

Translate Plus Limited



Annual Report and Financial Statements

31 December 2018

Registered Number: 06674541

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28/06/2019
COMPANIES HOUSE

Directors

J Billingsley
P Dumouchel
P U Severinsen
R Timms
J-F Valent

Secretaries

J Munis
N Raj (resigned 15 February 2019)

Auditor

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

Registered office

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101 Wood Lane
London
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Strategic report

Principal activity and review of the business

The principal activity of Translate Plus Limited (the "Company") continues to be the provision of translation and related linguistic services to businesses.

This is the first year the Company has prepared its financial statements in accordance with FRS 101, accordingly the financial information as at 1 September 2016 (being the date of transition) and for the 16 month period ended 31 December 2017 have been restated to comply with FRS 101.

UK generally accepted accounting practices ("UK GAAP") differs in certain respects from FRS 101, hence when preparing these financial statements, management has amended certain accounting and measurement bases to comply with FRS 101. The disclosures required by IFRS 1 'First-time Adoption of International Financial Reporting Standards' ("IFRS 1") concerning the transition, are given in Note 17.

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

	12 months to December 2018 £000	Restated 16 months to December 2017 £000	Change %
Revenue	12,266	12,426	(2%)
Operating profit	2,605	1,350	93%
Profit after tax	2,121	1,111	91%
Shareholder's funds	4,748	3,368	41%
Current assets as a % of current liabilities	265%	281%	(16%)
Average number of employees	63	88	(28%)

Revenue has remained consistent with the prior extended financial period. However, 28% growth is achieved when compared to the twelve months' period of the preceding calendar year. This is mainly as a result of growth to the existing clients' businesses and contracts with new clients.

Profit after tax has increased by 93% due to an increase in efficiency of cutting operating costs.

Shareholder's funds increased by 41% due to current year profits.

Current assets as a percentage of current liabilities has decreased by 16% mainly due to the recognition of the lease liability as per IFRS 16.

The total average number of employees in the United Kingdom has decreased by 28% compared to the prior period. The replacements were hired in translate plus Bulgaria.

The services offered by the Company have minimal environmental impact. However, the Board believes that good environmental practices support the Board's strategy by enhancing the reputation of the firm.

Strategic report (continued)

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are broadly grouped as competitive and financial instrument risk.

- **Competitive risks**

The Company operates in a highly competitive market place where margins are continually under pressure. However, the Company is well positioned to maintain its market share.

- **Financial instrument risks**

The Company has established a risk and financial management framework whose primary objectives are to protect the Company from events that hinder the achievement of the Company's performance objectives.

The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

- **Exposure to liquidity, cash flow and credit risk**

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

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

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

- **Exposure to foreign exchange risk**

Foreign exchange risk is the risk arising from purchases and sales of goods or services denominated in foreign currencies. The majority of our commercial dealings are done in the local currencies of the countries in which they are transacted. As a result, exchange rate risk relating to such transactions is significant and are mitigated through appropriate currency hedging agreements.

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

Derivatives used are generally forward currency contracts or currency swaps.

Brexit

Due to the uncertainty surrounding Brexit, it is not currently possible to fully evaluate all its potential implications on the Company's trade, customers and suppliers. However, the directors have performed an initial impact assessment and at the moment do not believe it will have a material impact on the Company. The directors will continue to monitor this as the situation evolves.

On behalf of the board



R Timms
Director

27 June 2019

Directors' report

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

Results and dividends

The Company recorded a profit after tax for the financial period of £2,121,000 (2017: £1,111,000 profit). A dividend of £741,000 was declared and paid during the period (2017: £212,000).

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' report have been omitted as they are included in the Strategic report on pages 2 to 3. These matters relate to the principal activity and financial risks.

Future developments

The directors do not foresee any material changes in the continuing operations of the business.

