Company Registration No. 01002786 (England and Wales)

CONRAN DESIGN GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

CONRAN DESIGN GROUP LIMITED

COMPANY INFORMATION

Directors	A R Adamson L Hoddy T Newton
Secretary	A J Ross
Company number	01002786
Registered office	Havas House Hermitage Court Hermitage Lane Maidstone Kent UK ME16 9NT
Auditor	Constantin 25 Hosier Lane London UK EC1A 9LQ

CONRAN DESIGN GROUP LIMITED

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CONRAN DESIGN GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019. The directors, in preparing this strategic report, have complied with S414C of the Companies Act 2006.

Fair review of the business
The company has carried on the business of an international design consultancy during the year. The company continues to be one of the most experienced and respected design consultancies in Europe. There have not been any significant changes in this activity in the year under review, nor are any likely changes anticipated in the forthcoming year. Our main objectives are to increase turnover and hence profitability and our intention is to achieve this by continuing to care for and retain our existing client base, drive operational excellence and increase growth through collaboration with our partners across the group.

The results for the period are set out in the profit and loss account and the position of the company at the end of the period is detailed in the balance sheet.

The company has paid a dividend amounting to £86,000 (2018 - £555,000) during the year. The directors recommend a final dividend for 2019 of £189,000 (2018 - £86,000).

Principal risks and uncertainties
The management of the business and the execution of the company's strategy are subject to a number of risks. The directors consider the principal risks for the company to be market risk and coronavirus risk.

Market risk : The company operates in a highly competitive market which is a continuing risk to the company as existing clients could be lost to competitors. The company manages this risk by providing bespoke value-added services to its clients, and by building and maintaining strong relationships.

Coronavirus risk : The UK and global economies have contracted as a result of the measures governments have introduced to limit the impact of the coronavirus. The full extent on the economy cannot be predicted at this time. The company continues to assess the position and react accordingly. It has the support of Havas SA.

Key performance Indicators
To provide value for our shareholders, the directors consider that turnover, gross profit and operating profit are the key performance indicators (KPIs) that show a good measure of the company's performance and financial strength.

Turnover was £10,880,000 in 2019, an increase of £210,000 or 2% on the turnover in the previous year.

Gross profit was £8,487,000 in 2019, an increase of £413,000 or 5% on the gross profit in the previous year.

Operating profit was £266,000 in 2019, an improvement of £116,000 or 77% on the operating profit in the previous year.

Duty to promote the success of the company

<u>Vivendi</u>

Havas is a member of the Vivendi group. The company is bound by and applies Vivendi group policies.

Vivendi is an integrated content, media and communications group.

More details of Vivendi's Corporate Social Responsibility ethos, policies, activities and results may be found at https://www.vivendi.com/en/social-responsibility/.

Anti-corruption Code
At Vivendi, all employees are required to comply with the laws and regulations in the countries in which they operate. The Group's commitment in this regard is reflected in the implementation of a Compliance Program that covers personal data protection and anti-corruption measures, as well as obligations for monitoring the Group's business activities.

An Anti-corruption policy has been drawn up to prevent and identify any potential risks situation. These rules apply to all Vivendi employees and all Group business partners (suppliers, subcontractors, intermediaries, etc.).

Vivendi Anti-corruption Code may be found at https://www.vivendi.com/wp-content/uploads/2018/10/Code-anticorruption-SIGNATURE-VA-021018.pdf.

Vigilance Program
Vivendi has implemented a Compliance Program which sets out general ethics rules which are applicable to each and every group employee.

These guidelines cover the rights of employees, the quality of information and its protection, the prevention of conflicts of interest, commercial ethics and the respect of competition rules, the use of group property and resources, financial ethics and respect for the environment. The objective of the Compliance Program is to make employees aware of their professional responsibilities, to provide them with a reference tool that helps them determine appropriate conduct.

More details may be found at https://www.vivendi.com/en/social-responsibility/specific-issues/ethics-and-business-practices/.

Havas
The company is a member of the global Havas group. The company is bound by and applies global Havas group policies.

