

Chime Group Holdings Limited

Company Number 09702342

**Annual Report and Financial Statements
for the year ended 31 December 2018**



Chime Group Holdings Limited

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COMPANY INFORMATION

Directors	Paul S Walsh John Hahn Andrew Tisdale Roderik Schlosser Steve Winters (resigned 28 June 2019) Lindsay Pattison (resigned 28 June 2019) Christopher Satterthwaite Adrian Coleman (appointed 28 February 2018) Matthew Vandrau (appointed 28 February 2018)
Registered Office	62 Buckingham Gate London SW1E 6AJ
Bankers	Royal Bank of Scotland 250 Regent Street London W1B 3BN HSBC Bank plc 8 Canada Square London E14 5HQ
Auditors	KPMG LLP Chartered Accountants and Statutory Auditors 15 Canada Square London E14 5GL

CHAIRMAN'S STATEMENT

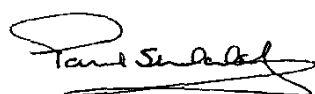
"2018 was a year of continued organic growth for Chime, with Operating Income increasing by 4.5% and EBITDA by 6.4% on a like-for-like basis.

"Our stated aim of increasing our international work for clients was successful. VCCP won a number of global accounts such as Shell and Cathay Pacific, as well as Speedo. CSM won work such as the global PR and social media work for the Formula E season and eTrophy support series, as well as being appointed the delivery partner to bring Major League Baseball from the USA to London for the first time, with the Boston Red Sox and the New York Yankees playing in June 2019.

"To support this work, we now have 30 offices across the world, including a new regional hub in Singapore. In the USA, Chime acquired Method Communications, to broaden its regional footprint still further, and in so doing, created an enlarged £20m global technology practice along with Chime's other existing technology specialist agencies.

"The quality of our work continues to delight and drive results. From marking the tenth anniversary of the Meerkat and the launch of AutoSergei, to the award-winning Mother's Birthday work for Cadbury, to working with Netflix in the USA supporting its hit show Arrested Development, as well as launching a new global music platform for Miller called Music Amplified. There are many other examples, too many to mention here, but all a huge point of pride for the Group.

"But it is our culture as a Group and our stated aim of being 'The Challenger Network' that set us apart. Maintaining that entrepreneurial and agile model will be key for us as we continue to grow."



Paul S Walsh

Chairman

Chime Group Holdings Limited

STRATEGIC REPORT

1. STRATEGY

Who are we?

We are the Challenger network for Challenger clients.

Why do we exist?

To transform our clients' businesses by challenging convention

We believe every brand, no matter what its size or the role it plays in customers' lives, has the ability to challenge itself to be better, and needs to remain vigilant in ever-changing market conditions. A 'Challenger' can also represent a market leader and doesn't mean a brand is number two, three or ten in its market, or is only in its infancy. Even market leaders have their challenges.

We are at our best working with clients who are open to working in collaboration with us to challenge the status quo, test and learn through clever thinking, and who are willing to take action to try to change things for the better right across the customer experience.

What do we believe in?

Our culture, our people

People buy people in our business. But our industry has been dogged by a perception (and reality) of talented, creative individuals being often difficult, superior and uncollaborative to work with.

At Chime, our Challenger culture intends to be the antithesis of that: driving open, honest, collaborative people and ways of working. 'Talented people, co-operating' sounds easy, but these are a special kind of person, hard to find, extremely valuable, and who we massively over-index in at Chime. We believe that great minds do not always think alike and that this drives better work.

We have found this culture to be particularly attractive to entrepreneurs, who find a home here which is supportive and agile, and it has allowed several start-ups to form within the Chime Group. We are passionate about maintaining and nurturing this culture.

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How do we work?

Collaboration is the key

We are a sport, entertainment and communications network, which places us in a unique position to create and affect brand experiences for our clients all over the world. We work together across all our capabilities and divisions, for clients such as:

- **Vitality** for whom we deliver both sponsorship strategy and activation right through to fully integrated brand communications
- **Purple Bricks** – we not only do its advertising but have also partnered with Scottish Rugby Union
- **Unilever** where we collectively work for brands such as Dove, Rexona and Lynx
- **Quilter** where we worked on the rebrand and communications as well as activation of the Rugby sponsorship

We thrive when working with other agencies, and will often take the lead strategic role in these complex relationships, and, for some of our larger clients such as O2, have created bespoke planning hubs in order to ensure seamless integration across each and every communications channel and brand touch-point.

For all of us at Chime, as this change and challenge have become more of a requirement, it's our collaborative, unprecious culture and our integrated ways of working that have stood us in good stead to be market leaders in delivering this solution for our clients.

2. WHAT WE DO

The Group provides services within two core areas: communications (58% of what the Group does) and sport and entertainment (42%). Our client offering is broad and we have, in the last 12 months, simplified the structure of our growing number of agencies into three business groups. As part of this exercise, we decided to sell the healthcare communications and market access group OPEN Health in 2018. This will enable us to better focus on and invest in our core businesses in communications, sport and entertainment, and the international growth that we are driving as the Challenger Network.

In each of our business groups, we have specialist agencies operating in either specific marketing disciplines (eg public relations or corporate hospitality) or specific markets (eg financial services, healthcare or technology).

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Each of these agencies works with clients either by itself, or as part of a cross-agency service delivery or project. In this way, the Group can offer clients either specific individual services or a wider integrated service. The Group continually looks to expand its relationships with existing clients, as well as attract larger client relationships through providing an integrated offering.

Communications

VCCP

VCCP is an advertising and marketing services group which operates in advertising, marketing services, direct marketing, digital communication, data consultancy, multimedia content and experiential, marketing consulting, retail and shopper marketing and media planning and buying. VCCP also now includes Watermelon, our market-leading customer experience and insight specialists, formerly known as Chime Insight and Engagement.

The Chime Specialist Group

The Chime Specialist Group (CSG) is a marketing and consultancy group with five different specialist agencies, in financial and professional services, technology and sustainability consultancy. The agencies are uniquely equipped to be trusted advisers to their clients, helping to navigate, harness and drive change through their full-service capabilities, internationally.

Sport and Entertainment

CSM Sport & Entertainment (CSM)

CSM brings together leading industry experts to offer the full range of services across sport and entertainment marketing. Working with brands, rights owners and across live experiences, CSM exists to create impact through challenging convention. CSM has 16 offices in 10 countries and is made up of 1,000 entrepreneurial spirits who are empowered to put their hand up and challenge convention in everything they do.

3. OUR STRATEGIC PRIORITIES

The Group's strategy is to expand through organic growth and this is to be supported, where it makes sense to do so, by selective acquisition. Our strategic priorities are informed by the market trends we see in our sector. This includes changing consumer habits, proliferation of programmatic technologies and improved data targeting, which is propelling a significant shift in the shape of media spend across the globe. Global advertising spend is estimated to be worth \$600bn and growing by 6% pa, with 23% of budgets being redeployed to digital and data marketing from media spend, up 16% on the previous year.