Directors

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

Directors' indemnity

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

Events after the balance sheet date

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

Disabled employees

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

Employees' involvement

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

Disclosure of information to the auditor

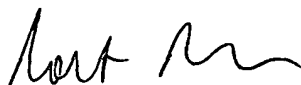
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make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

Directors' report (continued)

Going concern

The Company has access to considerable financial resources together with long standing relationships with key clients and suppliers. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

On behalf of the board



R Timms
Director

21 June 2019

Directors' responsibilities statement

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

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

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

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

Independent auditor's report to the members of Translate Plus Limited

Opinion

We have audited the financial statements of Translate Plus Limited (the 'company') for the year ended 31 December 2018 which comprise, the Statement of total comprehensive income, the Balance sheet, the Statement of changes in equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties due to Britain exiting the European Union on our audit

The Directors' view on the impact of Brexit is disclosed on page 3.

The terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Independent auditor's report to the members of Translate Plus Limited (continued)

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Translate Plus Limited (continued)

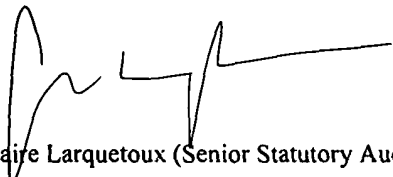
Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.



Claire Larquetoux (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

Tower Bridge House

St Katharine's Way

London E1W 1DD

27 June 2019

Statement of total comprehensive income

for the year ended 31 December 2018

	Notes	12 months to December 2018 £000	16 months to December 2017 £000
Revenue	2	12,266	12,469
Administrative expenses		(9,661)	(11,119)
Operating profit	3	2,605	1,350
Interest receivable and similar income	7	4	-
Interest payable and similar charges	8	(9)	-
Profit on ordinary activities before taxation		2,600	1,350
Tax	9	(479)	(239)
Profit for the financial period		2,121	1,111
Other comprehensive income		-	-
Total comprehensive income for the period		2,121	1,111

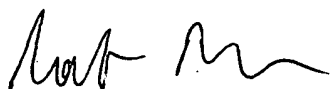
The Company's revenue and operating profit all relate to continuing operations.

Balance sheet

at 31 December 2018

	Notes	2018 £000	Restated 2017 £000
Non-current assets			
Right-of-use assets related to leases	10	391	-
Property, plant and equipment	11	58	143
		<u>449</u>	<u>143</u>
Current assets			
Assets on contracts		963	364
Trade and other receivables	12	2,091	2,173
Cash and cash equivalents		3,965	2,469
		<u>7,019</u>	<u>5,006</u>
Current liabilities			
Liabilities on contracts		(629)	(372)
Short-term lease liabilities	10	(321)	-
Trade and other payables	13	(1,188)	(1,171)
Corporation tax		(509)	(238)
		<u>(2,647)</u>	<u>(1,781)</u>
Net current assets		<u>4,372</u>	<u>3,225</u>
Total assets less current liabilities		<u>4,821</u>	<u>3,368</u>
Non-current liabilities			
Long-term lease liabilities	10	(73)	-
		<u>(73)</u>	<u>-</u>
Net assets		<u>4,748</u>	<u>3,368</u>
Capital and reserves			
Called-up share capital	14	51	51
Share premium		10	10
Retained earnings		4,687	3,307
Total equity		<u>4,748</u>	<u>3,368</u>

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



R Timms
Director

27 June 2019

Statement of changes in equity

for the year ended 31 December 2018

	Notes	Called up share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 September 2016		50	-	2,408	2,458
Profit for the financial period		-	-	1,111	1,111
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	1,111	1,111
Issue of share capital		1	10	-	11
Equity dividends paid		-	-	(212)	(212)
At 31 December 2017		51	10	3,307	3,368
Profit for the financial period		-	-	2,121	2,121
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	2,121	2,121
Equity dividends paid		-	-	(741)	(741)
At 31 December 2018		51	10	4,687	4,748

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies

1.1. Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") and in accordance with the applicable provisions of the Companies Act 2006. Except for certain disclosure exemptions detailed below, the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (EU-adopted IFRSs) have been applied to these financial statements and, where necessary, amendments have been made in order to comply with the Companies Act 2006 and The Large and Medium-sized Companies and Groups Regulations 2008/410 ('Regulations').