Havas is a leading global advertising and communications services group. Havas has special responsibilities *due to its influence on society and how the latter evolves over time.*

Corporate Social Responsibility and Code of Ethics
Havas Corporate Social Responsibility policy is coordinated at group level. More details may be found at https:// www.havasgroup.com/csr/. In addition, Havas 2019 CSR Report may be found at https://www.havasgroup.com/ havas-content/uploads/2020/04/havasgroup-csr-report-2019.pdf.

Ethics is the foundation of this Corporate Social Responsibility approach and the basis on which the group conducts its business. Havas Code of Ethics is aligned with expectations on the part of its stakeholders. Havas Code of Ethics is detailed at https://www.havasgroup.com/havas-content/uploads/2020/01/ havas_codeofethics_2017.pdf

Havas signed the Global Compact back in 2003 and continues to assert its commitment to the 10 main principles defined by the United Nations with regard to human rights, labour law, the environment and the fight against corruption.

Havas has made corporate social responsibility an integral part of everything it does. Havas encourages its agencies to harness the power of creative ideas to bring about positive change and minimize any negative impact on society.

The Group has established six commitments to progress which guide all aspects of the business regardless of the nature of the work.

Havas is committed to:
- promoting a harmonious and healthy working environment that supports collaborators' growth and development;
- reinforcing socially responsible procurement policies in our supply chain;
- promoting transparency and ethics in our business;
- taking the lead in the creation and diffusion of responsible communications throughout our agencies and in collaborations with clients and partners;

- reducing the environmental footprint of our operations; and
- maintaining our commitment to collaborative efforts in reducing climate change.

Havas Group UK
In the UK, the directors of the company have taken all necessary steps to ensure that the company has implemented and complied with all Havas and Vivendi group policies and procedures.

Furthermore, the board constantly assesses the implications of decisions made, in terms of the both the potential long-term consequences for the company, together with the impact on our stakeholders, including shareholders, employees, clients, suppliers and customers, the wider community and the environment.

Shareholders
The board communicates directly with Vivendi regarding strategy and performance of the company through a number of different channels:
- Regular and timely management accounts;
- Detailed and accurate financial budgets and forecasts;
- Collaboration as part of the Vivendi cash management policy; and
- Consultation and approval of any significant investment and acquisition decisions.

Employee engagement
The board understands that Havas UK's staff are at the heart of everything we do as a business, and the importance of an engaged and dynamic workforce to ensure we can respond to the challenging media market. We have 3 key strategic pillars that deliver against this commitment:

Learning and Development
In partnership with the agency leadership team, our People and Talent team provide high quality development opportunities for all employees:

- HKX Campus, is a comprehensive programme of learning and development offerings available to 2,000 employees across the UK;
- Regular keynote talks and inspiration sessions are delivered both in our onsite auditorium and online available through our company intranet;
- Bespoke individual development plans are drawn up in consultation with our employees and manager training provided;
- In 2019, HKX Campus delivered an average of 69 hours of development per employee, significantly above the 'gold' standard of the Institute of Practitioners in Advertising and the UK median average of 21-25 hours per employee as reported by the Chartered Institute of Personnel and Development.
- In 2019 we also ran a 'Careers Fortnight' event to foster and promote career development.

Health and Wellbeing
Our business also recognises the crucial importance of promoting positive health and wellbeing:
- Havas Equalise is our industry-leading health and wellbeing programme, which has previously been shortlisted for several industry rewards for its strategic focus on health and wellbeing;
- In 2019, the programme delivered over 460 hours of wellbeing activity for our employees, comprised of: 30 keynote talks, 96 mental wellness sessions, 65 physical wellness sessions, and 80 hours of participatory workshops;
- In 2019 we also opened our purpose-built Wellness Lounge which provides a space for our employees to retreat to and recharge as and when needed. Since opening, the lounge has received 1,200 visits.
- Participated in Havas Doorway – an immersion day targeting underrepresented talent to visit us for the day and engage with our multi-disciplinary team in relation to agency life and the roles available within an agency;
- Mental Health Ambassadors – we have trained mental health ambassadors who are available for our people to talk with, in confidence, regarding their mental health.

Diversity and Inclusion
We have a concerted strategic focus on diversity and inclusion and strive to create a workplace that is free of bias and fully representative of the diversity community of the UK. We recruited a Diversity and Inclusion Manager specifically to ensure that our strategic focus is delivered through a range of initiatives.

