

Registered number: 06220645 (England and Wales)

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CHI Partners Holdings Limited

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CHI Partners Holdings Limited

Strategic report

As a world-leading marketing communications group, we pride ourselves on the standard of work we deliver through the world-class talent of our people. We recognise the huge value that our employees bring in servicing our clients and we want to ensure we are attracting and retaining high caliber individuals who will grow with us over the long-term.

We have a number of training and recruitment programmes with the aim of striving for a diverse and inclusive workforce. We remain focused on building a culture where everyone belongs and a place where everyone is treated fairly, with teams that reflect the communities we serve. A year after increasing investment into our Global People Team we are making progress on building a diverse, inclusive and supportive culture for all our people.

As an independent agency holding company, the group is built upon its relationships with its clients and therefore understands and the value of continued investment in these relationships to foster mutual trust, respect and hard work to achieve a common goal, as evidenced by the industry recognised awards we have won during the year and our groundbreaking work with RNIB.

Finally, we work with a number of charities, most notably the Princes Trust, Sentebale, Get Connected and RNIB meaning we are able to utilise our skills and talent to help drive awareness for the invaluable work that these organisations do.

Key performance indicators

As per our business review above, our key performance indicators are gross profit, operating profit and net current assets. Whilst revenue has decreased slightly in the current year by 2%, the directors are happy with the overall performance of the business, given revenue largely relates to third party media spend. The more significant key performance indicators which are gross profit and operating profit, both grew in 2020 versus 2019. Growth in gross profit (2%) was largely because of winning new clients in the second half of 2020. This was particularly pleasing in an economic climate challenged by the effects of COVID-19. Operating profit grew by 18% in 2020, as the group's cost base decreased through our offices being closed for the majority of the year and our spend on travel being curtailed as a result of COVID-19.

Future developments and events after balance sheet date

The directors expect the general level of activity to increase in the forthcoming year as the major economies in which they operate, recover from the effects of COVID-19. The multi-faceted, integrated structure of the Group, plus its proven ability to win global clients at scale, whilst reacting at pace to our clients' needs means the directors feel confident that the business will continue to expand into new markets and win new clients across the globe.

Principal risks and uncertainties

The principal risks facing the Group in common with other marketing services groups, remain the loss of key clients, the challenge of managing employees across multiple locations, the potential of any further economic fallout as a result of COVID-19 and the impact on currency fluctuations. The directors continue to put concerted effort into maintaining strong and close relationships with both clients and our people.

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.

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 has a policy not 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

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

D Graham

Director

DocuSigned by:
David Graham
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18 June 2021

CHI Partners Holdings Limited

Strategic report

Streamlined Energy and Carbon Reporting (SECR)

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 implement the government's policy on Streamlined Energy and Carbon Reporting (SECR). The & Partners Group meets the mandatory reporting criteria for SECR legislation. Orbis Advisory has worked with us to provide a comprehensive SECR compliance service, covering the financial year ending 31 December 2020.

SECR Statement:

Reporting has been conducted in accordance with methodology set out in the Greenhouse Gas (GHG) Protocol Corporate Standard, and using the Department for Environment, Food & Rural Affairs' (DEFRA) emissions factors to calculate emissions.

Calculation of our SECR energy consumption and GHG emissions was completed by an independent third party, Orbis Advisory. Consumption data and further detail on the methodology used for this report can be found in the accompanying Evidence Pack.

Table 1 below presents our global Scope 1 and Scope 2 emissions for the financial period 1 January 2020 to 31 December 2020. As this is the first year of reporting, we are not required to disclose information for the previous year.

