984
<b>Dividends</b>	-	-	-	(1,317)	(1,317)	(1,310)	(2,627)
<b>Balance at 31 December 2017</b>	<b>1</b>	<b>30</b>	<b>(60)</b>	<b>7,606</b>	<b>7,577</b>	<b>7,548</b>	<b>15,125</b>
Profit for the year	-	-	-	4,650	4,650	4,631	9,281
Other comprehensive loss for the year	-	-	(194)	-	(194)	(193)	(387)
<b>Total comprehensive income for the period</b>	-	-	(194)	4,650	4,456	4,438	8,894
<b>Dividends</b>	-	-	-	(1,954)	(1,954)	(1,946)	(3,900)
<b>Balance at 31 December 2018</b>	<b>1</b>	<b>30</b>	<b>(254)</b>	<b>10,302</b>	<b>10,079</b>	<b>10,040</b>	<b>20,119</b>



# CHI Partners Holdings Limited

## Consolidated cash flow statement

For the year ended 31 December 2018

	Note	2018 £000	2017 £000
<b>Net cash (used in)/from operating activities</b>	24	(12,233)	37,961
<b>Investing activities</b>			
Purchase of share capital		-	(55)
Increase in interest in associates		(4,240)	-
Divestment of subsidiary undertaking		-	275
Purchases of property, plant and equipment		(1,657)	(2,468)
<b>Net cash used in investing activities</b>		(5,897)	(2,248)
<b>Financing activities</b>			
Dividends paid		(3,900)	(2,831)
Interest received		223	201
Interest paid		(52)	(199)
(Repayments)/increase of borrowings		(2,220)	1,255
<b>Net cash used in financing activities</b>		(5,949)	(1,574)
<b>Net (decrease)/ increase in cash and cash equivalents</b>		(24,079)	34,139
<b>Cash and cash equivalents at beginning of year</b>		66,576	31,821
Effect of foreign exchange rate changes		(275)	616
<b>Cash and cash equivalents at end of year</b>		42,222	66,576

# CHI Partners Holdings Limited

## Notes to the consolidated financial statements

For the year ended 31 December 2018

### 1. General information

CHI Holdings Limited (the Company) is a Company incorporated in the United Kingdom under the Companies Act 2006 and is the holding Company of the & Partnership group of companies limited by shares.

The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in the strategic report.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates. Foreign operations are included in accordance with the policies set out in note 3.

### 2. Adoption of new and revised Standards

#### 2.1 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

IFRS 16 Leases

IFRIC 23 Uncertainty over Income Tax Treatments

Amendments to IFRS 9 Prepayment Features with Negative Compensation

IFRS 16 Leases provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors and is required to be adopted by the Group from 1 January 2019. IFRS 16 supersedes IAS 17 Leases and certain other leasing guidance.

Lessor accounting remains similar to current requirements. For example, there remains a dual lease accounting model and lease classification tests are based on the IAS 17 criteria. Under IFRS 16, both the finance lease and operating lease accounting models are based on IAS 17 accounting.

For lessees, there will be a single lease accounting model, removing the distinction between operating and finance leases. All leases will be on-balance sheet, with lessees recognising a right-of-use asset and a lease liability.

The process of quantifying the implications of this standard is ongoing. However, the initial expectation is as follows.

The new standard primarily affects lessees and provides a number of practical expedients on transition.

For lessee transition, the Group intends to follow a modified retrospective approach, whereby it would not restate comparative information, instead recognising the cumulative effect as an adjustment to equity at 1 January 2019. In electing to follow the modified retrospective approach, the Group intends to use practical expedients, such as to account for leases for which the lease term ends within twelve months of 1 January 2019 as short-term leases.

Whilst the initial assessment detailed above has been performed, the impact will nevertheless continue to be assessed.

#### 2.2 Standards effective in the year

##### 2.2.1 Change in accounting policy – IFRS 15 Revenue from contracts with customers

The Company has adopted IFRS 15 Revenue from contracts with customers with a date of initial application of 1 January 2018. The modified approach has been selected as the transition option, whereby the Company recognises the cumulative effect of applying the new standard at the date of initial application, with no restatement of comparative periods presented. The details and quantitative impact of the changes in accounting policies are disclosed below.

As a result of the negligible impact on the Company, no adjustment has been required to the opening balance of equity at 1 January 2018 as a result of the adoption of IFRS 15. Further details can be found below.

# CHI Partners Holdings Limited

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

### 2. Adoption of new and revised Standards (continued)

#### 2.2 Standards effective in the year (continued)

##### 2.2.1 Change in accounting policy – IFRS 15 Revenue from contracts with customers (continued)

###### *Nature, timing and extent of services*

Significant payment terms depend on the individual contract with a customer. There is not typically a significant financing component and payment terms are specified in contracts with customers.