This is the first year the Company has prepared its financial statements in accordance with FRS 101, accordingly the financial information as at 1 September 2016 (being the date of transition) and for the period ended 31 December 2017 have been restated to comply with FRS 101.

UK generally accepted accounting practices ("UK GAAP") differs in certain respects from FRS 101, hence when preparing the financial statements, management has amended certain accounting and measurement bases to comply with FRS 101. The disclosure required by IFRS 1 'First-time Adoption of International Financial Reporting Standards' ("IFRS 1") concerning the transition, are given in Note 17.

IFRS 1 permits the Company to take advantage of certain exemptions from applying the requirements on a fully retrospective basis as at the date of transition in certain instances.

Basis of measurement

The financial statements have been prepared under the historical cost convention except for certain financial instruments which are measured at fair value.

Going concern

The Company has access to considerable financial resources together with long standing relationships with key clients and suppliers. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

1.1. Basis of preparation (continued)

Disclosure exemptions applied

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 paragraph 8:

- (i) The requirements of IFRS 2 'Share-based Payment' paragraphs 45(b) and 46 to 52 relating to certain disclosure requirements on share-based payments;
- (ii) The requirement of IFRS 7 'Financial Instruments: Disclosures' relating to the disclosure of financial instruments and the nature and extent of risks arising from such instruments;
- (iii) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from Contracts with Customers';
- (iv) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 'Leases';
- (v) The applicable requirements of IAS 1 'Presentation of Financial Statements' relating to the disclosure of comparative information in respect of the number of shares outstanding at the beginning and end of the year (IAS 1.79(a)(iv)), the reconciliation of the carrying amount of property, plant and equipment (IAS 16.73(e)) and the reconciliation of the carrying amount of intangible assets (IAS 38.118(e));
- (vi) The requirements of IAS 1 'Presentation of Financial Statements' paragraph 16, the requirement to make an explicit and unreserved statement of compliance with IFRS;
- (vii) The requirements of IAS 1 'Presentation of Financial Statements' paragraphs 38A to 40D relating to disclosures of comparative information;
- (viii) The requirement of IAS 1 'Presentation of Financial Statements' paragraphs 134 to 136 relating to the disclosure of capital management policies and objectives;
- (vii) The requirements of IAS 7 'Statement of Cash Flows' and IAS 1 'Presentation of Financial Statements' paragraph 10(d) and 111 relating to the presentation of a Cash Flow Statement;
- (viii) The requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31 relating to the disclosure of standards, amendments and interpretations in issue but not yet effective;
- (ix) The requirements of IAS 24 'Related Party Disclosures' paragraph 17 and 18(A) relating to the disclosure of key management personnel compensation and the requirements relating to the disclosure of related party transactions entered into between the Company and other wholly-owned subsidiaries of the group; and
- (x) The requirements of IAS 36 'Impairment of Assets' paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) relating to certain disclosure requirements of impairment testing;

For the disclosure exemptions listed in points (i) to (ii) and (x), the equivalent disclosures are included in the consolidated financial statements of the group, Publicis Groupe S.A. which the Company is consolidated into.

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

1.1. Basis of preparation (continued)

Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the relevant notes highlighted below:

- revenue recognition on client projects;

Detailed disclosures concerning these matters are provided in Note 1.2.

1.2. Accounting principles

Revenue recognition

The Company recognises revenue as control of the promised linguistic services (identified as performance obligations) are transferred to the customer, at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. Where the contract includes multiple performance obligations, the transaction price is allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable they are estimated based on the number of words that require translation or industry standard assumptions are used to determine the time linguists spent on the project.

The Company receives compensation from customers in the form of fees and reimbursement of third-party costs incurred on behalf of customers. Fees are usually calculated on the basis of the number of words that require translation or industry standard assumptions are used to determine the time linguists would spend on the project. Contracts are typically short-term, generally under one year, and the Company typically has an enforceable right to payment for performance completed to date.