In 2019, we delivered against this commitment in the following ways:
- Delivered our bespoke diversity and inclusion training workshop, All In, to employees throughout the UK business;
- We have All In Ambassadors who support our Diversity and Inclusion Manager to deliver workshops and are also another resource for our people to discuss Diversity, Inclusion and Belonging;
- Released our diversity and inclusion handbook, the All In Playbook, which explores and celebrates the different experiences of people from under-represented and minority groups, and articulates our commitment and expectations around diversity and inclusion;
- We welcomed interns from under-represented and minority backgrounds via our HKX Platform internship programme;
- We voluntarily report our Gender Pay Gap both as a Group across Creative, Media and Health and also as individual agencies who have less than 250 staff.

<u>The community</u>
We recognise that we have a responsibility to enact positive social change and can be both a mirror and an engine in society.

Some of our achievements to date within our community:

- Toothbrush collection and bags for Maria Fidelis Smiles project;
- Sale of cakes in support of Camden Giving's Tuesday initiative;
- Set up a donation box for toothbrushes and printed 300 bags to be given to homeless people in the area

Conran Design Group Limited is signed up to the Camden STEAM talent pledge, a Camden Council initiative launched to create links between local schools and the creative, digital and scientific business based in the borough. Each year for one-week, six local students are given the opportunity to work at Conran on a Brand Identity brief. In collaboration with Camden Council, Conran employees have visited local Schools to provide career talks, workshops and challenges.

<u>The environment</u>
Our unique employee-led HKX Roots committee is focused on progressing green policies in the UK to make our business as environmentally friendly as possible.

Some examples of achievements the group has garnered to date:
- Our King's Cross premises has eliminated all single use plastics;
- Reduced carbon emissions by 6% per employee;
- Achieved zero waste to landfill;
- All employee notebooks, pens and pencils are made from old pallets
- Achieve Gold CSR rating with EcoVardis, a trusted provider of sustainability ratings.

Conran Design Group Limited are committed to reinforcing socially responsible procurement policies in our supply chain and with our clients.

Some examples include:

- For local corporate travel, we use a taxi company that only uses low and zero emission cars;
- Sourced over 80% of suppliers within 50 miles of our office;
- We are registered as a SEDEX supplier (Supplier Ethical Data Exchange) to share the details of our labour standards, health and safety, the environment and our business ethics with our clients.

On behalf of the board

....

A R Adamson
Director

Date: 23/9/20

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

A R Adamson
L Hoddy
T Newton
P F Woodhouse (Resigned 31 August 2020)

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

Ordinary dividends were paid amounting to £86,000. The directors recommend payment of a final dividend of £189,000.

Financial instruments

Financial risks
The management of the business is subject to a number of financial risks, including credit risk, currency risk, cash flow and liquidity risk.

Credit risk : The company's credit risk is primarily attributable to its trade debtors. The amount presented in the balance sheet is net of allowances for doubtful receivables. The company manages this risk by continually monitoring the status of its debtors and client list. Credit checks are made and appropriate credit insurance is taken out in respect of specific customers, or payment terms are altered where no insurance can be obtained.

Currency risk : The company's reporting currency is GBP but it transacts in other currencies including the US Dollar and Euro. The company's revenues, costs and operating profits may be affected by fluctuations in value between GBP and the other foreign currencies. The company maintains bank accounts denominated in its major trading currencies and wherever possible matches foreign currency income and expenses in order to minimise its foreign currency exposures.

Cash flow & liquidity risk : The company monitors its working capital and available cash carefully. The company ensures that it has sufficient funds available to settle its liabilities as they fall due.

Post reporting date events
The global crisis surrounding the Coronavirus disease has impacted the company's trading operations and results from March 2020 onwards. Whilst it is not possible to predict the full impact at this time, the company remains solvent and has the support of Havas SA.

Future developments
The restrictions as a result of the Coronavirus pandemic have impacted the way the company operates. Specifically, many employees have transitioned to working from home. The nature of the company's business is such that this transition has been achieved without significant adverse impact on the company's ability to deliver services to its clients. As the restrictions are eased, employees are expect to gradually return to office working in a controlled manner. The directors have ensured that the return to office working will meet all government guidelines.