The Company does not typically have material performance obligations under IFRS 15 that are unsatisfied at a given point in time.

In some markets, the Group purchases media as agent, with the revenue and cost of sale being recognized in the same period. The Directors have considered the effect of this on these financial statements and have not considered it to be material.

###### *Contract assets and contract liabilities*

IFRS 15 introduces the concept of a contract asset as an asset arising if an entity performs by transferring goods or services to a customer before the consideration is paid or before payment is due. Contract assets exclude trade receivables. The concept is similar to that of accrued income, which the Company previously included within the financial statement caption trade and other receivables. Contract assets will similarly be recognised within trade and other receivables. Contract assets form part of the Company's financial assets. See note 18.

IFRS 15 introduces the concept of a contract liability as a liability arising if a customer pays consideration or if the entity has a right to consideration that is unconditional (i.e. a receivable), before the good or service is transferred to the customer. The concept is similar to that of deferred income, which the Company previously included within the financial statement caption trade and other payables. Contract liabilities will similarly be recognised within trade and other payables. See note 20.

###### *Contract costs*

Under IFRS 15, in certain circumstances entities are required to capitalise incremental costs in obtaining a contract or costs to fulfil a contract and amortise them.

###### *Disclosures*

There is minimal transitional impact on the disclosures in the notes to the financial statements from the adoption of IFRS 15.

##### 2.2.2 Change in accounting policy – IFRS 9 Financial instruments

The Company has adopted IFRS 9 Financial Instruments with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a change from IAS 39 Financial Instruments: Recognition and Measurement.

The nature and effects of the key changes to the Company's accounting policies resulting from its adoption of IFRS 9 are summarised below.

As a result of the adoption of IFRS 9, the Company adopted consequential amendments to IAS 1 Presentation of Financial Statements which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company's approach was to include the impairment of trade receivables in administrative expenses.

###### *Classification of financial assets and financial liabilities*

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ('FVOCI') and fair value through profit and loss ('FVTPL'). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see the relevant accounting policy below. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies for financial liabilities.

# CHI Partners Holdings Limited

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

### 2. Adoption of new and revised Standards (continued)

#### 2.2 Standards effective in the year (continued)

##### 2.2.2 Change in accounting policy – IFRS 9 Financial instruments (continued)

###### *Impairment of financial assets*

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. The introduction of the ECL model has had no material financial impact for the Company.

###### *Transition*

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

No adjustment has been made to increase the allowance for impairment and correspondingly reduce retained earnings at 1 January 2018 (the transition date) to reflect the new impairment model, under which the allowance for impairment of financial assets is generally expected to be higher.

###### *Classification of financial assets and financial liabilities on the date of initial application of IFRS 9*

Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost.

###### **Financial instruments, other than derivative financial instruments and hedge accounting**

Trade receivables accrued income and contract assets are initially recognised when they are originated. All other financial instruments are initially recognised when the Group becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value plus directly attributable transaction costs.

Financial assets and financial liabilities are offset, and the net amount presented in the consolidated balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

##### 2.2.3 Classification and measurement

###### *Financial assets*

Financial assets are classified on initial recognition and are not subsequently reclassified unless the Group changes its business model for managing financial assets. A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, where they exist.

The classification of 'financial assets at amortised cost' was introduced by IFRS 9, which was adopted by the Group from 1 January 2018. The previous accounting standard, IAS 39, which has been applied prior to 1 January 2018, set out alternative classifications. However, the vast majority of the Group's financial assets, other than derivatives, were nevertheless included in a classification at which measurement subsequent to recognition was at amortised cost. See note 2.2.2 for further information on the adoption of IFRS 9.

# CHI Partners Holdings Limited

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

### 2. Adoption of new and revised Standards (continued)

#### 2.2 Standards effective in the year (continued)

##### 2.2.3 Classification and measurement (continued)

##### *Financial liabilities*

The Group's financial liabilities are classified as measured at amortised cost. Measurement subsequent to initial recognition applies the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

##### 2.2.4 Impairment

The Group has applied IFRS 9 from 1 January 2018, which introduces the concept of expected credit losses ("ECLs"). The Group recognises ECLs on its financial assets at amounts equal to lifetime ECLs. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows the Group expects to receive). The Group considers a financial asset to be in default at the point at which the customer is unlikely to pay its credit obligations to the Group, without recourse by the Group to actions such as realising security (if any is held). At each reporting date, the Group assesses whether financial assets are credit impaired. A financial asset is credit-impaired when one or more events have occurred that have had a detrimental impact on the estimated future cash flows of the financial asset. The Group has elected to rebut the presumption that instruments which are ninety days past due are automatically in default or credit-impaired. The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery.

