
BBH Partners LLP

Annual Report and Financial Statements

for the year ended 31 December 2022

Registered Number: OC355051



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Members and Other Information

Designed Members

Bartle Bogle Hegarty Limited
BBH Communications Limited

Registered office

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

Auditor

Mazars LLP
30 Old Bailey
London
EC4M 7AU

Members' Report

for the year ended 31 December 2022

Principal activity and review of the business

The principal activity of BBH Partners LLP ("the LLP") continues to be the provision of a comprehensive service to clients covering advertising, marketing and allied services.

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

	2022	Restated	
	£'000	2021	Change
		£'000	%
Revenue	55,221	54,380	2%
Operating profit	17,106	16,464	4%
Members' funds	1,405	3,322	(58%)
Current assets as a % of current liabilities	102%	118%	(13%)
Average number of employees	297	295	1%

Revenue has increased by 2% which is predominantly driven by organic growth from existing clients and a key client win during the year.

Members' funds have decreased by 58% as a result of the profit generated during the year less profits allocated and distributed to members of the LLP.

Current assets as a percentage of current liabilities has decreased due to an increase in current liabilities in proportion to current assets partially driven through an increase in intercompany payables and also reduction in trade receivables due to improved collections from clients.

The total average number of employees have not changed materially compared to the prior year.

The services offered by the LLP have minimal environmental impact. However, the members believe that good environmental practices support the members' strategy by enhancing the reputation of the LLP.

Future developments

The members do not foresee any material changes to the nature of the business in the foreseeable future.

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

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

Members' Report (continued)

for the year ended 31 December 2022

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.

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. As a consequence, the members believe that the LLP

Members' Report (continued)

for the year ended 31 December 2022

Going concern (continued)

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.

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.

Charitable donations

Contributions during the year to United Kingdom charitable organisations amounted to £99,000 (2021: £100,000), 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 4, 2023 13:17 GMT+1)

K Martin

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

04-Sep-2023

Statement of Members' Responsibilities

for the year ended 31 December 2022

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 2022

Opinion

We have audited the financial statements of BBH Partners LLP (the 'LLP') for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Reconciliation of Members' Interests and the 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 2022 and of its profit 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 other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The members are responsible for the other information contained within the Annual Report and Financial Statements. 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.

Our responsibility is to read the other information and, in doing so, consider whether the other information

Other information (continued)

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 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 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 5, 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.

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: UK tax legislation, employment regulation, health and safety regulation and anti-money laundering regulation.

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).

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

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.

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.

Sanjay Ranchhoojee
Sanjay Ranchhoojee (Sep 15, 2023 16:49 GMT+1)

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

Sep 15, 2023

Statement of Comprehensive Income

for the year ended 31 December 2022

	Notes	2022 £'000	Restated 2021 £'000
Revenue	3	55,221	54,380
Administrative expenses		(38,115)	(37,916)
Operating profit	4	17,106	16,464
Interest receivable and similar income	6	325	-
Interest payable and similar charges	7	(10)	(1)
Profit for the year before members' profit shares available for discretionary division amongst members		17,421	16,463
Other comprehensive income		-	-
Total comprehensive income for the year		17,421	16,463

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

The notes on pages 13 to 27 form part of these financial statements.

Balance Sheet

At 31 December 2022

	Notes	2022 £'000	Restated 2021 £'000
Non-current assets			
Property, plant and equipment	8	304	390
		<u>304</u>	<u>390</u>
Current assets			
Work in progress		67	16
Trade and other receivables	9	60,339	47,530
Derivative assets	13	-	25
		<u>60,406</u>	<u>47,571</u>
Current liabilities			
Trade and other payables	10	(58,975)	(40,449)
Derivative liabilities	13	(35)	-
		<u>(59,010)</u>	<u>(40,449)</u>
Net current assets		<u>1,396</u>	<u>7,122</u>
Total assets less current liabilities		<u>1,700</u>	<u>7,512</u>
Non-current liabilities			
Provisions for liabilities	11	(295)	(4,190)
		<u>(295)</u>	<u>(4,190)</u>
Net assets		<u>1,405</u>	<u>3,322</u>
Represented by:			
Members' other interests			
Members' capital classified as equity		1	1
Other reserves		1,404	3,321
		<u>1,405</u>	<u>3,322</u>
Total members' interests		<u>1,405</u>	<u>3,322</u>
Members' other interests		<u>1,405</u>	<u>3,322</u>

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

Karen Martin

Karen Martin (Sep-4, 2023 13:47 GMT+1)

K Martin

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

04-Sep-2023

The notes on pages 13 to 27 form part of these financial statements.