The sponsorship market has also been growing steadily at 4% pa since 2008, and is projected to increase at the same rate. Sport represents 70% of sponsorship spend, with the USA the biggest market, with new growth areas emerging, such as eSports.

Our three main strategic priorities are:

i. Growing our global business

In the last 12 months, we have continued to grow our global business, becoming the Agency of Record for a number of global brands such as Canon, Shell, Cathay Pacific and the Speedo brand.

To support this, we have continued to invest in our international offering. In the USA, an example of this is the acquisition of Method Communications, a PR and communications agency specialising in technology. Also in the USA, all our CSM agencies now operate as a single business group. We have also opened a number of new regional hubs, for example in Singapore, and now have 30 offices worldwide.

ii. Developing digital and data services

We have seen greater focus and growth in our digital and data capabilities from within media, direct and social communications.

In 2018, VCCP launched VCCP iX, an experience design and engineering studio delivering digital platforms for its clients, including easyJet, O2, Domino's, Kia and Landsec.

CSM has successfully launched CSM Engage in 2018, a fresh approach to sponsorship activation, which focuses on the integration of numerous specialisms to drive (and attribute) positive ROI for brands and rights holders. Already CSM Engage is undertaking great work with the likes of AIA Group Limited, Vitality, Specsavers and Millennium Hotels.

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iii. Investing in our people

Our people and our culture are our biggest asset. Being able to attract and retain the very best talent is a key priority for us. Average headcount has increased during the year from 2,128 in 2017 to 2,278 in 2018.

4. KEY PERFORMANCE INDICATORS ('KPIs')

Financial KPIs

The Group monitors its financial performance using the following KPIs:

KPIs	2018	2017 ⁽¹⁾
	£'m	£'m
Operating income	250.4	241.7
EBITDA ⁽²⁾⁽³⁾	51.8	38.5
EBITDA margin	20.7%	15.9%
Cash generated from operations	25.0	30.1

(1) The prior-year financials have been restated to exclude the results of subsidiaries disposed of in 2018.

(2) EBITDA is defined as Earnings Before Interest, Tax, Depreciation and Amortisation.

(3) EBITDA in 2018 reflects the adoption of IFRS 16. 2018 EBITDA pre-adoption is £41.1m. 2017 comparatives have not been restated.

A detailed financial review, along with a reconciliation between the adjusted and statutory numbers, is contained on page 11.

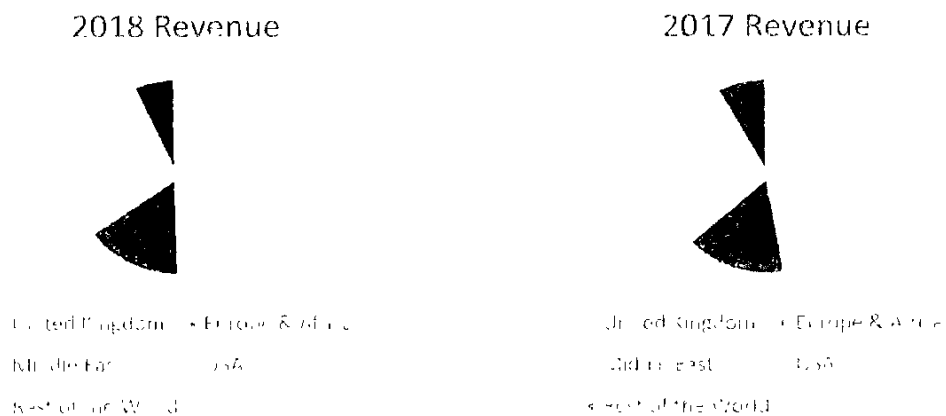
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Non-Financial KPI

Our international performance

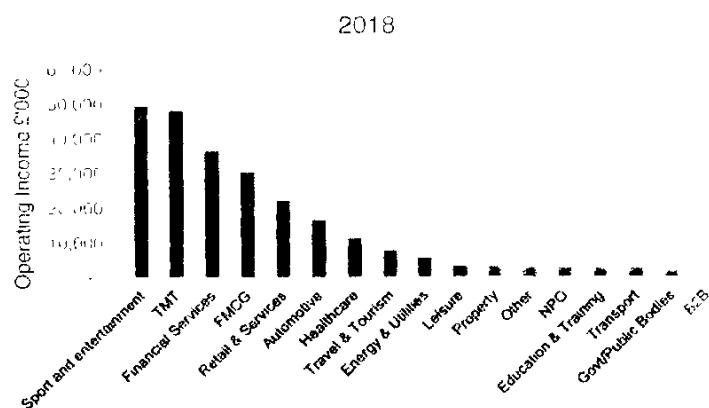
The Group is focused on continuing to develop its international presence and broad range of sector coverage.

2018 saw an increase in the proportion of UK revenues, due to a number of international client wins delivering in that market first, as well as a small number of non-UK agencies showing reductions in revenue. The acquisition of Method during the year will support the Group's strategy of building our international offering.



Our sector performance

The clients we work with are across many sectors, but we are not significantly exposed to the volatility of the Fast-Moving Consumer Goods (FMCG) world. We have a particularly strong presence in Telecommunications, Media & Technology (TMT), where growth continues to be strong – working for global and challenger clients alike.



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5. FINANCIAL REVIEW

2018 was a good year for the Group, generating 3.6% growth in operating income to £250.4m (2017: £241.7m). In addition, EBITDA margins increased from 15.9% to 16.4% on a like for like basis, and to 20.7% after implementing IFRS 16. IFRS 16 requires that certain leases are capitalised and expensed through depreciation and interest, rather than as an operating cost. As permitted, the Group adopted IFRS 16 from 1 January 2018, as a result the comparatives have not been restated. Whilst the adoption of IFRS 16 has not materially changed the profit for the year, there is a £10.8m increase to EBITDA. On an organic currency-neutral basis, adjusting for M&A and changes in foreign exchange rates, operating income grew 4.5%. Revenue, which includes pass-through costs for client productions, was £513.2m (2017: £497.4m).

During the year the Group successfully disposed of its OPEN Health division. OPEN Health specialised in marketing and communications within the healthcare sector, and while Chime had successfully grown this business as part of the Group, it had limited strategic fit with the other Group operations. The proceeds from the disposals were used to reduce the Group's net debt and leverage, and also acquire a Tech PR and Marketing agency in North America. In addition to the M&A activity, the Group restructured its customer experience and insights division (Watermelon) to more closely align with the broader communications business.