Prior to 1 January 2018 and the adoption of IFRS 9, a provision for impairment was established where there was significant objective evidence that the Group would not be able to collect all amounts due according to the original terms of the relevant contract. On confirmation that the financial asset was not collectible, the gross carrying value of the asset was written off against the associated provision. See note 2.2.2 for further information on the adoption of IFRS 9.

### 3. Significant accounting policies

#### Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

# CHI Partners Holdings Limited

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

### 3. Significant accounting policies (continued)

#### Basis of accounting (continued)

The principal accounting policies adopted are set out below.

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power to govern the financial and operating policies of an investee entity;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances

In assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

# CHI Partners Holdings Limited

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

### 3. Significant accounting policies (continued)

#### Basis of consolidation (continued)

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement*, when applicable, the costs on initial recognition of an investment in an associate or a joint venture.

#### Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

#### Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously-held interests in the acquired entity is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

# CHI Partners Holdings Limited

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

### 3. Significant accounting policies (continued)

#### Business combinations (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

#### Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

#### Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.



# CHI Partners Holdings Limited

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

### 3. Significant accounting policies (continued)

#### Investments in associates (continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate.

After the disposal takes place, the Group accounts for any retained interest in the associate in accordance with IAS 39 unless the retained interest continues to be an associate, in which case the Group uses the equity method (see the accounting policy regarding investments in associates above).

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

#### Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the service for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses incurred.

# CHI Partners Holdings Limited

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

### 3. Significant accounting policies (continued)

#### Dividend and interest revenue

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### The group as lessee

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### Foreign currencies

The individual financial statements of each group Company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group Company are expressed in sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

# CHI Partners Holdings Limited

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

### 3. Significant accounting policies (continued)

#### Foreign currencies (continued)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest become a financial assets), all of the exchange differences accumulated in a separate component of equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

#### Operating profit

Operating profit is stated after charging restructuring costs and after the share of results of associates but before investment income and finance costs.

#### Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

#### Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

#### Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

# CHI Partners Holdings Limited

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

### 3. Significant accounting policies (continued)

#### Deferred tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

#### Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their cost less accumulated depreciation and any recognised impairment loss. Buildings include leasehold improvements.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost of assets (other than freehold land) less their residual values over their useful lives, using the straight-line method, on the following bases:

Buildings	Straight-line over life of lease
Fixtures and equipment	Straight-line over 1 – 4 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales' proceeds and the carrying amount of the asset and is recognised in income.

# CHI Partners Holdings Limited

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

### 3. Significant accounting policies (continued)

#### Impairment of tangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

#### Work in progress

Work in progress is valued at the lower of cost and net realisable value and represents production costs which have not yet been recharged to clients.

#### Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

If the transaction price differs from fair at initial recognition, the Group will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised as a gain or loss on initial recognition (i.e. day 1 profit or loss) and
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss such that it reaches a value of zero at the time when the entire contract can be valued using active market quotes or verifiable objective market information. Depending on the type of financial instrument, the Group can adopt one of the following policies for the amortisation of day 1 gain or loss:

- calibrate unobservable inputs to the transaction price and recognise the deferred gain or loss as the best estimates of those unobservable inputs change based on observable information; or
- release the day 1 gain or loss in a reasonable fashion based on the facts and circumstances (i.e. using either straight-line or non-linear amortisation).

#### Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

# CHI Partners Holdings Limited

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

### 4. Critical accounting judgements and key sources of estimation uncertainty

There are no critical judgments associated with the financial statements.

#### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### Work in Progress

Work in progress represents production costs which have not yet been recharged to clients. When work in progress has a debit balance, this represents costs incurred on behalf of clients that will be receivable on completion of the contract to which the costs relate. These costs are estimated by project managers and are accrued as incurred. Project managers utilise the best information available to generate the estimations of costs, with actual costs being recorded as soon as invoiced by the supplier.

#### Accrued Income

Accrued income represents the estimated stage of completion of client contracts, particularly those in force around year end, which determines the level of profit to be recognised from these contracts at year end. The commercial project managers estimate the stage of completion on their projects based on work already completed and estimated costs to complete. The total cost estimate is agreed upon with the client.

### 5. Revenue

The Group's revenue arises from the following major service lines:

	2018 £000	2017 £000
Integrated agency revenue	557,533	449,586
	<u>557,533</u>	<u>449,586</u>

The Group's customer base is broad and diversified with only two customers each accounting for more than 10% of the Group's total revenue. The Group services the larger of these two customers across 21 locations or countries from 14 offices. 49% of the Group's revenue is generated in the UK, with 51% being generated from the Rest of the World.