Table 1 – GHG emissions and energy use data for the SECR period 1 January 2020 -31December 2020

	Current Reporting Year: FY 2020
Total energy consumption used to calculate carbon emissions [kWh]	411,633.6
Emissions from combustion of natural gas in buildings [tCO ₂ e] (Scope 1)	45.71
Emissions from purchased electricity in buildings (location-based) [tCO ₂ e] (Scope 2)	95.97
Total organisational emissions (location-based) [tCO ₂ e]	28.2
Carbon intensity ratio - carbon emissions per full-time employee (location-based) [kgCO ₂ e/full-time employee]	257.59

Carbon & Energy Efficiency Actions:

In the period covered by the report, we have implemented an ongoing program of light emitting diode (LED) replacement in all of our office buildings, which has improved the energy efficiency of our lighting. Further, the introduction of motion sensitive lighting in our toilets means that the lights will only be on when necessary, saving more energy. Throughout the year we have aimed to only procure IT equipment that meets high energy efficiency standards. Finally, various carbon reductions were achieved as a result of COVID such as reduced committing and business travel, as well as the move to homeworking rather than employees occupying office space during working hours.

CHI Partners Holdings Limited

Directors' report

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

Results and dividends

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

A dividend amounting to £9.0m (2019: £4.24m) by the company was paid in the year.

Directors

The following directors have held office during the year:

J P Hornby
D Graham

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; employees are consulted regularly on a wide range of matters affecting their current and future interests.

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 at least 12 months from the date of approval of these financial statements. The directors remain wary of the possible further economic fallout from COVID-19, however given a strong performance in 2020 and the forecast growth in 2021/22, are confident that the Group's ability to adapt using remote working during the pandemic, feel confident that they are able to weather any further effects. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Engagement with suppliers, customers and others

The Group has a close working relationship with all its key suppliers and clients, working with both to ensure the Group is able to meet its payment obligations.

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

DocuSigned by:

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D Graham

Director

18 June 2021

CHI Partners Holdings Limited

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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.

Matters on which we are required to report by exception

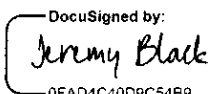
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

DocuSigned by:

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Jeremy Black (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
18 June 2021

CHI Partners Holdings Limited

Consolidated income statement

For the year ended 31 December 2020

	Notes	2020 £000	2019 £000
Revenue	5	619,169	630,046
Cost of sales		(518,868)	(531,861)
Gross profit		100,301	98,185
Administrative expenses		(83,177)	(86,621)
Share of results of associates		3,259	3,681
Operating profit		20,383	15,245
Investment revenues	8	347	378
Finance costs	9	(432)	(501)
Profit before tax		20,298	15,122
Tax	10	(4,959)	(4,140)
Profit for the year		15,339	10,982
Attributable to:			
Owners of the Company		7,685	5,502
Non-controlling interests		7,654	5,480
		15,339	10,982

Consolidated statement of comprehensive income

For the year ended 31 December 2020

	Notes	2020 £000	2019 £000
Profit for the year		<u>15,339</u>	<u>10,982</u>
Other comprehensive (loss)/Income			
Foreign currency translation reserve		<u>(173)</u>	<u>56</u>
Total comprehensive income for the year		<u><u>15,166</u></u>	<u><u>11,038</u></u>
Total comprehensive income attributable to:			
Owners of the Company	29	7,598	5,558
Non-controlling interests	29	<u>7,568</u>	<u>5,480</u>
		15,166	11,038

CHI Partners Holdings Limited

Consolidated statement of financial position

For the year ended 31 December 2020

	Notes	2020 £000	2019 £000
Non-current assets			
Goodwill	12	2,808	2,712
Property, plant and equipment	13	3,927	5,316
Interests in associates	16	6,989	5,511
Right of use assets	14	9,618	13,348
		<u>23,342</u>	<u>26,887</u>
Current assets			
Work in progress	17	14,662	7,177
Trade and other receivables	18	163,164	140,729
Cash and bank balances		57,159	62,445
		<u>234,985</u>	<u>210,351</u>
Total assets		<u>258,327</u>	<u>237,238</u>
Current liabilities			
Trade and other payables	20	177,288	191,107
Deferred income		33,971	4,473
Current tax liabilities		2,490	4,352
Borrowings		522	-
Short-term lease liability		3,754	410
		<u>218,025</u>	<u>200,342</u>
Non-current liabilities			
Deferred Tax		379	315
Lease liabilities		6,908	9,664
Net current assets		<u>7,287</u>	<u>10,009</u>
Net assets		<u>33,015</u>	<u>26,917</u>