In the majority of cases, the revenue recognition is not the same as the amounts invoiced to customers, in these circumstances either a contract asset or contract liability is recognised for the difference between the cumulative revenue recognised and the cumulative amounts invoiced for the contract.

Performance obligations

Separate performance obligations are identified at the beginning of a project when a job is procured by a customer, and details of the performance obligations are set out in the cost estimates or contracts. There can be a number of distinct services that are required under a single contract, such as where a project requires translation into different target languages. In this case, each target language translation would generally be considered a separate performance obligation as they can be sold separately and clients can benefit from them separately.

Almost all of the Company's revenue is recognised over time because the client simultaneously receives and consumes the benefit of the services or an asset is generated with no alternative use and for which the company is entitled to payment for performance completed to date.

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Revenue recognition (continued)

"Agent" vs. "Principal" Considerations:

When third party suppliers are involved in providing services to customers, the Company considers that it is acting as "Principal" if at least one of the following criteria is satisfied:

- The Company obtains control of the asset or service before transferring it to the customer;
- The Company has the ability to direct the supplier(s); or
- The Company incorporates or combines the work of suppliers to deliver the promised services to the customer.

When the Company acts as "Principal", the revenue recognised is based on the gross consideration to which the Company expects to be entitled in exchange for the services. When the Company acts as an "Agent", revenue is recognised net of the pass through costs to customers. In any case, out of pocket expenses reimbursed by customers (transport, hotels, meals, etc.) are always recognised in revenue.

Contract modifications:

On occasion, the customer may ask for modifications to the scope of the services in the course of the contract. These changes are generally negotiated as new contracts encompassing the additional needs with the related compensation.

Effect of foreign currency

Transactions denominated in foreign currencies are translated into sterling at the actual exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the Statement of total comprehensive income. The Company uses derivatives such as foreign currency hedges to hedge its current or future positions against foreign exchange rate risks. These derivatives are measured at fair value, determined by reference to observable market prices at the reporting date.

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Income tax

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

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

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

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

Leases

Leases are recognised on the Balance sheet at the outset of the lease at the present value of future payments. These leases are recognised under "Lease liabilities", offset by "Right-of-use assets". They are amortised over the term of the lease, which is typically the fixed period of the lease unless there is a stated intention to renew or terminate. In the Statement of total comprehensive income, depreciation and amortisation expenses are recognised in the operating margin and interest expenses under net financial income (expenses).

Leases of low-value assets or short-term leases are immediately expensed in profit or loss.

Leases (applicable to 2017 comparative)

Rentals under operating leases are charged in the Statement of total comprehensive income on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term.

Dilapidations are provided for on leasehold properties where the terms of the lease require the Company to make good any changes made to the property during the period of the lease.

Pensions

The Company operates a defined contributions scheme. Contributions to the scheme are recognised in the Statement of total comprehensive income in the period in which they become payable.

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Property, plant and equipment

Property, plant and equipment are stated net of accumulated depreciation and accumulated impairment losses.

An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost. Cost of an item of property, plant and equipment comprises the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and an initial estimate of the cost of dismantling and removing the asset and restoring the site on which it is located.

After recognition, all property, plant and equipment are carried at costs less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided at rates calculated to write off the cost of the asset on a straight line basis over their estimated useful lives as follows:

Fixtures and fittings	– 10 years
Office equipment	– 5 to 10 years

Residual value is calculated on prices prevailing at the date of acquisition, and reviewed annually. The carrying values of the property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying value of the asset and are recognised in profit or loss.

Interest income and expense

Interest income arises from cash and cash equivalents and balances with group undertakings. Interest expense arises from financing activities. Interest income and expense are recognised in the profit and loss account using the effective interest method.

Cash and cash equivalents

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

Trade and other receivables

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

Contract assets

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

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Trade and other payables

This line item includes all operating payables (including notes payable and accrued supplier invoices) related to the purchase of goods and services. These payables are generally due within less than one year. Financial liabilities are measured at amortised cost using the effective interest method.