The Group adopted IFRS 15 Revenue from contracts with customers in this period which has not had a material impact on reported revenues. In some markets the Group acts as Agent, however the impact on these Financial Statements is immaterial.

Negligible revenue was recognised in 2018 from IFRS 15 performance obligations satisfied (or partly satisfied) in previous periods. Likewise, negligible revenue is expected to be recognised in the future related to IFRS 15 performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

### 6. Profit for the year

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

	2018 £000	2017 £000
Net foreign exchange (gains)/losses	-	(446)
Depreciation of property, plant and equipment	1,457	1,208
Staff costs (see note 8)	<u>48,495</u>	<u>34,482</u>

# CHI Partners Holdings Limited

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

### 7. Auditor's remuneration

	2018 £000	2017 £000
The analysis of the auditor's remuneration is as follows:		
Fees payable to the company's auditor and their associates for the audit of the company's annual financial statements	10	10
Fees payable to the company's auditor and their associates for other services to the group		
-The audit of the company's subsidiaries	115	115
Total audit fees*	125	125

\*There were no non audit fees in the current year (PY: Nil)

### 8. Staff costs

The average monthly number of employees (including executive directors) was:

	2018 £000	2017 £000
Production	690	465
Administration	43	47
	733	512

Their aggregate remuneration comprised:

	2018 £000	2017 £000
Wages and salaries	42,257	30,332
Social security costs	5,371	3,705
Other pension costs	867	444
	48,495	34,481

### 9. Investment revenue

	2018 £000	2017 £000
Interest income:		
Other loans and receivables, including:		
Bank deposits	229	201
Total interest income for financial assets not designated at fair value through profit or loss	229	201
Total investment revenue	229	201

# CHI Partners Holdings Limited

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

### 10. Finance costs

	2018 £000	2017 £000
Interest on bank overdrafts and loans	52	199
Total interest expense	<u>52</u>	<u>199</u>

### 11. Tax

	2018 £000	2017 £000
Corporation tax: Current year	3,300	2,250
	<u>3,300</u>	<u>2,250</u>

The tax calculations take into consideration future changes substantively enacted in jurisdictions when determining the appropriate level of deferred tax to be provided on future reversals.

Corporation tax is calculated at 19 % (2017: 19.25%) of the estimated taxable profit for the year.

The charge for the year can be reconciled to the profit in the income statement as follows:

	2018 £000	2017 £000
Profit before tax on continuing operations	12,581	7,963
Tax at the UK corporation tax rate of 19% (2017: 19.25%)	2,390	1,592
Other short-term timing differences	147	20
Tax effect of expenses that are not deductible in determining taxable profit	80	(154)
Under provision from prior years	100	-
Change in unrecognised deferred tax assets	131	-
Group relief surrendered	(50)	(176)
Adjustments to tax charge in respect of previous periods - current tax	(227)	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	729	968
Tax expense for the year	<u>3,300</u>	<u>2,250</u>

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. In April 2019 the tax rate will change to 17%.



# CHI Partners Holdings Limited

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

### 12. Dividends

	2018 £000	2017 £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the period ended 31 December 2018 of £10.3 (31 December 2017: £9.8) per ordinary share	3,900	2,627
	<u>3,900</u>	<u>2,627</u>

The proposed final dividend of £10.7 has been approved and paid after the Balance Sheet date.

### 13. Goodwill

	£000
<b>Cost</b>	
At 1 January 2017	2,978
Divestment of subsidiary undertaking	(330)
	<u>2,648</u>
At 31 December 2017	2,648
Movement	64
	<u>2712</u>
At 31 December 2018	2712
<b>Carrying amount</b>	
At 31 December 2018	<u>2,712</u>
At 31 December 2017	<u>2,648</u>

# CHI Partners Holdings Limited

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

### 14. Property, plant and equipment

	Land and buildings £000	Fixtures and fittings £000	Total £000
<b>Cost or valuation</b>			
At 1 January 2017	3,371	5,414	8,785
Additions	1,788	784	2,572
Disposals	(114)	(12)	(126)
At 31 December 2017	5,045	6,186	11,231
Additions	700	957	1,657
At 31 December 2018	5,745	7,143	12,888
<b>Accumulated depreciation and impairment</b>			
At 1 January 2017	2,260	4,529	6,789
Charge for the year	633	576	1,209
Disposals	(113)	(3)	(116)
At 31 December 2017	2,780	5,102	7,882
Charge for the year	817	640	1,457
Adjustment	(33)	-	(33)
At 31 December 2018	3,564	5,742	9,306
<b>Carrying amount</b>			
At 31 December 2018	2,181	1,401	3,582
At 31 December 2017	2,265	1,084	3,349

# CHI Partners Holdings Limited

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

### 15. Subsidiaries

The group consists of a parent company, CHI Partners Holdings Limited, incorporated in the UK and a number of subsidiaries and associates held directly and indirectly by CHI Partners Holdings Limited, which operate and are incorporated around the world. Note 32 to the company's separate financial statements lists details of the interests in subsidiaries.