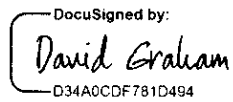
CHI Partners Holdings Limited

Consolidated statement of financial position (continued)

For the year ended 31 December 2020

	Notes	2020 £000	2019 £000
Equity			
Share capital	21	1	1
Share Premium		30	30
Retained earnings	23	16,794	13,652
Translation reserve	24	(285)	(198)
Equity attributable to owners of the Company		16,540	13,485
Non-controlling interests		16,475	13,432
Total equity		33,015	26,917

The consolidated financial statements of CHI Partners Holdings Limited (registered number 06220645) were approved by the board of directors and authorised for issue on 18 June 2021. They were signed on its behalf by:

DocuSigned by:

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David Graham

Director

CHI Partners Holdings Limited

Consolidated Statement of changes in equity

At 31 December 2020

Equity attributable to equity holders of the Company

	Share capital £000	Share premium £000	Translation reserve £000	Retained earnings £000	Total £000	Non- controlling interest £000	Total equity £000
Balance at 1 January 2019	1	30	(254)	10,302	10,079	10,040	20,119
Profit for the year	-	-	-	5,502	5,502	5,480	10,982
Other comprehensive income for the year	-	-	56	-	56	-	56
Total comprehensive income for the year	-	-	56	5,502	5,558	5,480	11,038
Dividends	-	-	-	(2,152)	(2,152)	(2,088)	(4,240)
Balance at 31 December 2019	1	30	(198)	13,652	13,485	13,432	26,917
Balance at 1 January 2020	1	30	(198)	13,652	13,485	13,432	26,917
Profit for the year	-	-	-	7,685	7,685	7,654	15,339
Other comprehensive loss for the year	-	-	(87)	-	(87)	(86)	(173)
Total comprehensive income for the period	-	-	(87)	7,685	7,598	7,568	15,166
Dividends	-	-	-	(4,543)	(4,543)	(4,525)	(9,068)
Balance at 31 December 2020	1	30	(285)	16,794	16,540	16,475	33,015

CHI Partners Holdings Limited

Consolidated cash flow statement

For the year ended 31 December 2020

	Note	2020 £000	2019 £000
Net cash from operating activities	24	4,393	24,078
Investing activities			
Increase in goodwill		(96)	-
(Increase)/decrease in interest in associates		(1,518)	1,105
Disposal of property, plant and equipment		426	2,526
Purchases of property, plant and equipment		(316)	(2,802)
Net cash used in investing activities		(1,504)	829
Financing activities			
Dividends paid		(9,069)	(4,240)
Interest received		347	378
Interest paid		(432)	(501)
Increase in borrowings		522	-
Net cash used in financing activities		(8,632)	(4,363)
Net increase / (decrease) in cash and cash equivalents		(5,743)	20,544
Cash and cash equivalents at beginning of year		62,445	42,222
Effect of foreign exchange rate changes		457	(321)
Cash and cash equivalents at end of year		<u>57,159</u>	<u>62,445</u>

CHI Partners Holdings Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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.

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).

2. Significant accounting policies (continued)

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.

CHI Partners Holdings Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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 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.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. 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.

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.

2. Significant accounting policies (continued)

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

CHI Partners Holdings Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

12. Goodwill

	£000
Cost	
At 1 January 2020	2,712
Increase as a result of investment	96
	<hr/>
At 31 December 2020	2,808
 Net book value	
At 31 December 2020	2,808
	<hr/> <hr/>
At 31 December 2019	2,712
	<hr/> <hr/>