	Adjusted results 2018 £'000	Adjusted results 2017 ⁽¹⁾ £'000	Adjustments 2018 £'000	Adjustments 2017 ⁽¹⁾ £'000	Statutory results 2018 ⁽²⁾ £'000	Statutory results 2017 ⁽¹⁾ £'000
Revenue	513,224	497,398	-	-	513,224	497,398
Cost of sales	(262,831)	(255,705)	-	-	(262,831)	(255,705)
Operating income	250,393	241,693	-	-	250,393	241,693
Operating expenses	(198,568)	(203,170)	-	-	(198,568)	(203,170)
EBITDA	51,825	38,523	-	-	51,825	38,523
Depreciation	(13,656)	(5,714)	-	-	(13,656)	(5,714)
Amortisation	(2,897)	(1,235)	(18,019)	(17,616)	(20,916)	(18,851)
Foreign exchange	-	-	598	(576)	598	(576)
Deemed remuneration	-	-	(6,787)	(10,961)	(6,787)	(10,961)
Exceptional items	-	-	(2,683)	(15,081)	(2,683)	(15,081)
M&A related costs	-	-	(1,575)	(1,154)	(1,575)	(1,154)
Discontinued operations	-	-	(2,018)	(1,027)	(2,018)	(1,027)
Disposal of fixed assets	-	-	(249)	74	(249)	74
Impairment of goodwill	-	-	-	(93,038)	-	(93,038)
Operating profit/(loss)	35,272	31,574	(30,733)	(139,379)	4,539	(107,805)

(1) The prior-year financials have been restated to exclude the results of subsidiaries disposed of in 2018.

(2) EBITDA in 2018 reflects the adoption of IFRS 16 (pre-adoption £41.1m). 2017 comparatives have not been restated

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The commentary which follows, focuses on the Group's adjusted results, which the Directors consider to provide an indication of the underlying trading performance. A reconciliation of the Adjusted to Statutory results is given above.

Adjustments

The following amounts are excluded from the Statutory results in arriving at the Adjusted results:

- Amortisation charges of £18.0m (2017: £17.6m) in respect of acquired intangible assets recognised on acquisition
- Foreign exchange gains of £0.6m (2017: loss £0.6m)
- Deemed remuneration charges of £6.8m (2017: £11.0m) in respect of employment-linked earn-out payments
- Costs deemed to be exceptional in nature including those relating to business restructures of £2.7m (2017: £15.1m)
- Costs associated with M&A activities of £1.6m (2017: £1.2m)
- Discontinued operations of £2.0m (2017: £1.0m) relating to agencies closed during the year
- Loss on disposal of fixed assets of £0.2m (2017: profit £0.1m)

In the prior year, the Group also recorded a goodwill impairment charge of £93.0m.

At an operational level, the Group consolidated the majority of its accounting platforms within the CSM division onto one ERP. The benefits of the new ERP include greater efficiency of process, control and reporting.

Financial risk management

The Group's financial risk management objectives are designed to mitigate the financial risks set out on pages 18 and 19. The Group seeks to maintain an appropriate level of liquidity to ensure the business can meet the day-to-day working capital needs. In addition, the Group maintains a suitable level of headroom in respect of its leverage covenant, the only financial covenant in the debt agreement. Both liquidity and leverage covenant compliance are monitored on a monthly basis through medium-term projections.

Operating costs

While the Group has a relatively stable customer base for the industry, there is inherent uncertainty in absolute level of future operating income. In order to manage this, the Group has a keen focus on the cost base to ensure EBITDA margins are maintained.

Adjusted operating costs, excluding depreciation, decreased 2.3% to £198.6m (2017: £203.2m). The decrease is a result of the adoption of IFRS 16, partially offset by the organic growth and the current and prior-year impact of M&A activity.

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Personnel costs of £172.6m (2017⁽¹⁾: £169.2m) represented 68.9% of operating income (2017: 70.0%). Property costs of £6.5m (2017: £16.2m) represented -2.6% of operating income (2017: 6.7%), the reduction relating to the adoption of IFRS 16. Other costs, including travel and entertainment, marketing, IT and professional fees, were £19.5m (2017: £17.8m) and represented 7.8% of operating income (2017: 7.3%).

Financing costs

Finance costs were £18.5m (2017: £21.7m) comprising interest on borrowings of £15.5m (2017: £20.4m including £4.2m related to a refinance), finance cost of deemed remuneration and deferred consideration of £0.5m (2017: £1.2m), finance cost of leases from adopting IFRS 16 £2.6m.

The average interest rate on borrowings during the year was 5.6% (2017: 5.0%).

Tax

The Group's tax charge was £1.8m (2017: £0.9m credit) split between a current tax charge of £3.0m (2017: £0.9m) and a deferred tax credit of £1.3m (2017: £1.9m). Due to the level of non-deductible expenses (including deemed remuneration charges and amortisation) and other items on which deferred tax asset could not be recognised, the Group's effective tax rate was (12.4)% (2017: 0.7%).

Disposals

During the year, the Group disposed of its OPEN Health division and also an agency in New Zealand. Including the profit on disposal, these businesses contributed £16.2m in the year.

Net debt and liquidity

The Group has a strong balance sheet, significant headroom on its financial covenants and a debt facility which is secured for a further five years.

Following the disposals in the year, the Group's net debt reduced to £180.8m (2017: £241.4m). In addition liquidity, measured as cash plus undrawn committed facilities, increased to £108.3m (2017: £48.5m).

The Group's leverage, measured as net debt divided by Adjusted EBITDA (pre IFRS 16), reduced to 4.4 (2017: 6.3).

Under the terms of the banking facilities agreement, the Group is required to meet one leverage financial covenant test on a quarterly basis. The Group complied with its covenant requirement during the year ended 31 December 2018, with management forecasts indicating continued covenant headroom for the foreseeable future.

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Balance sheet

The Group held non-current assets, mainly relating to goodwill and acquired intangible assets, totalling £373.6m (2017: £408.3m).

Current assets, mainly trade and other receivables and cash and cash equivalents, totalled £218.7m (2017: £177.5m).

Current liabilities, mainly trade and other payables, totalled £146.2m (2017: £161.3m).

The Group held non-current liabilities, mainly relating to bank loans, of £294.1m (2017: £276.0m).

Cash flow

The Group's Adjusted EBITDA of £51.2m (2017: £38.5m) resulted in cash generated from operations of £25.0m (2017: £29.0m) after the effects of restructuring costs and working capital movements.

The Group paid £16.0m in interest during the year (2017: £24.0m, including refinancing fees), and a further £3.3m (2017: £1.8m) in tax.

The Group generated £54.3m (2017: £16.5m expense) from investing activities. The Group received £81.6m on the disposal of subsidiaries, principally OPEN Health, and invested £20.3m in respect of earn-outs on past acquisitions and the purchase of Method Communications. It also invested £7.7m (2017: £5.3m) on tangible and intangible, mainly IT, fixed assets.

The Group's surplus cash flow of £60.0m was used to repay the drawn variable element of the Group's debt facility and other debt of £10.5m (2017: £14.4m cash inflow) resulting in a total increase in cash for the year of £49.5m (2017: £1.1m).

Changes in equity

In addition to the profit for the year, the Group's equity has increased by £1.1m following the adoption of IFRS 9 and IFRS 15 (note 35), and reduced by £0.1m (2017: £0.4m) due to the payment of dividends to minority shareholders.

6. GOING CONCERN BASIS

The Group meets its day-to-day working capital requirements through its banking facilities discussed above.