Information about the composition of the Group at the end of the reporting period is as follows:

Company	Country of registration or incorporation	Class	Shares held %
<b>Subsidiary undertakings</b>			
CHI Nominees Limited	England and Wales	Ordinary	100
The & Partners Group Limited	England and Wales	Ordinary	50.1
The & Partners London Limited	England and Wales	Ordinary	50.1
The And Partnership Holdings Inc	United States of America	Ordinary	50.1
The And Partnership North America LLC	United States of America	Ordinary	47.6
CHI America Partners LLC	United States of America	Ordinary	47.6
The&Partnership Inc	Canada	Ordinary	47.6
TheAndPartnership Germany GmbH	Germany	Ordinary	50.1
The & Partners S.r.l	Italy	Ordinary	50.1
The & Partnership Korlatolt Feleossegu Tarasag	Hungary	Ordinary	50.1
The & Partnership Limited sp. Z.o.o w organizaeji	Poland	Ordinary	50.1
The & Partners Aps	Denmark	Ordinary	50.1
The & Partnership AB	Sweden	Ordinary	50.1
The & Partnership Iberia Publicidad, S.L	Spain	Ordinary	50.1
m/SIX Communications Limited	England and Wales	Ordinary	50.1
Pulse Creative London Limited	England and Wales	Ordinary	50.1
Halpern Limited	England and Wales	Ordinary	29.1
Muster Agency Limited	England and Wales	Ordinary	45.1
ATN Agency Limited	England and Wales	Ordinary	50.1

#### Registered offices for companies listed above:

All companies in England and Wales: 7 Rathbone Street, London, W1T 1LY

All companies in United States of America: 75 Spring Street, New York, 10012

#### Company in

Canada: 99 Spadina Avenue, Toronto, M5V 3P8

France: 57 Rue de Villiers, 92576 Neuilly Sur Seine Cedex, Paris

Germany: Derendorfer Allee, Dusseldorf, NW 40476

Italy: Via Tortona 37, 20144 Milano

Spain: Calle Norias 92, 28221 Majadahonda, Madrid

Sweden: Birger Jarlsgatan 52, 114 49, Stockholm.

Denmark: Kristen Bernikows Gade 1,4.

Poland: Ul. Prosta 51, 00-838 Warszawa, wojewodztwo Mazowieckie

Hungary: 1123 Budapest, Alkotas, utca 53. C. ep. 2.em

# CHI Partners Holdings Limited

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

### 15. Subsidiaries (continued)

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

		Capital and reserves 31 December 2018	Profit/(loss) for the period ended 31 December 2018
	Principal activity	£000	£000
CHI Nominees Limited	Loan funding to employees	-	-*
The & Partners Group Limited	Holding company	1,012	4,798
The And Partnership Holdings Inc	Non-trading holding company	3,065	1,837
CHI America Partners LLC	Multi-disciplined creative agency	1,433	230
The And Partnership North America LLC	Non-trading holding company	(275 )	(397)
The & Partners SARL	Multi-disciplined creative agency	501	448
TheAndPartnership Germany GmbH	Multi-disciplined creative agency	147	103
The & Partners S.r.l	Multi-disciplined creative agency	664	555
The & Partnership Iberia Publicidad, S.L	Multi-disciplined creative agency	596	370
The & Partnership AB	Multi-disciplined creative agency	533	498
The & Partners Aps	Multi-disciplined creative agency	275	227
The & Partnership Limited sp. Z.o.o w organizaeji	Multi-disciplined creative agency	525	482
The & Partnership Korlatolt Feleossegu Tarasag	Multi-disciplined creative agency	38	17
Muster Agency Limited	Experiential agency	-	-
MSIX Communications Limited	Full service media agency	625	574
Pulse Creative London Limited	On-site full service agency	231	511*
The & Partners London Limited	Multi-disciplined creative agency	389	(2,357)
ATN Agency Limited	Creative content agency	279	220*
Halpern Limited	PR agency	1,060	490*