13. Property, plant and equipment

	Land and buildings £000	Fixtures and fittings £000	Total £000
Cost or valuation			
At 1 January 2019	5,745	7,143	12,888
Additions	2,127	1,255	3,382
Disposals	(34)	(2,494)	(2,528)
	<hr/>	<hr/>	<hr/>
At 31 December 2019	7,838	5,904	13,742
Additions	15	300	315
Disposals	(126)	(326)	(452)
	<hr/>	<hr/>	<hr/>
At 31 December 2020	7,727	5,878	13,605
	<hr/>	<hr/>	<hr/>
Accumulated depreciation and impairment			
At 1 January 2019	3,564	5,742	9,306
Charge for the year	1,005	631	1,636
Disposals	(30)	(2,490)	(2,520)
	<hr/>	<hr/>	<hr/>
At 31 December 2019	4,539	3,883	8,422
Charge for the year	1,005	859	1,864
Disposals	(101)	(507)	(6083)
	<hr/>	<hr/>	<hr/>
At 31 December 2020	5,443	4,235	9,678
	<hr/>	<hr/>	<hr/>
Carrying amount			
At 31 December 2020	2,284	1,643	3,927
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2019	3,297	2,019	5,316
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CHI Partners Holdings Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

14. Leases (Group as a lessee)

Right-of-use assets

	Buildings £000	Total £000
Cost		
At 1 January 2019	-	-
Additions	15,420	15,420
At 31 December 2019	15,420	15,420
Disposals	(588)	(588)
At 31 December 2020	14,832	14,832
Accumulated depreciation		
At 1 January 2019	-	-
Charge for the year	2,072	2,072
At 31 December 2019	2,072	2,072
Charge for the year	3,143	3,143
At 31 December 2020	5,214	5,214
Carrying amount		
At 31 December 2020	9,618	9,618
At 31 December 2019	13,348	13,348

The Group leases several buildings. The average lease term is 5 years (2019: 5 years).

The maturity analysis of lease liabilities is presented in note 20.

	2020 £
Amounts recognised in profit and loss	
Depreciation expense on right-of-use assets	3,143
Interest expense on lease liabilities	362

The total cash outflow for leases amount to £2.906m (2019: £3.887m).

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.

CHI Partners Holdings Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

15. Subsidiaries (continued)

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 %
Subsidiary undertakings			
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	47.1
CHI America Partners LLC	United States of America	Ordinary	47.1
The&Partnership Inc	Canada	Ordinary	47.1
The&Partners SARL	France	Ordinary	50.1
TheAndPartnership Germany GmbH	Germany	Ordinary	50.1
The & Partners S.r.l	Italy	Ordinary	50.1
The & Partnership Korlatolt Felelossegu 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
The & Partnership İletisim Hizmetleri A.S	Turkey	Ordinary	50.1
The & Partnership Australia PTY Limited	Australia	Ordinary	50.1
The & Partnership Belgium	Belgium	Ordinary	50.1
MSIX Communications Limited	England and Wales	Ordinary	50.1
Pulse Creative London Limited	England and Wales	Ordinary	50.1
Halpern Limited	England and Wales	Ordinary	36.7
Muster Agency Limited	England and Wales	Ordinary	40.1
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
Turkey:	Buyukdere Cd Astoria AVM No: 127 K:2, Istanbul
Belgium:	Rue Jules Cockx 8-10, 1160 Auderghem
Australia	Level 25, 2 Southbank Boulevard, Southbank Melbourne, Melbourne

CHI Partners Holdings Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

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 2020 £000	Profit/(loss) for the period ended 31 December 2020 £000
	Principal activity		
CHI Nominees Limited	Loan funding to employees	-	-
The & Partners Group Limited	Holding company	9,729	3,312
The And Partnership Holdings Inc	Non-trading holding company	1,825	710
CHI America Partners LLC	Multi-disciplined creative agency	773	(145)
The And Partnership North America LLC	Non-trading holding company	859	189
The & Partners SARL	Multi-disciplined creative agency	312	288
TheAndPartnership Germany GmbH	Multi-disciplined creative agency	1,337	865
The & Partners S.r.l	Multi-disciplined creative agency	1,188	697
The & Partnership Iberia Publicidad, S.L	Multi-disciplined creative agency	1,160	1,002
The & Partnership AB	Multi-disciplined creative agency	1,645	1,167
The & Partners Aps	Multi-disciplined creative agency	373	262
The & Partnership Limited sp. Z.o.o w organizaeji	Multi-disciplined creative agency	992	300
The & Partnership Korlatolt Felelossegu Tarasag	Multi-disciplined creative agency	69	7
The & Partnership İletisim Hizmetleri A.S	Multi-disciplined integrated agency	325	57
The & Partnership Australia PTY Limited	Multi-disciplined integrated agency	71	56
Muster Agency Limited	Experiential agency	235	192
MSIX Communications Limited	Full service media agency	1,454	1,085
Pulse Creative London Limited	On-site full service agency	354	207
The & Partners London Limited	Multi-disciplined integrated agency	1,630	872
ATN Agency Limited	Creative content agency	980	333
Halpern Limited	PR agency	1,594	949