On 31 January 2020, the UK left the European Union and is in the process of negotiating the future relationship. The directors continue to monitor the possible impact that this may have on the business but do not consider this to be a significant risk to the company.

The directors do not anticipate any significant change in the activities of the company in the foreseeable future.

Changes in presentation of the financial statements
Details of how the company fosters relationships with suppliers, customers and others are set out in the strategic report.

Auditor
The auditor, Constantin, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

Strategic report
The company has chosen in accordance with Companies Act 2006, s. 414C(11) to include in the company's strategic report certain information in respect of the company's principal activities, a review of the business and the company's principal risks and uncertainties which would otherwise be contained in the directors' report in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7.

On behalf of the board

....
A R Adamson
Director

Date: 23/9/20

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CONRAN DESIGN GROUP LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Conran Design Group Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

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

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

We have nothing to report in respect of these matters.

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

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

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

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

We have nothing to report in respect of these matters.

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

Peter Smith FCA (Senior Statutory Auditor)

For and on behalf of Constantin

Chartered Accountants and Statutory Auditor
25 Hosier Lane
London
UK
EC1A 9LQ

23 September 2020

CONRAN DESIGN GROUP LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
Turnover	3	10,880	10,670
Cost of sales		(2,393)	(2,596)
Gross profit		8,487	8,074
Administrative expenses		(8,221)	(7,924)
Operating profit	4	266	150
Interest receivable and similar income	7	13	15
Interest payable and similar expenses	8	(5)	(11)
Profit before taxation		274	154
Tax on profit	9	(85)	(78)
Profit for the financial year		189	76

The accompanying accounting policies and notes on pages 16 to 28 are an integral part of these financial statements.

CONRAN DESIGN GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £000	2018 £000
Profit for the year	189	76
Other comprehensive income	-	-
Total comprehensive income for the year	189	76

The accompanying accounting policies and notes on pages 16 to 28 are an integral part of these financial statements.

CONRAN DESIGN GROUP LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Goodwill	11		1,249		1,404
Tangible assets	12		75		40
Investments	13		214		214
			1,538		1,658
Current assets					
Work in progress		10		18	
Debtors	15	3,041		4,003	
Cash at bank and in hand		1,193		-	
		4,244		4,021	
Creditors: amounts falling due within one year	17	(2,269)		(2,269)	
Net current assets			1,975		1,752
Total assets less current liabilities			3,513		3,410
Capital and reserves					
Called up share capital	19		3,063		3,063
Share premium account	20		263		263
Profit and loss reserves	21		187		84
Total equity			3,513		3,410

The accompanying accounting policies and notes on pages 16 to 28 are an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 23/9/20 and are signed on its behalf by:

A R Adamson
Director

Company Registration No. 01002786

CONRAN DESIGN GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital £000	Share premium account £000	Profit and loss reserves £000	Total £000
Balance at 1 January 2018		3,063	263	563	3,889
Year ended 31 December 2018:					
Profit and total comprehensive income for the year		-	-	76	76
Dividends	10	-	-	(555)	(555)
Balance at 31 December 2018		3,063	263	84	3,410
Year ended 31 December 2019:					
Profit and total comprehensive income for the year		-	-	189	189
Dividends	10	-	-	(86)	(86)
Balance at 31 December 2019		3,063	263	187	3,513

The accompanying accounting policies and notes on pages 16 to 28 are an integral part of these financial statements.

1 Accounting policies

Company information

Conran Design Group Limited is a private company limited by shares incorporated in England and Wales. The registered office is Havas House, Hermitage Court, Hermitage Lane, Maidstone, Kent, UK, ME16 9NT.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Vivendi SA. These consolidated financial statements are available from its registered office, 42 avenue de Friedland, 75380 Paris Cedex 08, France and the website - www.vivendi.com/en/investment-analysts/regulatory-information/annual-reports/.

1.2 Going concern

The directors of Havas S.A., the intermediate parent company, have confirmed that they will support the company to enable it to meet its third party liabilities as they fall due for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1 Accounting policies **(Continued)**

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from contracts for the provision of services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses incurred that are recoverable.

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of 35 Group Limited in August 2008 and of CGI London in December 2006 over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. The goodwill has a finite useful life, and is being amortised evenly over the remaining estimated useful life of 14 years and 7 months for 35 Group Limited and 13 years for CGI London from the date of transition to FRS102 .