In preparing forecasts, the Directors have taken into account the following key factors:

- The rate of growth of the UK and global economy on the Group's business;
- Key client account renewals;
- Planned acquisitions and disposals;
- Anticipated payments under deemed remuneration and deferred and contingent consideration; and
- The level of committed and variable costs.

The Group's forecasts and projections take into account reasonably possible changes in trading performance, and show that the Group should be able to continue to operate within the level of its current banking facility and covenants.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

More detail on the Group's cash position and facilities at 31 December 2018, as well as maturities of the financial liabilities, can be found in note 32 of the financial statements. Details of potential contingent liabilities and potential cash outflows in relation to these liabilities can be found in note 28.

7. PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

The Company has specific policies and processes in place, to ensure risks are properly evaluated and managed at the appropriate level within the Group.

The control and risk management procedures are designed to highlight any weaknesses and/or failures in the system to the Board at the earliest opportunity, together with action taken and/or proposed. It is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatements or loss.

In addition to the general economic and competitive risks affecting businesses operating in our markets, the following are considered to be the principal risks impacting the Group. These risks are regularly assessed and monitored by the senior management team in each division and by the Executive Management Team.

Principal risk and context	Possible impact	Mitigation
OPERATIONAL RISKS		
Brexit	Uncertainty about the timing and nature of the exit by the UK from the European Union has the potential to adversely impact the Group's prospects, business and financial condition, particularly in relation to projects in the EU executed from the UK.	<p>The Group is monitoring possible impacts, focusing on client contracts, the availability of supplies and our supplier relationships and possible impacts on our people. A particular area of focus is the movement of people and goods in the second quarter of 2019 in our CSM Live business, and contingency plans are in place.</p> <p>The Group will continue to monitor impacts resulting from the imposition of restrictions on the movement of trade and people and other regulatory changes.</p> <p>The Group has considered the wider economic impact of a no-deal or delayed exit, and has identified steps to mitigate the risk of an economic slowdown in 2019 through the management of costs.</p>

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Principal risk and context	Possible impact	Mitigation
Client dependency	<p>The reliance by the Group for a significant proportion of its revenues on a limited number of large clients continues to be a risk.</p> <p>The strategy of securing large-scale global mandates from key clients and the focus on agencies collaborating in the delivery of services to those clients, will mean that client dependency continues to be an area that is closely monitored by the Board.</p>	<p>The Group continues to maintain strong relationships with key clients and seeks to establish reputations in the industry that will attract and retain further clients and talent.</p> <p>Due to the number of services provided by the Group and the drive for cross-Group working, in many instances a shared client will be secured under a number of contracts. The loss of one contract does not necessarily mean the loss of that client.</p>
Retention of key personnel	<p>The Group is dependent on the talent, creative abilities and technical skills of its personnel, as well as their relationships with clients.</p> <p>If the Group were unable to attract and retain its key talent, or had inadequate talent management and succession planning for key management roles, the Group's performance would be adversely affected through client losses and profitability.</p>	<p>The Group seeks to retain and develop personnel at all levels. The Group aims to identify key talent and emerging talent at an early opportunity and to implement incentive arrangements appropriate to seniority and experience. This is achieved by a focus on ensuring the Group remains a competitive employer, through benchmarking within the industry sectors the Group operates in, and by monitoring retention rates. The Group and its divisions continue to provide training and personal development initiatives in order to further develop and retain a motivated workforce.</p>
Information systems and security	<p>The failure of the Group's information systems or a breach of its security infrastructure may have a significant impact upon the operations of the Group.</p> <p>Loss of confidential information or failure to put in place established security arrangements could damage our relationships with clients and have a detrimental impact upon our reputation.</p>	<p>During the course of 2018, the Group moved the bulk of its platforms to cloud computing which, alongside the implementation of a new ERP in CSM, is increasing the resilience of the Group's operating systems. In addition, the Group aims to achieve ISO 27001 compliance in all divisions in 2019.</p> <p>The Group continues to take active steps to maintain and ensure continued compliance with the GDPR and has a programme of review and training in place to ensure this continues to be a focus for all Group staff.</p>

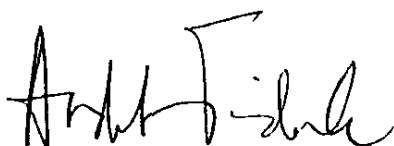
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Principal risk and context	Possible impact	Mitigation
FINANCIAL RISKS		
Credit risk	The Group's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts. A provision is made for known and, based on previous experience, expected bad debts.	<p>The credit-worthiness of our customers is assessed and monitored on an ongoing basis. If necessary, credit insurance or payments in advance are sought.</p> <p>Trade debtors are reviewed regularly as part of financial management reviews. Where deemed necessary, finance managers will review any proposal for further commitments to a client where payments are outstanding.</p>
Interest rate risk	The Group has significant levels of floating-rate borrowings and is therefore exposed to the impact of interest rate fluctuations.	<p>The Group's policy on interest rate risk is designed to limit the Group's exposure to fluctuating interest rates within acceptable levels.</p> <p>The Group has hedged £127.5m of Term Debt with an interest rate swap. The Group considers the percentage hedged (50% of Term Debt) to be an acceptable level.</p>
Liquidity risk	The Group operates under a committed facility of £289.5m (2017: £289.5m), £255.0m (2017: £255.0) of which matures in August 2024 and a further £34.5m (2017: £34.5m) in August 2023.	<p>The Group measures liquidity as undrawn committed debt facilities plus cash contained within its cash pools. The Group's treasury policy includes a minimum level of liquidity which the Group seeks to maintain.</p> <p>The Group's current liquidity levels are significantly in excess of the minimum level.</p>

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Principal risk and context	Possible impact	Mitigation
Currency risk	<p>The Group operates globally. Fluctuations in exchange rates between currencies in which the Group operates, relative to pounds sterling, may cause fluctuations in its financial results. The main foreign currencies which impact the Group's operations are euros and US dollars.</p> <p>The Group's policy is not to hedge financial reporting translation risk.</p>	<p>Client commitments are, where possible, made in local currency to alleviate risk. Additionally, supply and delivery contracts are, where possible, agreed in the same currency to minimise foreign exchange losses on a particular project.</p> <p>Where material client contracts exist not in the currency of the Group entity providing the service, foreign exchange forward contracts are considered and if appropriate put in place.</p> <p>Assessments of the impact of significant fluctuations in exchange rates of the main foreign currencies used by the Group are regularly performed and monitored centrally.</p>

Approved by the Board of Directors and signed on behalf of the Board.



Andrew Tisdale

Director



Matthew Vandrau

Director

Date: 13 September 2019

Chime Group Holdings Limited

DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Group, together with the consolidated and Company financial statements and auditor's report, for the year ended 31 December 2018.

Results

The Group's income statement is set out on page 42 and shows a profit for the year ended 31 December 2018 of £0.2m (2017: £120.4m loss). No dividend has been declared during 2018 or 2017.