See note 1 for associated disclosure regarding audit exemptions taken for the period ended 31st December 2020.

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:

Group	Country of registration or incorporation	Class	Shares held %
Associate undertakings			
CHI Wunderman Partnership LLC	US	Ordinary	25.05
CHI Wunderman Limited	UK	Ordinary	25.05
MSIX Communications LLC	US	Ordinary	23.5
MSIX Communications Ltd	Canada	Ordinary	23.5
The Greenhouse Communications Agency Limited Partnership	Canada	Ordinary	23.5
The Greenhouse GP Inc	Canada	Ordinary	23.5
The Showroom GP Inc	Canada	Ordinary	23.5
The Showroom Limited Partnership	Canada	Ordinary	23.5

CHI Partners Holdings Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

18. Trade and other receivables

	2020 £000	2019 £000
Trade Receivables	91,019	83,887
Other debtors and accrued income	46,480	30,608
Prepayments	25,665	26,232
	<u>163,164</u>	<u>140,727</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. Note that investments £1.7m maintained within other debtors in the prior period has been reclassified to investments in the current year. See note 16 for more details.

19. Trade and other payables

	2020 £000	2019 £000
Trade creditors and accruals	<u>177,288</u>	<u>191,907</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 25 days (2019: 25). 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.

20. Lease liabilities

	2020 £000	2019 £000
Maturity analysis:		
Year 1	3,754	4,352
Year 2	2,873	3,613
Year 3	2,393	2,804
Year 4	1,596	1,623
Year 5	46	1,023
	<u>10,662</u>	<u>13,415</u>
Analysed as:		
Non-current	6,908	9,063
Current	<u>3,754</u>	<u>4,352</u>
	<u>10,662</u>	<u>13,415</u>

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function. All lease obligations are denominated in currency units.

CHI Partners Holdings Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

21. Share capital

	2020 £	2019 £
Authorised:		
113,261 ordinary 'A' shares of 0.5p each	-	-
112,809 ordinary shares of 0.5p each	-	-
195,835 ordinary shares of 0.5p each	980	980
	<u>980</u>	<u>980</u>
	980	980
Issued and fully paid:		
113,261 ordinary 'A' shares of 0.5p each	-	-
112,809 ordinary shares of 0.5p each	-	-
195,835 ordinary shares of 0.5p each	980	980
	<u>980</u>	<u>980</u>
	980	980

22. Translation reserve

	£000
Balance at 1 January 2019	(254)
Exchange differences on translating the net assets of foreign operations	56
	<u>(198)</u>
Balance at 1 January 2020	(198)
Exchange differences on translating the net assets of foreign operations	(87)
	<u>(285)</u>
Balance at 31 December 2020	(285)

23. Retained earnings

	£000
Balance at 1 January 2019	10,302
Dividends paid	(2,152)
Net profit for the year	5,502
	<u>13,652</u>
Balance at 1 January 2020	13,652
Dividends paid	(4,543)
Net profit for the year	7,283
	<u>16,392</u>
Balance at 31 December 2020	16,392

