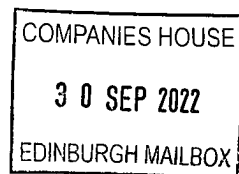

BBH Partners LLP

Annual Report and Financial Statements

for the year ended 31 December 2021

Registered Number: OC355051



Designated Members

Bartle Bogle Hegarty Limited
BBH Communications Limited

Auditor

Mazars LLP
30 Old Bailey
London
EC4M 7AU

Registered Office

1st Floor
2 Television Centre
101 Wood Lane
London
W12 7FR

Members' Report

for the year ended 31 December 2021

Principal activity and review of the business

The principal activity of the LLP is to carry on the business of advertising services.

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

	2021 £'000	Restated 2020 £'000	Change %
Revenue	54,380	50,239	8%
Operating profit	17,416	17,264	1%
Members' funds	1,919	5,967	(68%)
Current assets as a % of current liabilities	(110%)	(108%)	(2%)

Revenue has increased by 8% which is predominantly driven by the transfer of revenue from Seven Seconds Limited.

Members' funds have decreased by 68% as a result of the profit generated during the year less profits allocated and distributed to members of the LLP.

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

Future developments

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

Designated members

The designated members of the LLP who served during the year and up to the date of signing the financial statements were:

Bartle Bogle Hegarty Limited
BBH Communications Limited

Radhika Radhakrishnan (resigned 31 December 2021)

Post balance sheet events

Since the year ended 31 December 2021, the United Kingdom, the European Union, the United States of America and other Western nations have imposed economic sanctions on Russia and Russian interests worldwide in response to Russian forces entering Ukraine on 24 February 2022. The members have considered the impact of the LLP's ultimate parent undertaking Publicis Groupe S.A. subsequent announcement on 15 March 2022 that it has ceased all trading activities in Russia with immediate effect and the wider global impact of the economic sanctions imposed on the LLP's activities and operations. Whilst it is too early to assess the full financial impact on the LLP, a decline in activity may give rise to future impairment of assets and may create additional liabilities which cannot be quantified at this stage. As such, the members have treated this as a non-adjusting post balance sheet event.

Members' Report (continued)

for the year ended 31 December 2021

Principal risks and uncertainties

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

Competitive risks

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

Financial instrument risks

The LLP has established a risk and financial management framework whose primary objectives are to protect the LLP from events that hinder the achievement of the LLP'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. Our commercial dealings including intercompany activity are transacted in multiple foreign currencies and therefore expose the LLP to a significant level of foreign exchange risk.

The LLP manages this risk through the use of derivatives, namely currency forward contracts and currency swaps, with the overall aim being to minimise the foreign exchange charge or gain.

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

Members' Report (continued)

for the year ended 31 December 2021

Covid-19

The declaration of the Covid-19 pandemic in 2020 resulted in unprecedented uncertainty to the global economy following the introduction of lockdown measures by national governments worldwide in a bid to combat the spread of the virus. Since the initial declaration, the LLP has taken certain actions to effectively manage the impact of the pandemic on the LLP which prioritised the health and safety of employees whilst supporting clients and managing the cost-base of the business. In this context, the LLP has entered 2022 in an improving environment with various national governments including the UK government relaxing all restrictions related to the Covid-19 pandemic which has seen a recovery in economic activity.

However, there continues to be economic and social uncertainty related to the Covid-19 pandemic which could have an impact on economic activity in certain overseas markets in which the LLP operates. This is largely driven by the potential impact from varying and ongoing Covid-19 restrictions which continue to be imposed by overseas national governments in their jurisdictions and has been factored by the LLP as part of its going concern assessment.

In general, all of the principal risks and uncertainties above should be considered in light of the consequences of the Covid-19 pandemic.

Streamlined energy and carbon reporting

At a Groupe level and in the face of the climate emergency, we have set ambitious targets to reduce our environmental impact. We have decided to become carbon neutral by 2030. Our targets have been validated by the SBTi (Science Based Targets initiative) and are aligned with the Paris Agreement and the 1.5° scenario. To assist our clients in their own efforts to reduce their environmental footprint, we have created A.L.I.C.E (Advertising Limiting Impacts & Carbon Emissions), a calculator to assess the impact of their campaigns or projects. For further details of how we interact with communities and the environment, please see: <https://www.publicisgroupe.com/en/the-groupe/corporate-social-responsibility/csr-strategy>.