Liabilities on contracts

Liabilities on contracts correspond to deferred income. These are considerations received or invoiced to clients for which the Group has an obligation to provide goods or services.

Contract liabilities do not include client advances for external costs incurred on behalf of clients and that are directly pass-through to the clients when the Group acts as "Agent". Such advances are recorded under Trade payables.

Equity and reserves

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

Retained earnings include all current and prior period retained profits.

Share premium represents the difference between the issue price and the nominal value of the shares issued.

Adoption of new and revised standards

During the year the Company early adopted IFRS 16. The impact is set out in Note 1.3.

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

1.3 Impact of first time application of IFRS 16

Impact on balance sheet

	As reported 2018 £000	IFRS 16 Impact £000	Information with IAS 17 2018 £000
Total assets			
Property, plant and equipment	58	-	58
Right-of-use assets related to leases	391	(391)	-
Trade and other receivables	2,091	72 ¹	2,163
Assets on contracts	963	-	963
Cash and cash equivalents	3,965	-	3,965
	<u>7,468</u>	<u>319</u>	<u>7,149</u>
Total liabilities			
Trade and other payables	(1,188)	-	(1,188)
Liabilities on contracts	(629)	-	(629)
Corporation tax	(509)	-	(509)
Short-term lease liabilities	(321)	321	-
Long-term lease liabilities	(73)	73	-
	<u>(2,720)</u>	<u>394</u>	<u>(2,326)</u>

¹ This balance relates to prepaid rent £90k which would have been recognised under IAS 17 but offset with the right of use asset under IFRS 16 and reversal of other receivable balance of (£18k)

The impacts of the first application of IFRS 16 on the balance sheet are the following:

- the accounting of the right-of-use assets and lease liabilities;
- the reclassification of recognised assets and liabilities related to existing financing leases as of 1 January 2018;
- the reclassification of lease incentive benefits in reduction to the right-of-use assets;
- the reclassification of rents paid in advance in addition to the right-of-use assets;

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

1.3 Impact of first time application of IFRS 16 (continued)

Impact on Statement of total comprehensive income

	As reported 2018 £000	IFRS 16 Impact £000	Information with IAS 17 2018 £000
Revenue	12,266	-	12,266
Administrative expenses	(9,661)	68 ¹	(9,593)
Operating profit	2,605	68	2,673
Interest receivable and similar income	4	-	4
Interest payable and similar charges	(9)	8 ²	(1)
Profit on ordinary activities before taxation	2,600	76	2,676
Tax	(479)	-	(479)
Profit for the financial period	2,121	76	2,197

¹ The balance consists of the net depreciation charges on the right of use asset of £301k, impact of reversal of rental charges under IAS 17 (£215k) and the reversal of other lease expense items (£18k).

² This relates to interest charges on the lease liability.

Reconciliation of lease liabilities on the date of transition with off-balance sheet commitments at 31 December 2017

	£000
Commitments given under operating leases at 31 December 2017	595
Correction of 31 December 2017 off balance sheet commitments	106
Lease liabilities before discounting	701
Effect of discounting	(10)
Lease liabilities after discounting	691
Existing finance leases	-
Lease liabilities at 1 January 2018 after first-time application of IFRS 16	691

Notes to the financial statements

for the year ended 31 December 2018

2. Revenue

The activities of the Company during the year were principally related to the provision of translation and related linguistic services to businesses. The members believe that such activities comprise a unified class of business which cannot be further analysed into segments.