Reconciliation of Members' Interests

for the year ended 31 December 2022

	Members' capital classified as equity £'000	Other reserves £'000	Total equity £'000
At 1 January 2021	1	5,966	5,967
Prior year adjustment	-	2,164	2,164
At 1 January 2021 (restated)	1	8,130	8,131
Profit available for division among members (restated)	-	16,463	16,463
Other comprehensive income	-	-	-
Total comprehensive income for the year (restated)	-	16,463	16,463
Profit allocated to members	-	(21,305)	(21,305)
Share-based payments (see Note 12)	-	33	33
At 31 December 2021 (restated)	1	3,321	3,322
Profit available for division among members	-	17,421	17,421
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	17,421	17,421
Profit allocated to members	-	(19,391)	(19,391)
Share-based payments (see Note 12)	-	53	53
At 31 December 2022	1	1,404	1,405

The notes on pages 13 to 27 form part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2022

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.

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. 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 2022

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:

- (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;
- (ix) 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;
- (x) 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;
- (xi) 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
- (xii) 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 2022

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 2022:

	UK effective date Periods beginning on or after
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before intended use (Issued May 2020)	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	1 January 2022

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 2022

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Revenue recognition (continued)

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.

"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.

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.

Notes to the financial statements for the year ended 31 December 2022

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Foreign currency transactions

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 are translated at the exchange rate applicable at the reporting date. All differences arising are recognised in the Statement of Comprehensive Income. 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.

Pensions

The LLP operates a defined contribution scheme for its employees. Contributions to the defined contribution scheme 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 at cost less accumulated depreciation and any provision for impairment. Cost comprises the purchase price and 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 the estimated present value future costs of dismantling and removing the items.

Depreciation is provided at rates calculated to write off the cost of assets on a straight-line basis over its estimated useful life, as follows:

Leasehold improvements	-	over the shorter of the lease term and the useful economic life of the asset
Furniture, fixtures and equipment	-	5 to 10 years
Computer equipment	-	3 to 4 years

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.

Notes to the financial statements

for the year ended 31 December 2022

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Leases

At inception of a contract, the LLP assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The LLP recognises a right of use asset and a lease liability at the lease commencement date except for short term leases with a lease term of 12 months or less or leases of low value assets. For these leases, the LLP recognises the lease payments in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

The right of use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. Subsequently, the asset is measured at cost less accumulated depreciation and impairment losses. The asset is depreciated over the term of the lease using the straight-line method.

At each reporting date, the LLP assesses whether there is any indication of impairment. Any impairment loss is recognised immediately in the Statement of Comprehensive Income.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the LLP's incremental borrowing rate for the same term as the underlying lease. Lease payments included in the measurement of lease liabilities comprise fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate as at the commencement date. Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest expensed using the effective interest method and reducing the carrying amount for lease payments made. Lease modifications result in remeasurement of the lease liability.

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

Notes to the financial statements

for the year ended 31 December 2022

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Trade and other receivables (continued)

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.

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 LLP 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 LLP acts as "Agent". Such advances are recorded under Trade payables.

Provisions for liabilities

Provisions 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.

Financial liabilities carried at fair value

Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments to hedge its foreign exchange risk exposures.

On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging

Notes to the financial statements

for the year ended 31 December 2022

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Financial liabilities carried at fair value (continued)

Derivative financial instruments, including hedge accounting (continued)

instruments are expected to be "highly effective" in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

Derivatives are recognised initially at fair value determined either by reference to observable market prices at the reporting date or by the use of valuation models based on market parameters at the reporting date. Attributable transaction costs are recognised in the Statement of Comprehensive Income as incurred. Subsequently, derivatives are measured at fair value with any gain or loss resulting from changes in their value being recognised in the Statement of Comprehensive Income.

Share-based payments

The Publicis Group operates various share plans whereby certain employees are awarded equity-settled shares by the ultimate parent company Publicis Groupe S.A. for services to the LLP. The LLP has no obligation to settle the awards.

The fair value of the equity-settled share-based payments at the date of grant is expensed to the Statement of Comprehensive Income over the vesting period with a corresponding entry in retained earnings. Fair value on grant date is determined by an independent expert and is either equal to the market price on the grant date adjusted to reflect the expected loss of dividend(s) during the vesting period or through the use of the Black Scholes model. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of shares that will eventually vest. Non-vesting and market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also expensed to the Statement of Comprehensive Income over the remaining vesting period.