The LLP shares its office premises with other UK members of Publicis Groupe S.A. and the environmental impact is presented at a UK Group level in the Strategic Report of MMS UK Holdings Limited, an intermediate parent undertaking.

Going concern

The LLP has access to considerable financial resources together with long standing relationships with key clients and suppliers. The members have prepared detailed budgets and financial forecasts taking into account expected future trading performance, including the prolonged impact of the Covid-19 pandemic and the impact on global economic activity of the economic sanctions imposed by the United Kingdom, the European Union, the United States of America and other Western nations on Russia and Russian interests in response to Russia entering Ukraine on 24 February 2022. As a consequence, the members believe that the LLP is well placed to manage its business risks successfully. After making enquiries, the members have a reasonable expectation that the LLP has adequate resources to continue to meet its obligations as they fall due for the foreseeable future being a period of at least twelve months from signing of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Policy on members' drawings

Certain members are permitted to take drawings in anticipation of profits which will be allocated to them. The amount of such drawings is set at the beginning of each financial period, taking into account the anticipated cash

Members' Report (continued)

for the year ended 31 December 2021

Policy on members' drawings (continued)

needs of the LLP. Other salaried members receive a share of profits which are charged as an expense to the Statement of Comprehensive Income.

Charitable donations

Contributions during the year to United Kingdom charitable organisations amounted to £100,000 (2020: £66,000), principally to industry-related charities and good causes.

Disclosure of information to the auditor

The members who held office at the date of approval of this Members' report confirm that:

- so far as they are each aware, there is no relevant audit information of which the LLP's auditor is unaware; and
- each member has taken all the steps that he/she ought to have taken as a member to make himself/herself aware of any relevant audit information and to establish that the LLP's auditor is aware of that information.

This report was approved by the members and signed on its behalf by:

Karen Martin

Karen Martin (Sep 30, 2022 14:09 GMT+1)

K Martin

for and on behalf of Bartle Bogle Hegarty Limited, Designated Member

30 September 2022

Statement of Members' Responsibilities

for the year ended 31 December 2021

The members are responsible for preparing the Members' Report and the financial statements in accordance with applicable law and regulations.

Company law as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (application of Companies Act 2006) Regulations 2008 requires the members 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 members 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 LLP and of the profit or loss of the LLP for that period. In preparing these financial statements, the members 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 LLP will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and which disclose with reasonable accuracy at any time the financial position of the LLP and to enable them to ensure that the financial statements comply with the Limited Liability Partnerships (Accounts and Audit) (application of Companies Act 2006) Regulations 2008. They are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of BBH Partners LLP

for the year ended 31 December 2021

Opinion

We have audited the financial statements of BBH LLP (the 'LLP') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Reconciliation of Members' Interests and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the LLP's affairs as at 31 December 2021 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

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 LLP in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The members are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Independent auditor's report to the members of BBH Partners LLP (continued) for the year ended 31 December 2021

Other information (continued)

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 this gives rise to a material misstatement in the financial statements themselves. 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 as applied to limited liability partnerships

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

- the information given in the members' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the members' report has 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 LLP and its environment obtained in the course of the audit, we have not identified material misstatements in the members' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as applied to limited liability partnerships 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
- we have not received all the information and explanations we require for our audit.

Responsibilities of Members

As explained more fully in the Statement of Members' Responsibilities set out on page 7, the members 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 members 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 members are responsible for assessing the LLP'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 members either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of BBH Partners LLP (continued)

for the year ended 31 December 2021

Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the LLP and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-bribery laws and data protection laws.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of the members as to whether the LLP is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the LLP which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as the Companies Act 2006, as applied to limited liability partnerships.

In addition, we evaluated the members' incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to, revenue recognition (which we pinpointed to the cut-off assertion).

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

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

Independent auditor's report to the members of BBH Partners LLP (continued) for the year ended 31 December 2021

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

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

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

Use of our report

This report is made solely to the LLP's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to limited liability partnerships. Our audit work has been undertaken so that we might state to the LLP'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 LLP and the LLP's members as a body for our audit work, for this report, or for the opinions we have formed.

Jacqueline Berry

Jacqueline Berry (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey
London
EC4M 7AU

30 September 2022

Statement of Comprehensive Income

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Revenue	3	54,380	50,239
Administrative expenses		(36,964)	(32,975)
Operating profit	4	17,416	17,264
Interest receivable and similar income	7	-	22
Interest payable and similar charges	8	(192)	(222)
Profit for the year before members' profit shares available for discretionary division amongst members		17,224	17,064
Other comprehensive income		-	-
Total comprehensive income for the year		17,224	17,064

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

The notes on pages 16 to 30 form part of these financial statements.