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures, fittings & equipment	5 years
Computer equipment	3 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.7 Work in progress

Work in progress consists of direct charges, which are recoverable from clients. It excludes overheads and salaries. It is valued at the lower of cost and net realisable value.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1 Accounting policies **(Continued)**

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

1 Accounting policies **(Continued)**

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.11 Taxation

Current tax

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

1 Accounting policies **(Continued)**

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The directors have made no judgements, estimates or assumptions which materially affect the figures reflected in these financial statements.

3 Turnover

Turnover analysed by geographical market

	2019 £000	2018 £000
United Kingdom	7,481	7,647
Europe	1,440	1,755
Middle East	1,192	1,125
North America	32	143
Rest of the World	735	-
	10,880	10,670

4 Operating profit

Operating profit for the year is stated after charging/(crediting):	2019 £000	2018 £000
Exchange (gains)/losses	14	(2)
Fees payable to the company's auditors for the audit of the company's financial statements	20	17
Depreciation of owned tangible fixed assets	37	43
Amortisation of intangible assets	155	155

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019 Number	2018 Number
Design	51	49
Administration	24	33
	75	82

	2019 £000	2018 £000
Wages and salaries	3,698	3,728
Social security costs	450	461
Pension costs	98	79
	4,246	4,268

Redundancy payments made or committed	22	124

6 Directors' remuneration

	2019	2018
	£000	£000
Remuneration for qualifying services	379	591
Company pension contributions to defined contribution schemes	19	19
	398	610

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2018 - 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

Remuneration for qualifying services	215	295
Company pension contributions to defined contribution schemes	11	11

7 Interest receivable and similar income

	2019	2018
	£000	£000
Interest income		
Interest on bank deposits	13	15

8 Interest payable and similar expenses

	2019	2018
	£000	£000
Interest on bank overdrafts and loans	5	11

9 Taxation

	2019	2018
	£000	£000
Current tax		
UK corporation tax on profits for the current period	66	19
Adjustments in respect of prior periods	-	(55)
Total current tax	66	(36)
Deferred tax		
Origination and reversal of timing differences	·19	61
Adjustment in respect of prior periods	-	53
Total deferred tax	19	114
Total tax charge	85	78

9 Taxation (Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £000	2018 £000
Profit before taxation	274	154
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	52	29
Tax effect of expenses that are not deductible in determining taxable profit	6	7
Adjustments in respect of prior years	-	(2)
Effect of change in corporation tax rate	(2)	15
Amortisation on assets not qualifying for tax allowances	29	29
Tax expense for the year	85	78

10 Dividends

	2019 £ per share	2018 £ per share	2019 £000	2018 £000
Amounts recognised as distributions to equity holders:				
Ordinary shares				
Final paid	0.03	-	86	-
Interim paid	-	0.18	-	555
	0.03	0.18	86	555

The proposed final dividend for the year ended 31 December 2019 is:

	Per share £	2019 Total £000	2018 Total £000
Ordinary shares	0.06	189,000	-

The proposed final dividend is subject to approval by shareholders and has not been included as a liability in these financial statements.

11 *Intangible fixed assets*

	Goodwill £000
Cost	
At 1 January 2019 and 31 December 2019	3,100
Amortisation and impairment	
At 1 January 2019	1,696
Amortisation charged for the year	155
At 31 December 2019	1,851
Carrying amount	
At 31 December 2019	1,249
At 31 December 2018	1,404

12 Tangible fixed assets

	Fixtures, fittings & equipment £000	Computer equipment £000	Total £000
Cost			
At 1 January 2019	152	442	594
Additions	-	71	71
Disposals	(132)	(258)	(390)
At 31 December 2019	20	255	275
Depreciation and impairment			
At 1 January 2019	149	404	553
Depreciation charged in the year	2	35	37
Eliminated in respect of disposals	(132)	(258)	(390)
At 31 December 2019	19	181	200
Carrying amount			
At 31 December 2019	1	74	75
At 31 December 2018	3	37	40