\*September financial year end

### 16. Investment in associates

#### Details of material associates

Details of the Group's material associate at the end of the reporting period is as follows:

Company	Country of registration or incorporation	Class	Shares held %
<b>Associate undertakings</b>			
CHI Wunderman Partnership LLC	US	Ordinary	25.05
CHI Wunderman Limited	UK	Ordinary	25.05
MSIX Communications LLC	US	Ordinary	23.8
MSIX Communications Ltd	Canada	Ordinary	23.8
The Greenhouse Communications Agency Limited Partnership	Canada	Ordinary	23.8
The Greenhouse GP Inc	Canada	Ordinary	23.8
The Showroom GP Inc	Canada	Ordinary	23.8
The Showroom Limited Partnership	Canada	Ordinary	23.8

# CHI Partners Holdings Limited

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

### 16. Investment in associates (continued)

	2018 £000	2017 £000
Investment in associate		
Opening balance at 1 January 2018	2,432	1,587
Equity accounted income	4,184	1,595
Dividends paid	-	(750)
Closing balance 31 December 2018	<u>6,616</u>	<u>2,432</u>

The above associate is accounted for using the equity method in these consolidated financial statements as set out in the group's accounting policies in note 3.

Dividends received from associates represent the actual amounts attributable and hence received by the group. The other summary information that precedes the reconciliation to the group's carrying amount represents amounts included in the IFRS financial statements of the associate, not the entity's share of these amounts, although they are adjusted to reflect fair value adjustments upon acquisition or accounting policy alignments.

### 17. Work in progress

	2018 £000	2017 £000
Work-in-progress	<u>16,786</u>	<u>10,380</u>

### 18. Trade and other receivables

	2018 £000	2017 £000
Trade Receivables	<u>85,800</u>	<u>64,607</u>
Other debtors and accrued income	27,665	15,679
Prepayments	<u>11,947</u>	<u>15,397</u>
	<u>125,412</u>	<u>95,683</u>

The Directors consider the carrying amount of those trade and other receivables that are classified as financial assets to approximate their fair value and no allowance for impairment is required. Information about the Group's exposure to credit and market risks and impairment losses for trade and other receivables is included in note 2.

# CHI Partners Holdings Limited

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

### 19. Borrowings

	2018 £000	2017 £000
<b>Un-secured borrowing at amortised cost</b>		
Bank overdraft	-	1,630
Bank loans	410	1,000
	<hr/>	<hr/>
<b>Total borrowings</b>		
Amount due for settlement within 12 months	410	2,630
	<hr/>	<hr/>

The principal features of the group's borrowings are as follows: a loan of £0.4m (2017: £1m) and an overdraft of £nil (2017: £1.6m). The loan was taken out on December 2014. Repayments commenced in December 2015 and will continue until December 2018. The loan carries interest rate at 2.75 per cent above 3-month LIBOR and the overdraft carries an interest rate of 2.5 per cent above Bank of England Base Rate.

The weighted average interest rates paid during the year were as follows:

	2018 %	2017 %
Bank loan and overdraft	2.75	2.75
	<hr/>	<hr/>

### 20. Trade and other payables

	2018 £000	2017 £000
Trade creditors and accruals	174,788	160,888
	<hr/>	<hr/>
	174,788	160,888
	<hr/>	<hr/>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 45 days. No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. The directors consider that the carrying amount of trade payables approximates to their fair value.

The fair value is the amount for which an asset or liability could be exchanged or settled on an arm's-length basis. For financial instruments carried at fair value, market prices or rates are used to determine fair value where an active market exists.

# CHI Partners Holdings Limited

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

### 21. Share capital

	2018 £	2017 £
<b>Authorised:</b>		
100,000 ordinary 'A' growth shares of 0.5p each	500	500
113,261 ordinary 'A' shares of 0.5p each	566	566
112,809 ordinary shares of 0.5p each	564	564
	<b>1,630</b>	<b>1,630</b>
<b>Issued and fully paid:</b>		
97,900 ordinary 'A' growth shares of 0.5p each	490	331
113,261 ordinary 'A' shares of 0.5p each	566	566
112,809 ordinary shares of 0.5p each	564	564
	<b>1,620</b>	<b>1,461</b>

### 22. Translation reserve

	£000
Balance at 1 January 2017	(390)
Restatement	194
Balance at 1 January 2017 – as restated	(196)
Exchange differences on translating the net assets of foreign operations	136
Balance at 1 January 2018 – as restated	(60)
Exchange differences on translating the net assets of foreign operations	(194)
Balance at 31 December 2018	(254)