CHI Partners Holdings Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

24. Notes to the cash flow statement

	2020 £000	2019 £000
Profit for the year less share of associates	17,039	11,441
Adjustments for:		
Share of profit of associates	3,259	3,681
Finance costs	432	501
Depreciation of property, plant and equipment	5,000	3,708
	<u>17,730</u>	<u>19,331</u>
Operating cash flows before movements in working capital	25,730	19,331
(Increase)/decrease in WIP	(7,485)	9,608
Increase in receivables	(22,435)	(15,734)
Increase in payables	16,371	13,053
	<u>12,181</u>	<u>26,259</u>
Cash generated/ by operations	12,181	26,259
Interest paid	(428)	(501)
Tax paid	(7,360)	(1,680)
	<u>4,393</u>	<u>24,078</u>
Net cash from operating activities	<u>4,393</u>	<u>24,078</u>
Cash and cash equivalents		
	2020 £000	2019 £000
Cash and bank balances	<u>57,159</u>	<u>62,445</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 2020 £000	Cash Flow £000	Exchange movements £000	31 December 2020 £000
Cash and bank balances	62,445	(5,743)	457	57,159
Borrowings	(410)	(112)	-	(522)
Net debt	<u>62,035</u>	<u>(5,855)</u>	<u>457</u>	<u>56,637</u>

Balances at 31 December 2020 comprise:

	Current assets £000	Current liabilities £000	Total £000
Cash and bank balances and net debt	<u>57,159</u>	<u>(522)</u>	<u>56,637</u>
Total	<u>57,581</u>	<u>(522)</u>	<u>56,637</u>

CHI Partners Holdings Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

25. 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 the consolidated income statement £1,430,000 (31 December 2019: £1,336,000) represents contributions payable to these schemes by the group at rates specified in the rules of the schemes. As at 31 December 2020, no contributions (2019: £nil) due in respect of the current reporting period had not been paid over to the schemes.

26. 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.

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.

27. Events after the balance sheet date

After the balance sheet date, the Directors declared and paid a dividend of £6.1m (2019: £4.5m).

CHI Partners Holdings Limited

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2020

28. 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.

The & Partners Group Limited, is a subsidiary of CHI Partners Holdings Limited through its ownership of 50.1% of the share capital and the head of the smallest group of which the results of the Company are consolidated. Copies of those financial statements are available from the registered address of the company and CHI Partners Holdings Limited, 7 Rathbone Street, London W1T 1LY.

CHI Partners Holdings Limited is privately owned is incorporated in the United Kingdom, registered in England and Wales.

Cavendish Square Holdings BV, an immediate subsidiary of WPP plc, a company incorporated in Jersey whose address is Queensway House, Hilgrove Street, St Helier, Jersey JE1 1ES, owns 49.9% of the issued share capital of The & Partners Group Limited and 42.4% of CHI Partners Holdings Limited, the head of the largest group of which the results are consolidated.

Through these shareholdings, WPP plc owns an effective 71.1% of The & Partners Group, and is considered the Ultimate Holding Company from an accounting perspective. However, as these are two minority shareholdings, shareholders of CHI Partners Holdings still control CHI Partners Holdings (and thus The & Partners Group) and therefore they hold the key strategic decision making power to control the Company on a day to day basis.

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*.

	2020 £000	2019 £000
Short-term employee benefits	41	59
	<u>41</u>	<u>59</u>

Aggregate directors' remuneration

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

	2020 £000	2019 £000
Salaries, fees, bonuses and benefits in kind	1,289	1,177
Money purchase pension contributions	33	40
	<u>1,322</u>	<u>1,221</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to two (2019: two).

	2020 £000	2019 £000
Emoluments disclosed above include the following amounts paid to the highest paid director:		
Emoluments for qualifying services	<u>922</u>	<u>934</u>

29. Controlling party

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

CHI Partners Holdings Limited

Company statement of changes in equity

As at 31 December 2020

Equity attributable to equity holders of the Group

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 January 2019	1	-	-	1
Total comprehensive income for the year	-	-	(2,025)	(2,025)
Dividends	-	-	2,290	2,290
Balance at 31 December 2019	1	-	265	266
Total comprehensive income for the year	-	-	(48)	(48)
Dividends	-	-	-	-
Balance at 31 December 2020	1	-	217	218