Balance Sheet

at 31 December 2021

	Notes	2021 £'000	Restated 2020 £'000
Non-current assets			
Property, plant and equipment	9	588	862
Right-of-use assets	10	8,870	11,932
		<hr/> 9,458	<hr/> 12,794
Current assets			
Work in progress		16	77
Trade and other receivables	11	47,350	54,856
		<hr/> 47,366	<hr/> 54,933
Current liabilities			
Trade and other payables	12	(39,983)	(46,553)
Lease liabilities	10	(2,973)	(4,444)
		<hr/> (42,956)	<hr/> (50,997)
Net current assets		<hr/> 4,410	<hr/> 3,936
Total assets less current liabilities		<hr/> 13,868	<hr/> 16,730
Non-current liabilities			
Lease liabilities	10	(7,759)	(10,763)
Provisions for liabilities	13	(4,190)	-
		<hr/> (11,949)	<hr/> (10,763)
Net assets		<hr/> 1,919	<hr/> 5,967
Represented by:			
Members' other interests			
Members' capital classified as equity		1	1
Other reserves		1,918	5,966
		<hr/> 1,919	<hr/> 5,967
Total members' interests			
Members other interests		1,919	5,967
Amounts due from members		-	-
		<hr/> 1,919	<hr/> 5,967

Balance Sheet (continued)

at 31 December 2021

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

Karen Martin

Karen Martin (Sep 30, 2022 14:09 GMT+1)

K Martin

for and on behalf of Bartle Bogle Hegarty Limited, Designated Member

30 September 2022

The notes on pages 16 to 30 form part of these financial statements.

Reconciliation of Members' Interests

for the year ended 31 December 2021

	Members' capital classified as equity £'000	Other reserves £'000	Total members' other interests £'000
At 1 January 2020	1	1,317	1,318
Prior year adjustment	-	4,501	4,501
At 1 January 2020 (restated)	1	5,818	5,819
Profit available for division among members		17,064	17,064
Other comprehensive income	-	-	-
Total comprehensive income	-	17,064	17,064
Profit allocated to members	-	(17,064)	(17,064)
Share-based payments	-	148	148
At 31 December 2020 (restated)	1	5,966	5,967
Profit available for division among members	-	17,224	17,224
Other comprehensive income	-	-	-
Total comprehensive income	-	17,224	17,224
Profit allocated to members	-	(21,305)	(21,305)
Share-based payments	-	33	33
At 31 December 2021	1	1,918	1,919

The notes on pages 16 to 30 form part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2021

1. Accounting policies

1.1. Basis of preparation

BBH Partners LLP ("the LLP") is a limited liability partnership incorporated and domiciled in the United Kingdom and registered in England and Wales. The address of the registered office is 1st Floor, 2 Television Centre, 101 Wood Lane, London W12 7FR. 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, applicable to limited liability partnerships. Except for certain disclosure exemptions detailed below, the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK have been applied to these financial statements and, where necessary, amendments have been made in order to comply with the Companies Act 2006.

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. The LLP's functional and presentational currency is Pound Sterling.

Going concern

The LLP has access to considerable financial resources together with long standing relationships with key clients and suppliers. The members have prepared detailed budgets and financial forecasts taking into account expected future trading performance, including the prolonged impact of the Covid-19 pandemic and the impact on global economic activity of the economic sanctions imposed by the United Kingdom, the European Union, the United States of America and other Western nations on Russia and Russian interests in response to Russia entering Ukraine on 24 February 2022. As a consequence, the members believe that the LLP is well placed to manage its business risks successfully. After making enquiries, the members have a reasonable expectation that the LLP has adequate resources to continue to meet its obligations as they fall due for the foreseeable future being a period of at least twelve months from signing of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Notes to the financial statements

for the year ended 31 December 2021

1. Accounting policies (continued)

1.1. Basis of preparation (continued)

Disclosure exemptions applied

The LLP 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 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));
- (v) The requirements of IAS 1 'Presentation of Financial Statements' paragraph 16, the requirement to make an explicit and unreserved statement of compliance with IFRS;
- (vi) The requirements of IAS 1 'Presentation of Financial Statements' paragraphs 38A to 40D relating to disclosures of comparative information;
- (vii) The requirement of IAS 1 'Presentation of Financial Statements' paragraphs 134 to 136 relating to the disclosure of capital management policies and objectives
- (viii) 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;
- (ix) 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;
- (x) The requirements of IAS 24 'Related Party Disclosures' paragraph 17 and 18(a) relating to the disclosure of key management personnel compensation and relating to the disclosure of related party transactions entered into between the LLP and other wholly-owned subsidiaries of the group; and
- (xi) 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 (xi), the equivalent disclosures are included in the consolidated financial statements of the group, Publicis Groupe S.A. which the LLP is consolidated into.