Refer to Note 30 for further information on NCI reallocation

### 23. Retained earnings

	£000
Balance at 1 January 2017	12,479
Restatement	(6,418)
Balance at 1 January 2017 – as restated	6,061
Dividends paid	(1,317)
Net profit for the year	2,862
Balance at 1 January 2018 – as restated	7,606
Dividends paid	(1,954)
Net profit for the year	4,650
Balance at 31 December 2018	10,032

Refer to Note 30 for further information on non-controlling interest reallocation

# CHI Partners Holdings Limited

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

### 24. Notes to the cash flow statement

	2018 £000	2017 £000
Profit for the year less share of associates	6,895	2,860
Adjustments for:		
Share of profit of associates	5,687	5,100
Finance costs	52	199
Depreciation of property, plant and equipment	1,457	1,093
	<u>14,091</u>	<u>9,252</u>
Operating cash flows before movements in working capital	14,091	9,252
Increase in WIP	(6,406)	(4,386)
Increase in receivables	(29,830)	(48,214)
Increase in payables	13,900	83,636
	<u>(8,245)</u>	<u>40,288</u>
Cash (paid)/generated by operations	(8,245)	40,288
Interest paid	(52)	(199)
Interest income	(229)	(201)
Tax paid	(3,707)	(1,927)
	<u>(12,233)</u>	<u>37,961</u>
<b>Net cash from operating activities</b>	<u>(12,233)</u>	<u>37,961</u>
<b>Cash and cash equivalents</b>		
	2018 £000	2017 £000
Cash and bank balances	<u>42,222</u>	<u>66,576</u>

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated balance sheet position as shown above.

### Analysis of changes in net debt

	1 January 2018 £000	Cash Flow £000	Exchange movements £000	31 December 2018 £000
Cash and bank balances	66,576	(24,079)	(275)	42,222
Borrowings	(2,630)	2,220	-	(410)
Net debt	<u>63,946</u>	<u>(21,857)</u>	<u>(275)</u>	<u>41,812</u>

Balances at 31 December 2018 comprise:

	Current assets £000	Current liabilities £000	Total £000
Cash and bank balances	<u>42,222</u>	<u>-</u>	<u>42,222</u>
Net debt	<u>42,222</u>	<u>-</u>	<u>42,222</u>



# CHI Partners Holdings Limited

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

### 25. Operating lease arrangements

#### The group as lessee

	2018 £000	2017 £000
Lease payments under operating leases recognised as an expense in the year	3,341	2,566

At the balance sheet date, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £000	2017 £000
Within one year	2,689	3,071
In the second to fifth years inclusive	8,794	4,270
After five years	2,229	2,574
	13,712	9,915

Operating lease payments represent rentals payable by the group for certain of its office properties. Leases are negotiated for an average term of 5 years and rentals are fixed for an average of 5 years with an option to extend for a further 5 years at the then prevailing market rate. Certain leases do contain periods in excess of the average of 5 years.

### 26. Retirement benefit schemes

#### Defined contribution schemes

The group operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the group in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the group are reduced by the amount of forfeited contributions.

The total cost charged to income £868,000 (31 December 2017: £444,000) represents contributions payable to these schemes by the group at rates specified in the rules of the schemes. As at 31 December 2018, no contributions (2017: £nil) due in respect of the current reporting period had not been paid over to the schemes.

### 27. Financial Instruments

#### Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2016.

The capital structure of the Group consists of net debt (borrowings disclosed in note 24 after deducting cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as disclosed in the statement of changes in equity).

The Group is not subject to any externally imposed capital requirements.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below). The Group does not have a policy to hedge its risk against currency exposure as it has a natural hedge, given the cost and income base in US and Canadian dollars.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

# CHI Partners Holdings Limited

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

### 27. Financial Instruments (continued)

#### Interest rate risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available, and if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

### 28. Events after the balance sheet date

After the balance sheet date, the Directors declared and paid a dividend of £2.6m (2017: £3.9m).

### 29. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Cavendish Square Holdings BV, an immediate subsidiary of WPP plc owns 49.9% of the issued share capital of The & Partners Group Limited.

#### Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2018 £000	2017 £000
Short-term employee benefits	47	47
	<u>47</u>	<u>47</u>

#### Aggregate directors' remuneration

The total amounts for directors' remuneration in accordance with Schedule 5 to the Accounting Regulations were as follows:

	2018 £000	2017 £000
Salaries, fees, bonuses and benefits in kind	1,102	1,106
Money purchase pension contributions	20	5
	<u>1,122</u>	<u>1,111</u>

# CHI Partners Holdings Limited

## Notes to the consolidated financial statements (continued)

For the year ended 31 December 2018

### 29. Related party transactions (continued)

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to two (2017: one).