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires 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.

The judgements and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Notes to the financial statements

for the year ended 31 December 2022

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical accounting judgement

Revenue recognition

Revenue is recognised on the basis of the satisfaction of performance obligations and the stage of completion of projects ongoing at the year-end. Judgement is required to determine the satisfaction of performance obligations and the value and timing of recognition. Variable revenue is only recognised when it is highly probable that a significant reversal in the amount of cumulative revenue recognised to date will not occur. Revenue from projects ongoing at the year-end is recognised on an 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. Due to the subjective nature of these judgements, changes could materially affect the timing and extent of revenue and contract assets recognised in these financial statements.

Key sources of estimation uncertainty

Share-based payments

In determining the fair value of equity-settled share-based awards and the related expense to the Statement of Comprehensive Income, the LLP makes assumptions about future events and market conditions. In particular, the LLP has to assess the likely number of shares that will vest, and the fair value of each award granted. The fair value is determined by an independent expert using a valuation model which is dependent on a number of assumptions, including the ultimate parent company's future dividend policy and the future volatility in the share price of the ultimate parent company's shares. These assumptions are inherently uncertain and could result in a material difference to the reported value of share-based payment expense. The total expense recognised for share-based payments in respect of employee services received during the year to 31 December 2022 is £53,000 (2021: £33,000).

3. Revenue

The activities of the LLP during the year were principally related to the provision of 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. 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:

	2022 £'000	2021 £'000
United Kingdom	41,383	34,576
Europe	9,000	15,056
USA	3,547	3,380
Asia	1,066	1,368
Rest of world	225	-
	<u>55,221</u>	<u>54,380</u>

Notes to the financial statements for the year ended 31 December 2022

4. Operating profit

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

	2022 £'000	Restated 2021 £'000
(Gain) / loss on transactions denominated in foreign currency	(35)	55
Depreciation of property, plant and equipment (see Note 8)	126	118
Auditor's remuneration	42	40

5. Employees

Staff costs were as follows:

	2022 £'000	2021 £'000
Wages and salaries	15,489	15,970
Social security costs	2,709	3,761
Pension costs	1,458	1,349
	19,656	21,080

Included in total staff costs is a total expense for share-based payments of £53,000 (2021: £33,000) arising from transactions accounted for as equity-settled share-based payment transactions (see Note 12).

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

	2022 No.	2021 No.
Members		7
Advertising	252	238
Administration	45	50
	297	295

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

	2022 £'000	2021 £'000
Distribution of profit share in relation to the highest paid member	525	618

Notes to the financial statements for the year ended 31 December 2022

6. Interest receivable and similar income

	2022 £'000	2021 £'000
Intercompany interest receivable	325	-

7. Interest payable and similar charges

	2022 £'000	2021 £'000
Intercompany interest payable	10	1

8. Property, plant and equipment

	Fixtures, fittings & equipment £'000	Computer equipment £'000	Total £'000
Cost			
At 1 January 2022 (restated)	823	1,136	1,959
Additions	40	-	40
At 31 December 2022	863	1,136	1,999
Depreciation			
At 1 January 2022 (restated)	613	956	1,569
Charge for the year	56	70	126
At 31 December 2022	669	1,026	1,695
Net book value			
At 31 December 2022	194	110	304
At 31 December 2021 (restated)	210	180	390

9. Trade and other receivables

	2022 £'000	Restated 2021 £'000
Trade receivables	14,086	16,696
Amounts owed by group undertakings	42,774	27,496
Prepayments	857	541
Contract assets	2,622	2,797
	60,339	47,530

Notes to the financial statements

for the year ended 31 December 2022

10. Trade and other payables

	2022 £'000	Restated 2021 £'000
Trade payables	4,631	5,971
Amounts owed to group undertakings	36,017	16,683
Other taxation and social security costs	1,619	2,157
Accruals	2,136	2,913
Contract liabilities	1,505	1,716
Payments on account	10,343	9,386
Other payables	2,724	1,623
	58,975	40,449

11. Provisions

	Severance £'000	Total £'000
At 1 January 2022	4,190	4,190
Release of provision	(3,895)	(3,895)
At 31 December 2022	295	295

Severance

This provision is related to the future costs to be paid to former employees of the LLP.

12. Share-based payments

The total expense recognised for share-based payments in respect of employee services received during the year to 31 December 2021 is £53,000 (2021: £33,000). The total expense arose from equity-settled share-based payment transactions.