Directors' indemnities

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by law and the Company's articles of association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company or any of its subsidiaries. There is no agreement in place between the Company and its Directors and employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

The Company has purchased and maintains directors' & officers' insurance cover against legal liabilities and costs for claims in connection with any act or omission by its Directors and/or officers in the execution of their duties.

Identity of private equity firm

On 31 December 2018, Chime Group Holdings Limited was majority owned by Providence Equity Partners through its investment funds, Providence Equity Partners VII L.P., and Providence Equity Partners VII-A L.P. Providence Equity Partners is a global alternative investment firm established in 1989 focused on education, media, communications and information investments. The firm's private equity platform specialises in sector-focused buyout transactions and growth capital investments. Providence Equity Partners made its investment in the Group through PM VII S.a.r.l. On 28 June 2019 Chime Group Holdings Limited became wholly owned by Providence Equity Partners.

On 31 December 2018, WPP Group plc was the beneficial owner of 24.85% of Chime Group Holdings Limited. On 28 June 2019 WPP Group plc disposed of its holding in Chime Group Holdings Limited.

Incorporated on 19 October 2015, Chime Group Holdings Limited was the vehicle used to acquire the entire share capital of Chime Communications plc in October 2015. Chime had

Chime Group Holdings Limited

been listed on the London Stock Exchange since 1994 and following the acquisition, was delisted on 16 October 2015.

Statement of compliance with the Guidelines for Disclosure and Transparency in Private Equity

For the year ended 31 December 2018, the Directors consider the annual report and financial statements to comply with all aspects of the Guidelines for Disclosure and Transparency in Private Equity.

Our Board of Directors

The role of the Board

The Board of Directors is responsible for overall strategy, acquisitions, resourcing and the consideration of significant financial matters. It usually meets four times annually and does so additionally if required. It reviews the strategic direction of the Group's trading companies, their annual budgets and their progress towards achievement of agreed targets. It is also responsible for the integrity of financial information and ensuring the financial controls and the systems of identification and management of risk, both financial and non-financial, are robust and appropriate. The Board has two committees, being the Audit Committee and the Remuneration Committee.

Composition of the Board

Director	First Appointed
Paul S Walsh, Non-Executive Chairman	29 January 2016
John Hahn*	22 October 2015
Andrew Tisdale*	24 July 2015
Roderik Schlosser*	22 October 2015
Steve Winters**	15 September 2016
Lindsay Pattison**	1 January 2016
Christopher Satterthwaite	22 October 2015
Adrian Coleman	28 February 2018
Matthew Vandrau	28 February 2018

*Representatives of Providence Equity Partners

**Representatives of WPP plc (resigned 28 June 2019)

Chime Group Holdings Limited

Directors' Biographies

Paul S Walsh – Non-Executive Chairman

Paul is Chairman of Compass Group plc and is also a non-executive Director of FedEx Corporation, RM2 International S.A. and McDonald's Corporation.

Paul is a former Chief Executive of Diageo plc. Prior to that he was Chief Executive Officer of the Pillsbury Company, and has served as Chairman of Ontex Group N.V., as a Director of GrandMet, and also as a non-executive Director of Unilever plc and Centrica plc. Paul is chairman of the Remuneration Committee.

John Hahn – Providence Equity Partners

John is a Senior Managing Director of Providence Equity, based in London. He leads the firm's international private equity investment activities and is a member of the firm's investment, portfolio review and operating committees. John is also a Director of MásMóvil (Spain), NACE Schools (Spain) and Volia (Ukraine). He was previously a Director of UMI (India), Digiturk (Turkey), eircom (Ireland), Casema (the Netherlands), Kabel Deutschland (Germany), Recoletos (Spain), ONO (Spain) and Com Hem (Sweden).

Prior to joining Providence in 2000, John was a Managing Director at Morgan Stanley. Prior to Morgan Stanley, he worked with Price Waterhouse and Federal Data Corporation.

Andrew Tisdale – Providence Equity Partners

Andrew is a Managing Director of Providence Equity, based in London. He is currently a director of Ambassador Theatre Group, CloserStill Media and HSE24, and previously served on the boards of Clarion Events, M7 and ONO. Prior to joining Providence in 2008, he was co-head of the global media and communications group and a member of Morgan Stanley's management committee for investment banking. He currently serves on the Board of Advisors for the Yale School of Drama and the Space Innovation Council at Caltech.

Roderik Schlosser – Providence Equity Partners

Roderik is a Managing Director of Providence Equity, based in London. He is currently a director of Superstruct Entertainment. Prior to joining Providence in 2006, he was an analyst in the telecommunications corporate finance group at Deutsche Bank. Roderik is chairman of the Audit Committee.

Chime Group Holdings Limited

Steve Winters – WPP

Steve is Deputy Group Finance Director of WPP plc, a position he has held since 2016. Steve joined WPP in 1996 and held the role of Group Chief Accountant from 2001-2016. He has extensive experience in all aspects of financial strategy, control and reporting from within a multinational business, listed in both the UK and US. Steve is a Chartered Accountant.

Lindsay Pattison – WPP

In October 2018, Lindsay was appointed Chief Client Officer of WPP, reporting to CEO Mark Read. In this role she is responsible for WPP's 50+ Global Client Teams (who lead the largest accounts with 40,000 colleagues globally), organic growth and integrated new business. As CCO, Lindsay ensures that WPP's major clients have access to the combined strengths of WPP, that the best talent is working on the client teams, and that they work effectively with WPP companies and Country Managers to deliver fully integrated solutions for clients.

The CCO role follows Lindsay's role as Chief Transformation Officer for GroupM (May 2017) and Global CEO of Maxus, a WPP media agency. Lindsay is a passionate advocate for gender equality and created a WPP-wide initiative called 'Walk the Talk'. She also serves on the board of Design Bridge.

Christopher Satterthwaite – Non-Executive Director

Christopher began his commercial career as a graduate trainee at H.J. Heinz. Since then, he has been part of three different kinds of marketing communication agency: IMP (1981-1993), then the UK's largest Sales Promotion Business; HHCL & Partners (1993-2000) – Campaign's Advertising Agency of the Decade; and Chime's PR division (2000-2002). He became Chief Executive of Chime Communications Limited (previously plc) in 2003.

Alongside Christopher's role at Chime, he is chairman of AIM listed Access Intelligence and Spacehive, the crowd-funding website for projects of civic renewal.

Christopher stepped down as CEO in February 2018 but remains a Non-Executive Director.

Chime Group Holdings Limited

Adrian Coleman – Group Co-Chief Executive Officer (appointed 28 February 2018)

Adrian started out as a client with Esso Petroleum, before moving to the agency side. His strengths lie not only in cohesive and hard-hitting campaigns, but also in client focus and business understanding – experience that means he understands the marketing mix. In 1986 Adrian began work at IMP, a below-the-line agency, and moved to HHCL in 1993. During his seven-year stint the agency was named 'Agency of the Decade'. In 2000 he became Chief Executive of AMD, before leaving to found VCCP in 2002. VCCP was acquired by Chime in 2005 and Adrian continued to lead the advertising and marketing services division before being appointed Co-Chief Executive Officer of Chime.