	2018 £'000	2017 £'000
Emoluments disclosed above include the following amounts paid to the highest paid director:		
Emoluments for qualifying services	941	938

### 30. Prior year restatement

In the current year, it was noted that the non-controlling interest apportionment has been incorrectly measured. This should have been calculated on the basis of ownership rights, which have remained constant since the investment was purchased in 2007. As such the comparatives have been restated to reflect the correct ownership interest of the group. The effect on the financial statements presented are as follows:

As a result of the restatement, the retained earnings as at 1 January 2017 has decreased from £12,479,000 to £6,061,000 and the translation reserve has increased from (£390,000) to (£196,000). The effect of these changes means that the total equity attributable to the owners of the Company as at 1 January 2017, has decreased from £12,120,000 to £5,896,000, however the total equity of the Company as at 1 January 2017 has remained the same.

In the statement of other comprehensive income, under the profit paragraph, the line item for 2017 "owners of the company for the profit" increased from £2,580,000 to £2,862,000 and the line for 'non-controlling interests' decreased from £3,133,000 to £2,851,000 total profit had remained the same.

In the statement of other comprehensive income, under the comprehensive income paragraph, the line item for 2017 "owners of the company for the profit" is increased from £2,776,000 to £2,998,000 and the line for 'non-controlling interests' decreased from £3,208,000 to £2,986,000, total profit had remained the same.

The opening translation reserve for 2017 has increased from (£390,000) to (£196,000).

The opening retained earnings for 2017 has decreased from £12,479,000 to £6,061,000.

The opening total equity for the shareholders has decreased from £12,120,000 to £5,896,000.

The opening non-controlling interest has increased from (£352,000) to £5,872,000.

### 31. Controlling party

CHI Partners Holdings Limited, incorporated in the United Kingdom, registered in England and Wales, is the ultimate parent / controlling Company and the head of the largest group of which the results of the Company are consolidated.

# CHI Partners Holdings Limited

## Company Statement of Financial Position

For the year ended 31 December 2018

	Notes	2018 £000	2017 £000
<b>Non-current assets</b>			
Investment in subsidiaries	33	1	1
		<u>1</u>	<u>1</u>
<b>Net assets</b>		<u>1</u>	<u>1</u>
<b>Equity</b>			
Share capital	34	1	1
Share premium		-	-
		<u>1</u>	<u>1</u>
<b>Equity attributable to owners of the Company</b>		<u>1</u>	<u>1</u>

The Company reported a profit for the financial year ended 31 December 2018 of £nil (2017: £nil).

The financial statements of CHI Partners Holdings Limited (registered number 06220645) were approved by the Board of Directors and authorised for issue on 29 October 2019.

They were signed on its behalf by:



D Graham

Director

29 October 2019

# CHI Partners Holdings Limited

## Company statement of changes in equity As at 31 December 2018

### Equity attributable to equity holders of the Company

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 January 2017	1	-	-	1
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	-	-	-
Dividends	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017	1	-	-	1
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	-	-	-
Dividends	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	1	-	-	1
	<hr/>	<hr/>	<hr/>	<hr/>

# CHI Partners Holdings Limited

## Notes to the Company financial statements

For the year ended 31 December 2018

### 32. Significant accounting policies

The separate financial statements of the company are presented as required by the Companies Act 2006. The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2016 the company has decided to adopt FRS 101 and has undergone transition from reporting under UK GAAP to FRS 101 as issued by the Financial Reporting Council. Accordingly, the financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) *Reduced Disclosure Framework* as issued by the Financial Reporting Council incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and July 2016. This transition is not considered to have had a material effect on the financial statements.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement and certain related party transactions. The Company's shareholders have been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received. The Company also intends to take advantage of these exemptions in the financial statements to be issued in the following year.

Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements have been prepared on the historical cost basis except for the re measurement of certain financial instruments to fair value. The principal accounting policies adopted are the same as those set out in note 3 to the consolidated financial statements except as noted below.

Investments in subsidiaries and associates are stated at cost less, where appropriate, provisions for impairment.

### 33. Profit for the year

As permitted by s408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account or statement of other comprehensive income for the year. The profit attributable to the Company is disclosed in the footnote to the Company's balance sheet.

The auditor's remuneration for audit and other services is disclosed in note 7 to the consolidated financial statements.

### 34. Investment in subsidiaries and associates

As provided in note 15 and 16 to the consolidated financial statements, all information (balances, shareholdings) regarding the company's investments in subsidiaries and associates has been provided.

### 35. Share capital and share premium account

The movements on these items are disclosed in note 21 to the consolidated financial statements.