An analysis of revenue by geographical market is given below:

	2018 £000	2017 £000
United Kingdom	2,695	2,977
Europe	8,821	8,404
USA	450	747
Asia	58	93
Rest of the World	242	248
	<u>12,266</u>	<u>12,469</u>

3. Operating profit

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

	2018 £000	2017 £000
Loss/(gain) on transactions denominated in foreign currency	87	(23)
Amortisation of right-use assets (see note 10)	301	-
Depreciation of property, plant and equipment (see note 11)	88	65
Staff costs (see note 5)	2,140	3,693
Auditor's remuneration (see note 4)	<u>15</u>	<u>15</u>

4. Auditor's remuneration

The remuneration of the auditor is further analysed as follows:

	2018 £000	2017 £000
Audit of the financial statements – Company	<u>15</u>	<u>15</u>

Notes to the financial statements

for the year ended 31 December 2018

5. Staff costs

	2018 £000	2017 £000
Wages and salaries	1,918	3,373
Social security costs	196	287
Defined contribution pension scheme costs	26	33
	<u>2,140</u>	<u>3,693</u>

Included in total staff costs is £178,000 (2017: £356,000) in respect of directors' remuneration (see note 6).

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

	2018 No.	2017 No.
Administration staff	53	75
Advertising staff	10	13
	<u>63</u>	<u>88</u>

6. Directors' emoluments

The directors' emoluments were as follows:

	2018 £000	2017 £000
Emoluments	350	143
Company contributions to defined contribution pension schemes	1	1
Dividend paid	108	212
	<u>459</u>	<u>356</u>

There were 2 directors who were members of a money purchase pension scheme during the period (2017: none).

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

	2018 £000	2017 £000
Emoluments	199	72
Company contributions to defined contribution pension schemes	-	-
Dividend paid	54	113
	<u>253</u>	<u>185</u>

The directors of the Company are also directors of a number of subsidiaries of the ultimate parent undertaking. The directors do not believe that it is practicable to apportion the remuneration between remuneration as directors of the Company and their remuneration as directors of the fellow subsidiary companies. The directors' remuneration is therefore disclosed in the accounts of the fellow subsidiaries that make the remuneration payments.

Notes to the financial statements

for the year ended 31 December 2018

7. Interest receivable and similar income

	2018 £000	2017 £000
Intercompany interest receivable	4	-
	<u>4</u>	<u>-</u>

8. Interest payable and similar charges

	2018 £000	2017 £000
Bank interest paid	1	-
Interest on lease contracts	8	-
	<u>9</u>	<u>-</u>

9. Taxation

(a) Analysis of charge for period

	2018 £000	2017 £000
Current tax:		
Corporation tax	510	239
Adjustment in respect of previous periods	(31)	-
Total current tax	<u>479</u>	<u>239</u>
Tax on profit on ordinary activities (see note 9(b))	<u>479</u>	<u>239</u>

(b) Factors affecting tax charge for the period

The tax assessed on the profit on ordinary activities for the period differs from the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are reconciled below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	2,600	1,350
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	494	260
Expenses not deductible for tax purposes	16	1
Tax over provided in prior periods	(31)	-
Research & development relief	-	(22)
Total tax (see note 9(a))	<u>479</u>	<u>239</u>

Notes to the financial statements

for the year ended 31 December 2018

10. Lease contracts

	2018 £000
At 31 December 2017	-
First application of IFRS 16	691
Amortisation expense	(301)
At 31 December 2018	<u>391</u>

Analysis of maturities of lease liabilities:

	2018 £000
Not later than one year	321
After one year but not more than five years	73
	<u>394</u>

11. Property, plant and equipment

	Fixtures and fittings £000	Office equipment £000	Total £000
Cost:			
At 1 January 2018	56	320	376
Additions	-	3	3
At 31 December 2018	<u>56</u>	<u>323</u>	<u>379</u>
Depreciation:			
At 1 January 2018	(30)	(203)	(233)
Charge for the year	(7)	(81)	(88)
At 31 December 2018	<u>(37)</u>	<u>(284)</u>	<u>(321)</u>
Net book value:			
At 31 December 2018	<u>19</u>	<u>39</u>	<u>58</u>
At 31 December 2017	<u>26</u>	<u>117</u>	<u>143</u>

Notes to the financial statements

for the year ended 31 December 2018

12. Trade and other receivables

	2018	Restated 2017
	£000	£000
Trade receivables	1,991	1,988
Amounts owed by group undertakings	40	37
Other receivables	42	66
Prepayments	18	82
	<u>2,091</u>	<u>2,173</u>