Matthew Vandrau – Group Co-Chief Executive Officer (appointed 28 February 2018)

Matt graduated with a Bachelor of Commerce degree from Wits University in Johannesburg. Matt played professional cricket for Transvaal and Derbyshire for seven years before co-founding Frontiers Group in 2000. As Managing Director, Matt oversaw Frontiers' organic growth from inception to one of the biggest independent sponsorship agencies in the UK, and its subsequent sale to Essentially in July 2007, where Matt joined the main board. He continued to assist in the growth of the business and the subsequent sale to Chime Communications, where he fulfilled the role of Group Chief Executive for Essentially. Matt was appointed CEO of CSM at the beginning of 2017 before being appointed Co-Chief Executive Officer of Chime.

Chime Group Holdings Limited

Who does what – Division of Responsibilities

There is a clear division of responsibility between the Non-Executive Chairman, the Non-Executive Directors and the Executive Directors.

The Non-Executive Chairman is responsible for:

- The leadership of the Board, ensuring its effectiveness and setting its agenda; and
- Facilitation of the effective contribution of Non-Executive Directors and ensuring constructive relations between them and the Executive Directors.

The Non-Executive Directors are responsible for:

- Using their wide and varied experience to offer independent advice, scrutiny and objectivity;
- Monitoring and offering objective challenge to executive management decisions where appropriate; and
- Bringing specific expertise to the Board.

As Executive Directors, the Co-Chief Executive Officers are collectively responsible for:

- Overseeing day-to-day management of the Group, ensuring risks are appropriately managed;
- Allocating decision-making and responsibility to the Executive Management Team;
- Ensuring the successful execution of the strategic objectives agreed by the Board;
- Setting the strategic direction of the Group and implementing and delivering the strategy;
- Preparing annual budgets and medium-term projections for the Group and monitoring performance against these forecasts;
- Preparing annual financial statements;
- Effective communication with all stakeholders including shareholders, employees, members and other customers; and
- Safeguarding the assets of the Group, and the prevention and detection of fraud.

Chime Group Holdings Limited

Audit Committee

Members

Roderik Schlosser (Chairman)
Steve Winters (resigned 28 June 2019)
Andrew Tisdale

Role

The role of the Audit Committee is to monitor and review the Company's internal control processes; to ensure that both the internal and external audit plans are appropriate and carried out diligently; to develop and implement policies in response to matters identified through the controls process, and to oversee the response to risks and issues emanating from regulatory reporting requirements.

The Committee oversees the work carried out in identifying and managing risks within our businesses and ensures that the outcomes are dealt with in the correct manner.

Remuneration Committee

Members

Paul S Walsh (Chairman)
Andrew Tisdale
Roderik Schlosser
Matt Vandrau (Co-CEO)
Adrian Coleman (Co-CEO)

Role

The Remuneration Committee has responsibility for ensuring there is a formal, rigorous and transparent procedure for the development and implementation of policy on executive remuneration. It takes its lead from the Board on linking remuneration to achievement of both strategic and short-term goals.

Chime Group Holdings Limited

The Executive Management Team

Members

Matt Vandrau (Co-CEO)

Adrian Coleman (Co-CEO)

Joanne Parker (COO)

Stephanie Brimacombe (Group Managing Director)

David Crowther (Group Finance Director)

Gareth Bowhill (Head of M&A and Investor Relations)

Role

They collectively discharge the delegated decision-making and responsibilities of the Executive Directors and are responsible for maintenance of, and compliance with, Group operating standards. The Executive Management Team meet on a bi-weekly basis to monitor and review the performance of each of the three business groups through established management reporting.

Chime Group Holdings Limited

Our Colleagues

We are a people-based business. We value the contribution made to our success by the talented staff within the Group.

Nurturing talent and providing development opportunities will encourage innovation and our drive to be the best. We believe and strive to ensure that our people should be safe and free of any form of discrimination or harassment.

A new team member joining an agency can claim membership of that agency, the division and of the extended Chime family. While we want to encourage our brands to nurture their staff in their own way within a distinct culture, we also promote interaction across divisions, ensuring that knowledge of the Group, its capabilities and successes is widely known to all.

We are aware that companies must embrace their responsibility to ensure that their staff reflect the markets they work in and face. Our approach to equal opportunities and the promotion and support of diversity, reflects that we see this as a potential competitive advantage, engaging people who reflect the audiences we address both directly and on behalf of our clients.

Equal opportunity

The Group is a meritocracy, where people can succeed by their talent, skills, knowledge and application. Our defining values and equal opportunity policy underpin our talent management processes.

In addition to salary and benefits, staff are further incentivised through performance-related bonus. Payments are conditional on Company performance and stretching individual targets.

Diversity

We are in a creative industry. We originate and develop ideas, campaigns and events on behalf of our clients, who in turn must meet the challenges of a diverse customer base. The Board believes that diversity is the soul of creativity. It aids our operations and the delivery of innovative and relevant solutions to our business offer.

We acknowledge that diversity within our staff population is important. The Board is charged with ensuring that no person receives less favourable treatment on the grounds of disability, age, gender, sexual orientation, race, religion, nationality, national or ethnic origins, political convictions or any other manner of discrimination. This applies to recruitment, development, promotion, the provision of benefits and the application of our processes.

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In 2019 we have launched ChimeQ, the Group's LGBTQ+ community. As communication experts we know our work needs to be representative and inclusive, as do our processes, hiring and culture. We need all our people to feel supported. And, we need straight allies to be vocal about their support, and take a stand. Started in London first, our colleagues in CSM Leaddog will also be launching in New York in 2019.

Of our 2,258 staff at 31 December 2018, 49% were female (2017: 47%).

The Group continues to promote participation and encourage the aspirations of our female staff. We have a women's forum called Grapevine, that meets regularly to share business ideas, encourage networking and personal development. This helps empower and inspire our female staff at all levels.

From 2017, certain UK companies meeting size criteria on revenue or number of employees are required to report on the pay gap between men and women. In April 2018, in line with the legislation, three of our businesses (VCCP Group LLP, CSM Sport & Entertainment LLP and FIL Market Research Limited) reported on their gender pay gap; copies of their reports may be found on their respective websites. Actions which have been identified to reduce both the gender pay gap and gender split in these businesses, and which will form the basis for further progress in this area, include:

- Improvements to policies on maternity, paternity, shared parental leave and flexible working;
- Unconscious bias training for managers; and
- The development and expansion of Grapevine.

Employment of disabled persons

All Group agencies give full and fair consideration to all applications for employment made by disabled people, having regard to their aptitudes, talent and abilities. Opportunities for training, career development and promotion do not disadvantage these employees or any members of staff who become disabled during their time with us. Where our workspace or processes need to be adapted to accommodate disabled staff, we will always consider reasonable measures to do so.

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Young people

We are aware of the barriers many young people face when looking for meaningful and creative employment opportunities. Our Graduate Scheme in the UK has been running for more than ten years and has regularly resulted in Group agencies employing over 80% of the intake, and from 2019 we are opening this scheme up to school leavers as well. In addition, we have offered a number of apprenticeship places in various parts of the business since 2017.