Notes to the financial statements

for the year ended 31 December 2021

1. Accounting policies (continued)

1.1. Basis of preparation (continued)

Changes in accounting policies

New and amended standards and interpretations adopted

The following standards and interpretations have been adopted by the LLP as they are mandatory for the year ended 31 December 2021:

	UK effective date Periods beginning on or after
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021
Covid-19 Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	1 January 2021
IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current	1 January 2021

The adoption of the standards and interpretations above has not had a material impact on the LLP's financial statements.

1.2. Accounting principles

Revenue recognition

The LLP's revenue stems from contracts with clients to provide creative and production services, direct and digital marketing, CRM (Customer Relationship Management), sales promotion and point of sales marketing, public relations, event management, institutional and financial communication as well as digital business transformation consulting.

Revenue recognised from contracts with clients comprises fees, commission, performance-based bonuses, and reimbursement of third-party costs incurred on behalf of clients and is stated exclusive of VAT, sales taxes and trade discounts. Fees are usually calculated on the basis of an hourly rate plus overheads and a margin. Commission-based contracts are calculated on the basis of a percentage of the total sum of costs paid to third parties to carry out the contract. Commission-based contracts mainly relate to media space bought on behalf of the clients and supervision of production carried out by third parties. Contracts are short-term in nature, generally under one year, and the LLP typically has right to payment to the end of the contract or as a minimum for the work performed to date.

Performance obligations

Revenue is recognised when a performance obligation is satisfied in accordance with the terms of the contractual arrangement. Generally, the promised services in a contract are not considered distinct and are accounted for as a single performance obligation. The promised services are only distinct if the client can benefit from the services on its own and if the LLP's promise to transfer these services is separately identifiable from other promises in the contract. As such, these services are recognised as separate performance obligations.

Notes to the financial statements

for the year ended 31 December 2021

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Revenue recognition (continued)

Performance obligations (continued)

In creative advertising, there are two performance obligations, one for creative advisory services and the second for production, with the revenue being allocated for each performance obligation based on the stand-alone selling price as defined in the contract.

Variable considerations of the transaction price

Some contracts include incentives that are subject to qualitative or quantitative performance criteria. These variable components are only included in the transaction price when it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Performance-based incentives are typically only recognised when the performance criteria specified in the contract have been met and the client has confirmed its agreement.

Revenue recognition

Almost all the LLP'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 LLP is entitled to payment for the work done to date.

For the majority of fee arrangements, revenue is recognised over time based on internal measurement which best describes the level of effort spent on the project, usually calculated using an input method on the basis of hours worked and direct external costs incurred on the project to date. For retainer arrangements with a dedicated team, the LLP considers that its performance obligation is to be ready at all times to make resources available to the client. In this instance, revenue is recognised on a straight-line basis over the term of the contract.

For commission-based media contracts revenue is recognised at a point in time when the media is broadcast.

"Agent" vs. "Principal" Considerations

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

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

When the LLP acts as "Principal", the revenue is recognised for the gross amount invoiced to the client. When the LLP acts as "Agent", revenue is recognised net of the pass-through costs to clients, which means that revenue recorded is solely comprised of fees or commission. In any case, out of pocket expenses reimbursed by clients (transport, hotels, meals, etc.) are always recognised in revenue.

Notes to the financial statements

for the year ended 31 December 2021

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Contract modifications

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

Effect of foreign currency

Transactions denominated in foreign currencies are translated into sterling at the actual exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the Statement of Comprehensive Income. The LLP 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.

Pension

The LLP operates a defined contribution scheme for its employees. Contributions to defined contribution schemes are recognised in the Statement of Comprehensive Income in the period in which they become payable.

Interest income and expense

Interest income arises from balances with group undertakings. Interest expense arises from financing activities. Interest income and expense are recognised in the Statement of Comprehensive Income using the effective interest method.

Taxation

The taxation payable on profits of the LLP is the personal liability of certain partners and is not dealt with in these financial statements. A retention from profit distributions is made to fund the taxation payments on behalf of these partners.

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.