13. Trade and other payables

	2018	Restated 2017
	£000	£000
Trade payables	657	537
Other taxation and social security costs	156	162
Accruals	371	462
Other payables	4	10
	<u>1,188</u>	<u>1,171</u>

14. Allotted and issued share capital

	2018	2017
	£000	£000
<i>Allotted, called-up and fully paid</i>		
51,251 redeemable ordinary shares of £1.00 each	<u>51</u>	<u>51</u>
	<u>51</u>	<u>51</u>

Notes to the financial statements

for the year ended 31 December 2018

15. Related party transactions

For the period ended 31 December the Company had the following transactions and balances with related parties:

Related Party	Payables		Receivables		Services		Billings	
	2018	2017	2018	2017	2018	2017	2018	2017
	£000	£000	£000	£000	£000	£000	£000	£000
Translate Plus Bulgaria	(39)	-	-	-	-	-	-	-
PG Lion (Wuhan) Consulting Co Ltd	-	-	26	-	-	-	-	-
MMS Comunicaciones Colombia SAS	(15)	-	-	-	-	-	-	-
Publicis Conseil S.A.	-	-	8	-	-	-	-	-
SCAP	-	-	20	-	-	-	-	-
Prodigious WAM	-	-	56	-	-	-	-	-
Saatchi & Saatchi Group Limited	-	-	28	-	-	-	-	-
Publicis Limited	-	-	1	-	-	-	-	-
Sapient Limited	-	-	2	-	-	-	-	-
Prodigious UK Limited	-	-	5	-	-	-	-	-
Publicis Healthcare Communications Group Limited	-	-	4	-	-	-	-	-
Prodigious Italy S.r.l.	(18)	-	-	-	-	-	-	-
MMS Communications KK	-	-	2	-	-	-	-	-
Beacon Communications KK	(4)	-	-	-	-	-	-	(3)
MMS Communications Mexico S.A. de C.V.	-	-	4	-	-	-	-	-
Publicis Groupe Holdings B.V.	-	-	3	-	-	-	-	-
Saatchi & Saatchi IS sp. Zoo	-	-	1	-	-	-	-	-
Prodigious Poland	-	-	5	-	-	-	-	-
MMS Communications Singapore	-	-	10	-	-	-	-	-
S&S NA	-	-	16	-	-	-	-	-
S&S Germany	-	-	-	6	-	-	-	(6)
Publicis Conseil S.A.	-	-	-	-	-	-	-	-

Notes to the financial statements

for the year ended 31 December 2018

16. Ultimate parent undertaking and controlling party

The immediate parent undertaking is MMS UK Holdings Limited, a company incorporated in England and Wales.

The ultimate parent undertaking, controlling party and the parent undertaking of the largest and smallest group to include the Company in its group financial statements is Publicis Groupe S.A., incorporated in France. Copies of its consolidated financial statements are available from 133 Avenue des Champs Elysees, 75008 Paris, France.

17. Conversion to FRS 101

Following the Company's adoption of FRS 101, the 2017 comparative information in the financial statements has been restated and re-presented under FRS 101. The adoption of FRS 101 has resulted in:

- no movement in the profit or loss for the period end 31 December 2017 from UK GAAP to FRS 101;
- no movement in the total equity under UK GAAP at 1 September 2016 and 31 December 2017 under FRS 101; and
- certain reclassifications in the balance sheet for the period ending 31 December 2017 with no impact on net profit or net assets

Impact on balance sheet

	As previously reported 2017 £000	FRS 101 Impact £000	Restated 2017 £000
Current assets			
Trade and other receivables	2,537	(364)	2,173
Assets on contracts	-	364	364
Cash and cash equivalents	2,469	-	2,469
	<u>5,006</u>	<u>-</u>	<u>5,006</u>
Current liabilities			
Trade and other payables	(1,543)	372	(1,171)
Liabilities on contracts	-	(372)	(372)
Corporation tax	(238)	-	(238)
	<u>(1,781)</u>	<u>-</u>	<u>(1,781)</u>