Innovate – Chime's Youth Board

Innovate is our Youth Board, who are tasked with innovation and addressing business issues as they see them and challenging us to think differently. Membership is open to all staff under the age of 30. The Youth Board members are given access to all agencies and all levels within the Group, and everyone is mentored by one of our Board in order to nurture individual progress. We have run Innovate for five years and 73 young people have benefited from this programme to date.

Health & Safety

Each division has specific policies and procedures to ensure a safe working environment that reflects their particular business activities; this is the responsibility of the directors of each operating entity within the Group. Health & Safety matters are managed at a divisional level and reviewed by the Group through our risk management process.

We take our duty of care to our staff seriously, and have retained a variety of consultants to provide guidance on the identification and assessment of hazards, alongside practical support such as carrying out risk assessments for events and other activities.

Due to the nature of our work, the majority of our staff are office-based. However, our CSM Live business includes operations with manufacturing activity. As we have grown to include creating and managing live events, we now have a proportion of staff working on location, which brings an additional level and a variance in our Health & Safety risk profile. Our aim is to maximise the wellbeing of our people and those we interact with. Through the controls and management processes our operating entities have adopted, the risk and historical incidence of accidents are low.

This is an ongoing process; the assessment of new developments or increases in activities with a higher level of risk is embedded into our review process.

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Whistleblowing

The Group has a clear written whistleblowing policy and procedure, which any member of staff may use to report concerns they may have about unethical or unprofessional behaviour, non-adherence to Group standards or with applicable regulations and/or the law. The Group has established through a third-party supplier, a confidential helpline which is available 24 hours a day in multiple languages, in order that staff can report any concerns or perceived shortcomings within our operations to an unbiased third party within the Group. The helpline is promoted on all policy documents and via our intranet.

Corporate responsibility

The Board acknowledges that being socially responsible is an important factor not only in the work we do for our clients, but also in the management of our own business.

We have a continuing and embedded programme to ensure that we maintain high standards. Our process design will always include assessment of our impacts, but also our opportunities in socially responsible operations.

The Chief Operating Officer, Joanne Parker, oversees our continuing efforts in this important area of our business. The Board and Audit Committee receive updates on our corporate responsibility initiatives and performance.

The Group also considers corporate responsibility to be an area of business opportunity. Our subsidiary, Corporate Citizenship, not only provides a focus for our investment in this field, but also provides the Group with specialist expertise.

Ethics and integrity

Our Group agencies create, promote and manage brands, individuals, events, commercial and governing organisations. We recognise that the integrity of our own staff and our approach to business are essential to the maintenance of our own reputation.

Our divisions and agencies have set out the core values by which they work, reflecting the diverse nature of our business and operations. These values are underpinned by our Responsible Business Code and our Staff Code of Conduct, which are shared across the Group.

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Staff Code of Conduct

Our Staff Code of Conduct formalises the values and further sets out the behaviour and ethical standards expected of Chime employees.

Our staff are responsible for adhering to the Code in addition to measures applied by their respective operating company. Our Code covers:

- Client and Company confidentiality;
- Equal opportunities and the promotion of a meritocracy;
- A safe and civilised workplace;
- Proper consideration of the sensitivities of potential audiences when publishing materials;
- Honest business practice and integrity; and
- Compliance with all laws and regulations.

The Code remains under review, in order that it may be adapted as market forces and legal requirements demand or as additional risks are identified. While it is broad, it is designed, along with our guiding values, to be embedded within our diverse range of operating cultures.

Responsible Business Code

The Group co-ordinates the operations of our three business groups, and in doing so sets the standards which must be met and maintained by all our agencies. Each agency has adopted processes and procedures which adhere to the Group standards, but within their own distinct culture.

We also communicate our standards of trading to staff and our external stakeholders via our Responsible Business Code, which summarises our approach to doing business. This is supported by detailed specific policies and procedures on various aspects of our activities. The Responsible Business Code can be found on our website www.chimegroup.com.

Conflicts of interest

The Group has processes to identify and manage potential conflicts of interests which may exist for staff working with clients and suppliers. We believe that this is an important part of our ethical stance and acting in a transparent manner.

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Anti-corruption

Maintaining appropriate and clear procedures within the Group's operations to prevent corruption is paramount. We have adopted clear guidelines to ensure our staff and our other stakeholders know how we approach such issues, and mandatory training is provided to all staff across the Group on anti-corruption and bribery measures.

Modern slavery

We do not tolerate any form of modern slavery or human trafficking in any part of our business. Our Responsible Business Code sets out our approach to doing business, and we seek to ensure this is adopted and applied within our supply chain. All operating companies are required to adhere to the Code, and its implementation by suppliers is determined at operating company level. The Group is required to prepare an annual slavery and human trafficking statement. The Group's statement for the year ended 31 December 2017 was published on our website in June 2018 and the Group will be publishing an updated statement shortly.

Human rights

We do not engage in any business activities that could implicate the Group, directly or indirectly, in the abuse of human rights or the breach of internationally recognised labour standards.

Supporting sustainable business

The Group acts responsibly and we conduct our business with honesty and integrity and in good faith. We set ourselves high standards in our business practices, and work with our value chain partners to meet the same level of business ethics, as well as being mindful of our impact on the environment.

In acting responsibly, we acknowledge that our operations can have a positive influence on the communities in which we work as well as in broader society. Our core values and our Responsible Business Code reflect our starting point when faced with such issues.

We encourage and promote our agencies to use their services and talent as a force for good, sometimes undertaking work on a pro bono basis for clients that otherwise would not obtain such support.

Work we are proud of includes:

Chime Group Holdings Limited

VCCP & Amnesty International – The undeniable wonder of family life

Amnesty International UK needed to rally the public to email their MPs, to change the law that prevented refugee children from living with their families in the UK. On Mother's Day weekend, we put families in a glass box in South Bank. Families played monopoly, watched TV, ate pizza... ordinary things that families do. The installation showed people the undeniable wonder of family life that refugees are denied.

377,000 people watched the installation through Facebook live-stream, 13,715 emailed their MPs and, on 16 March 2018, 129 MPs voted in support of the passage of the Refugees Family Reunion Bill.

CSM & Special Olympics MENA Games

The Special Olympics MENA Games took place in Abu Dhabi under the umbrella of Special Olympics, a global organisation that aims to empower athletes with intellectual disabilities through sport, and we helped deliver a successful event playing host to 269 athletes across five venues. We are also worked on the Special Olympics World Games, which was held in Abu Dhabi in March 2019.

Teamspirit – For The Better Award

In partnership with the Finance Innovation Lab, which incubates ideas working towards a better kind of financial system, Teamspirit's For The Better Award provides £10,000 of the agency's award-winning communication expertise to not-for-profit or charitable organisations committed to improving financial health. Inaugural winners in 2018 include Vestpod, a community-based portal dedicated to changing women's relationship with money, and Avon Mutual, the first-ever customer-owned high street bank dedicated to the West of England.