13 Fixed asset investments

	Notes	2019 £000	2018 £000
Investments in subsidiaries	14	214	214

13 Fixed asset investments (Continued)

Movements in fixed asset investments

	Shares
	£000
Cost or valuation	
At 1 January 2019 & 31 December 2019	214
Carrying amount	
At 31 December 2019	214
At 31 December 2018	214

14 Subsidiaries

Details of the company's subsidiary at 31 December 2019 are as follows:

Name of undertaking and country of incorporation or residency		Nature of business	Class of shareholding	% Held Direct	% Held Indirect
35 Group Limited	England & Wales	Dormant	Ordinary	100.00	-

15 Debtors

	2019	2018
Amounts falling due within one year:	£000	£000
Trade debtors	2,652	3,565
Corporation tax recoverable	38	83
Amounts owed by group undertakings	132	63
Other debtors	24	17
Prepayments and accrued income	92	153
	2,938	3,881
Deferred tax asset (note 16)	103	122
	3,041	4,003

16 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

Balances:	Assets 2019 £000	Assets 2018 £000
Capital allowances in excess of depreciation	103	122

Movements in the year:	2019 £000
Liability/(Asset) at 1 January 2019	(122)
Charge to profit or loss	19
Liability/(Asset) at 31 December 2019	(103)

The amount of the net decrease in the deferred tax asset expected to occur next year is £15,000 (2018: £19,000), which relates to the reversal of timing differences on tangible fixed assets.

17 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Loans and overdrafts	-	408
Trade creditors	334	348
Amounts due to subsidiary undertakings	215	214
Amounts due to fellow group undertakings	545	196
Other taxation and social security	296	291
Other creditors	-	3
Accruals and deferred income	879	809
	2,269	2,269

18 Retirement benefit schemes

Defined contribution schemes	2019 £000	2018 £000
Charge to profit or loss in respect of defined contribution schemes	98	79

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

19 Share capital

	2019	2018
	£000	£000
Ordinary share capital		
Authorised, allotted, called up and fully paid		
3,062,600 Ordinary shares of £1 each	3,063	3,063

All shares rank pari passu in all respects.

20 Share premium account

	2019	2018
	£000	£000
At the beginning and end of the year	263	263

21 Profit and loss reserves

	2019	2018
	£000	£000
At the beginning of the year	84	563
Profit for the year	189	76
Dividends declared and paid in the year	(86)	(555)
At the end of the year	187	84

22 Financial commitments, guarantees and contingent liabilities

The company and certain group undertakings participate in the Havas UK Limited group banking facility. In connection therewith, each of the members of the group have given unlimited cross guarantees. The directors do not expect any loss to the company to arise in respect of the foregoing guarantees.

23 Events after the reporting date

The World Health Organisation declared the Coronavirus disease a public health emergency of international concern on 30 January 2020 and recognised it as a pandemic on 11 March 2020. The disease started to have a significant impact on the UK and its economy in March 2020, with lockdown commencing on 23 March. At this stage in the global crisis, whilst it is clear that there will be a negative impact on the company's business results, it is not possible to predict the full impact. The company remains solvent and has the support of Havas SA.

24 Related party transactions

Transactions with related parties

During the year the company entered into the following transactions with related parties:

24 Related party transactions **(Continued)**

	Sales of goods and services		Purchases of goods and services	
	2019	2018	2019	2018
	£000	£000	£000	£000
Entities with control, joint control or significant influence over the company	-	-	1,613	1,768
Other related parties	287	399	1,003	877

Amounts due to related parties	2019 £000	2018 £000
Entities with control, joint control or significant influence over the company	246	2
Entities over which the entity has control, joint control or significant influence	215	214
Other related parties	299	194

Amounts due from related parties	2019 £000	2018 £000
Other related parties	132	63

25 Ultimate controlling party

The company's immediate parent company and controlling party is Havas Shared Services Limited, which is incorporated in the United Kingdom and registered in England & Wales. The company's ultimate parent company and controlling party is Vivendi S.A., which is incorporated in France.

The smallest and largest group in which the results of the company are consolidated is that headed by Vivendi S.A., whose financial statements are available in English and in French from Vivendi S.A., 42 avenue de Friedland, 75380 Paris Cedex 08, France and from the Vivendi website at www.vivendi.com/investment-analysts/financial-results-and-reports/financial-results/.