Notes to the financial statements for the year ended 31 December 2021

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Property, plant and equipment (continued)

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:

Leasehold improvements	- over the shorter of 10 years or remaining lease term
Furniture, fixtures and equipment	- 5 to 10 years
Computer equipment	- 3 to 4 years

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

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

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 Income Statement, 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 the Statement of Comprehensive Income.

Work in progress

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

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 LLP'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.

Notes to the financial statements

for the year ended 31 December 2021

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Contract assets

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

Trade and other payables

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

Contract liabilities

Contract liabilities 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.

Provisions for liabilities

Provisions for liabilities are recognised when the LLP has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Share-based payments

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting conditions), other than performance conditions linked to the price of the shares of the LLP (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

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

Notes to the financial statements

for the year ended 31 December 2021

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Share-based payments (continued)

Equity-settled transactions (continued)

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

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

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

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires of the use of certain critical accounting judgements and estimates regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Information about critical accounting judgements and key sources of estimation uncertainty 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 this matter is provided in Note 1.2.

Notes to the financial statements

for the year ended 31 December 2021

3. Revenue

	2021 £'000	2020 £'000
United Kingdom	34,576	31,850
Europe	15,056	13,122
USA	3,380	4,558
Asia	1,368	709
	<u>54,380</u>	<u>50,239</u>

4. Operating profit

Operating profit is stated after charging:

	2021 £'000	2020 £'000
Loss on transactions denominated in foreign currency	51	26
Depreciation of property, plant and equipment (Note 9)	301	376
Depreciation of right-of-use assets (Note 10)	2,467	2,452
Auditor's remuneration (Note 5)	40	37
Salaried members and staff costs (Note 6)	21,080	21,181
	<u>24,939</u>	<u>25,172</u>

5. Auditor's remuneration

The remuneration of the auditor is further analysed as follows:

	2021 £'000	2020 £'000
Audit of the financial statements - LLP	<u>40</u>	<u>37</u>

Notes to the financial statements

for the year ended 31 December 2021

6. Employees

Staff costs were as follows:

	2021 £'000	2020 £'000
Wages and salaries	15,970	17,482
Social security costs	3,761	2,307
Defined contribution pension scheme costs	1,349	1,392
	<u>21,080</u>	<u>21,181</u>

Included in total staff costs is a total expense for share-based payments of £33,000 (2020: £148,000) arising from transactions accounted for as equity-settled share-based payment transactions (see Note 14).

The average monthly number of members and persons employed by the LLP during the year was:

	2021 No.	2020 No.
Members	238	8
Staff	50	281
	<u>288</u>	<u>289</u>

The distribution of the profit share in relation to the highest paid member is as follows:

	2021 £'000	2020 £'000
Distribution of profit share in relation to highest paid member	618	1,023

7. Interest receivable and similar income

	2021 £'000	2020 £'000
Intercompany interest receivable	-	22

Notes to the financial statements

for the year ended 31 December 2021

8. Interest payable and similar charges

	2021 £'000	2020 £'000
Intercompany interest payable	1	-
Interest expense on lease liabilities	191	222
	<u>192</u>	<u>222</u>

9. Property, plant and equipment

	Leasehold improvements £'000	Furniture, fixtures & equipment £'000	Computer equipment £'000	Total £'000
Cost:				
At 1 January 2021	3,100	821	1,158	5,079
Additions	-	-	27	27
Disposals	(12)	-	(49)	(61)
At 31 December 2021	<u>3,088</u>	<u>821</u>	<u>1,136</u>	<u>5,045</u>
Depreciation:				
At 1 January 2021	2,717	559	941	4,217
Charge for the year	183	54	64	301
Disposals	(12)	-	(49)	(61)
At 31 December 2021	<u>2,888</u>	<u>613</u>	<u>956</u>	<u>4,457</u>
Net book value:				
At 31 December 2021	<u>200</u>	<u>208</u>	<u>180</u>	<u>588</u>
At 31 December 2020	<u>383</u>	<u>262</u>	<u>217</u>	<u>862</u>

Notes to the financial statements for the year ended 31 December 2021

10. Leases

(a) Right-of use asset

	Property £'000	Total £'000
Cost:		
At 1 January 2021	11,932	11,932
Additions	(595)	(595)
Depreciation charge for the year	(2,467)	(2,467)
	<hr/>	<hr/>
At 31 December 2021	8,870	8,870
	<hr/>	<hr/>

(b) Lease liability

Analysis of maturities of lease liabilities:

	2021 £'000	2020 £'000
Less than one year	2,973	4,444
After one year but not more than five years	7,759	10,763
	<hr/>	<hr/>
	10,732	15,207
	<hr/>	<hr/>

11. Trade and other receivables

	2021 £'000	Restated 2020 £'000
Trade receivables	16,696	14,813
Amounts owed by group undertakings	26,522	38,936
Prepayments	1,328	581
Contract assets	2,797	451
Other receivables	7	75
	<hr/>	<hr/>
	47,350	54,856
	<hr/>	<hr/>

To aid comparability for the reader of the financial statements, the comparative balance for Contract assets has been presented within this note instead of the face of the Balance Sheet.