Free share plans (senior employees)

Free shares are granted to senior employees of the 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 2022 have the following characteristics:

Long Term Incentive Plan (LTIP) 2022

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

- employment must continue throughout the three-year vesting period;
- conditions for achieving the Group's revenue growth and profitability targets for the year 2022, compared to a reference group including the three other main global communications groups (Omnicom, WPP and IPG); and

Notes to the financial statements for the year ended 31 December 2022

12. Share-based payments (continued)

Free share plans (senior employees) (continued)

Long Term Incentive Plan (LTIP) 2022 (continued)

- conditions based on progress made on the CSR (corporate social responsibility) policy, in the area of both Diversity, Equality and Inclusion and in the area of combating climate change, for which indicative interim points have been set. At the end of 2022, the percentage of women in key management positions as well as the percentage of change of integration of renewable energies in the Groupe will be assessed against targets set.

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 March 2025.

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.

13. Financial instruments

The derivatives, which have a three month life, are valued based on a discounted cash flow, using quoted forward rates (an observable input) and discounted at a rate that takes into account credit risk.

Categories of financial instruments held at fair value

	2022 £'000	Restated 2021 £'000
Financial assets at fair value through profit and loss		
Derivative instruments – Assets	-	25
Financial liabilities at fair value through profit and loss		
Derivative instruments – Liabilities	35	-

Fair value hierarchy

The table below breaks down financial instruments recognised at fair value according to the measurement method used. The different levels of fair value have been defined as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Observable data other than quoted prices for identical assets or liabilities in active markets;
- Level 3: Unobservable data.

Derivative financial instruments valued using level 2 valuation techniques.

Notes to the financial statements

for the year ended 31 December 2022

13. Financial instruments (continued)

Changes in the value of financial instruments at fair value

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

	2022 £'000	2021 £'000
Financial assets at fair value through profit and loss		
Derivative instruments – Assets	6	3
Financial liabilities at fair value through profit and loss		
Derivative instruments – Liabilities	(2)	(4)

14. Related party transactions

The LLP has taken advantage of the exemption under FRS 101 not to disclose transactions with Group undertakings as it is a subsidiary undertaking which is 100% controlled by the ultimate parent undertaking.

15. Prior year restatement

A prior year restatement of the financial statements has been recognised due for the following reasons:

- During the year, the LLP began to cease the recording of the accounting entries for a property lease which is held by a fellow subsidiary of the immediate parent undertaking but has been managed by the LLP. This previous accounting treatment is considered to be incorrect and as a result, the prior year comparatives have been restated to remove all accounting entries associated with the property lease.
- A number of reclassification adjustments have been recognised in respect to Other taxation and social security and Accruals as at 31 December 2021, Accruals and Amounts owed to group undertakings at 31 December 2021, Accruals and Amounts owed to group undertakings and Derivative assets, other receivables and other payables at 31 December 2021. These reclassifications aid comparability for readers of the financial statements and there is no impact on the reported profit after tax or net assets in the prior year.

The impact of the above restatements on the financial statements have been summarised below:

	Previously reported £'000	Adjustment £'000	After restatement £'000
Balance Sheet at 1 January 2021			
Property, plant and equipment	862	(383)	479
Right of use assets	11,932	(11,932)	-
Amounts owed by group undertakings	38,946	(918)	38,028
Accruals	(3,559)	190	(3,369)
Short-term lease liabilities	(4,444)	4,444	-
Long-term lease liabilities	(10,763)	10,763	-
Other reserves	5,966	2,164	8,130

Notes to the financial statements for the year ended 31 December 2022

15. Prior year restatement (continued)

	Previously reported £'000	Adjustment £'000	After restatement £'000
Statement of Comprehensive Income for the year ended 31 December 2021			
Administrative expenses	(36,964)	(952)	(37,916)
Interest payable and similar charges	(192)	191	1
Profit available to members for distribution	17,224	(761)	16,463
Balance Sheet at 31 December 2021			
Property, plant and equipment	588	(198)	390
Right of use assets	8,870	(8,870)	-
Derivative assets	-	25	25
Amounts owed by group undertakings	26,522	974	27,496
Prepayments	1,328	(787)	541
Other receivables	7	(7)	-
Amounts owed to group undertakings	(16,055)	(628)	(16,683)
Accruals	(3,070)	157	(2,915)
Other taxation and social security	(2,179)	22	(2,157)
Other payables	(1,605)	(18)	(1,623)
Short-term lease liabilities	(2,973)	2,973	-
Long-term lease liabilities	(7,759)	7,759	-
Other reserves	1,919	1,402	3,321

16. 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.