Notes to the financial statements

for the year ended 31 December 2021

12. Trade and other payables

	2021 £'000	Restated 2020 £'000
Trade payables	5,971	5,039
Amounts owed to group undertakings	16,056	17,641
Other taxation and social security costs	2,179	2,093
Accruals	3,070	3,559
Contract liabilities	1,716	1,153
Payments on account	9,386	14,538
Other payables	1,605	2,530
	<u>39,983</u>	<u>46,553</u>

The comparative balance for amounts owed to group undertakings has been restated as discussed in further detail in Note 16.

To aid comparability for the reader of the financial statements, the comparative balance for Contract liabilities has been presented within this note instead of the face of the Balance Sheet.

13. Provisions for liabilities

	Severance £'000	Total £'000
At 1 January 2021	-	-
Charge for the year	4,190	4,190
	<u>4,190</u>	<u>4,190</u>
At 31 December 2021	4,190	4,190

A severance provision was created during the year in relation to the future costs to be paid to former employees of the LLP.

14. Share-based payments

The total expense recognised for share-based payments in respect of member services received during the year to 31 December 2021 is £33,000 (2020: £148,000). The total expense arose from equity-settled share-based payment transactions.

Free share plans (senior employees)

Free shares are granted to senior members of the LLP at the discretion of the Management Board of the ultimate parent company Publicis Groupe S.A.. The free share plans outstanding at 31 December 2021 have the following characteristics:

Notes to the financial statements

for the year ended 31 December 2021

14. Share-based payments (continued)

Free share plans (senior employees) (continued)

Long Term Incentive Plan (LTIP) 2019

Under this plan, a certain number of Group managers were awarded free shares, subject to two conditions:

- employment must continue throughout the three-year vesting period; and
- the free shares are subject to performance criteria and the total number of shares delivered will depend on the overall growth and profitability targets attained in 2019.

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

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

No other features of options grant were incorporated into the measurement of fair value.

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

15. Related party transactions

The LLP has taken advantage of the exemption under IAS 24, "Related Party Disclosures", not to disclose transactions with group undertakings as it is a subsidiary undertaking which is 100% controlled by the ultimate parent undertaking.

16. Prior year restatement

The prior year restatement is to correct differences noted on historical intercompany balances with the immediate parent undertaking BBH Communications Limited were incorrectly excluded from the LLP's financial statements. As a result, the following adjustments have been processed to correctly recognise present the amounts owed to group undertakings.

	Previously reported	Adjustment	After restatement
	2020	2020	2020
	£'000	£'000	£'000
Balance Sheet at 1 January 2020			
Amounts owed to group undertakings	(21,821)	4,501	(17,320)
Other reserves	1,317	4,501	5,818
	<hr/>	<hr/>	<hr/>
Balance Sheet at 31 January 2020			
Amounts owed to group undertakings	(22,142)	4,501	(17,641)
Other reserves	1,465	4,501	5,966
	<hr/>	<hr/>	<hr/>

Notes to the financial statements

for the year ended 31 December 2021

17. Ultimate parent undertaking and controlling party

The immediate parent undertaking is BBH Communications 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 LLP 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.

18. Post balance sheet events

Since the year ended 31 December 2021, the United Kingdom, the European Union, the United States of America and other Western nations have imposed economic sanctions on Russia and Russian interests worldwide in response to Russian forces entering Ukraine on 24 February 2022. The directors have considered the impact of the LLP's ultimate parent undertaking Publicis Groupe S.A. subsequent announcement on 15 March 2022 that it has ceased all trading activities in Russia with immediate effect and the wider global impact of the economic sanctions imposed on the LLP's activities and operations. Whilst it is too early to assess the full financial impact on the LLP, a decline in activity may give rise to future impairment of assets and may create additional liabilities which cannot be quantified at this stage. As such, the directors have treated this as a non-adjusting post balance sheet event.