Harvard & Child Dignity Alliance

2018 saw Harvard undertake ground-breaking pro bono work with the Child Dignity Alliance, an organisation led by Baroness Shields, to end online child abuse. With a brief to raise awareness of the organisation, Harvard undertook an ongoing news programme to ensure the issue was at the heart of the media agenda, while also supporting on events.

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CSM Leaddog – Promoting Women in Sports & Media Programme

CSM Leaddog has a number of initiatives to support gender equality. This includes working in partnership with Sports Business Daily/Journal to run The Mentoring Challenge, which creates opportunities for ambitious women early in their careers to be matched with inspiring female executives. The programme is in its third year. It also works in partnership with PromaxBDA, providing space for the first of two female-focused networking events called Game Changers, centred on women in media.

We also promote and facilitate volunteering by individual members of staff or groups, including through our Give As You Earn scheme, so that they can help the causes that are important to them.

Environmental matters

We acknowledge that our customers, staff and other stakeholders have an interest in our impact on the environment and, therefore, we have committed to monitor and improve our environmental performance where possible.

We deliver services to clients based on image, ideas, research, content and event execution. We regularly incorporate our environmental performance in business credentials presentations (including new business pitches) to clients, as we believe this is an important consideration when evaluating our approach to responsible and ethical trading.

The Group has strived to continually reduce its carbon footprint on a normalised basis since 2006. We are participants in the UK CDP Climate Change programme, and have been calculating our UK carbon footprint since 2012. Our 2017 carbon footprint, in line with previous years, was calculated using the UK Government Environmental Reporting Guidelines and the latest UK Government Conversion Factors for Company Reporting to estimate GHG emissions for the period under review. The boundary of our carbon footprint includes Global and UK operations over which we have direct operational control.

Our 2018 report, based on our carbon usage in 2017, made a number of specific recommendations for improvements which we are currently reviewing and will seek to implement in 2019, in addition to preparing for the new reporting requirements under the UK Government's Streamlined Energy and Carbon Reporting (SECR) Regulations.

The Board receives regular updates on our work in this area as part of governance reports. Our initiatives are led by our Chief Operating Officer, Joanne Parker, supported by divisional management.

Chime Group Holdings Limited

Political donations

The Group's policy is not to make direct donations to support political parties. During the year the Group did not make any donations deemed to be political donations.

Auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- The Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant, reliable and prudent;
- For the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- For the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

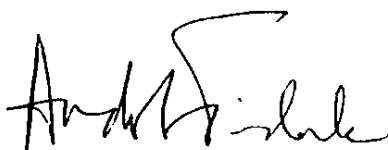
Chime Group Holdings Limited

- Assess the Group's and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board of Directors and signed on behalf of the Board.



Andrew Tisdale

Director



Matthew Vandrau

Director

Date: 13 September 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHIME GROUP HOLDINGS LIMITED

Opinion

We have audited the financial statements of Chime Group Holdings Limited ("the company") for the year ended 31 December 2018 which comprise the group and company primary statements and related notes.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

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

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of goodwill and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHIME GROUP HOLDINGS LIMITED

all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHIME GROUP HOLDINGS LIMITED

- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 36, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

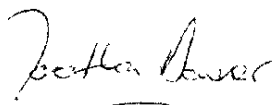
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHIME GROUP HOLDINGS LIMITED

The purpose of our audit work and to whom we owe our responsibilities

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.



Jonathan Downer (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

London, United Kingdom

13 September 2019

Chime Group Holdings Limited

Consolidated income statement

Year ended 31 December 2018

	Note	2018 £'000	2017 ⁽¹⁾ £'000
Continuing Operations			
Revenue	3	513,224	497,398
Cost of sales		(262,831)	(255,705)
Operating income		250,393	241,693
Operating expenses	4	(245,854)	(349,498)
Operating profit/(loss)		4,539	(107,805)
Share of results of associates	17	282	287
Loss on disposal of associate	17	-	(6,299)
Impairment of investment	18	(1,956)	-
Investment income	7	1,378	8,528
Finance costs	8	(18,516)	(21,684)
Loss before tax		(14,273)	(126,973)
Tax charge	9	(1,772)	944
Loss from continuing operations		(16,045)	(126,029)
Discontinued Operations			
Profit from discontinued operation, net of tax	13	16,240	5,625
Profit/(loss) for the year		195	(120,404)
Attributable to:			
Equity holders of the parent		(418)	(121,598)
Non-controlling interests		613	1,194
		195	(120,404)

(1) The prior-year financials have been restated to show the results of subsidiaries disposed of in 2018 in discontinued operations.

The accompanying notes are an integral part of the financial statements.

Chime Group Holdings Limited

Consolidated statement of comprehensive income
Year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Items that may be classified subsequently to profit and loss			
Profit/(loss) for the year		195	(120,404)
Loss on revaluation of available for sale investments	18	(227)	(278)
Fair value of foreign exchange hedges	21	(117)	-
Exchange differences on translation of foreign operations		2,894	(6,071)
Total comprehensive expense for the year		2,745	(126,753)
Attributable to:			
Equity holders of the parent		2,132	(127,830)
Non-controlling interest		613	1,077
		2,745	(126,753)

The accompanying notes are an integral part of the financial statements.

Chime Group Holdings Limited

Consolidated balance sheet At 31 December 2018

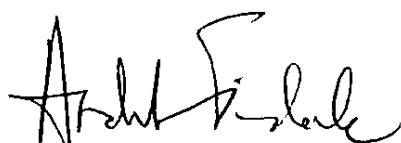
	Note	2018 £'000	2017 £'000
Non-current assets			
Goodwill	11	263,391	312,977
Other intangible assets	14	56,314	79,729
Property, plant and equipment	15	51,828	11,525
Investments in associates	17	1,922	1,797
Other investments	18	194	2,270
		373,649	408,298
Current assets			
Work in progress		10,770	8,374
Trade and other receivables	19	129,637	144,573
Current tax asset		3,992	-
Cash and cash equivalents	20	74,324	24,527
		218,723	177,474
Total assets		592,372	585,772
Current liabilities			
Trade and other payables	21	(122,910)	(142,728)
Current tax liability		(3,596)	(600)
Other borrowings	23	(8,935)	(533)
Obligations under finance leases	24	-	(80)
Provisions	25	(10,726)	(17,375)
		(146,167)	(161,316)
Total net current assets		72,556	16,158
Non-current liabilities			
Deferred tax liabilities	10	(2,741)	(5,429)
Bank loans	22	(255,000)	(265,000)
Other borrowings	23	(33,527)	-
Obligations under finance leases	24	-	(77)
Provisions	25	(2,782)	(5,503)
		(294,050)	(276,009)
Total liabilities		(440,217)	(437,325)
Total net assets		152,155	148,447

Chime Group Holdings Limited

Consolidated balance sheet (continued) At 31 December 2018

	Note	2018 £'000	2017 £'000
Equity			
Share capital	26	81,153	81,153
Share premium account	27	215,055	215,055
Hedge reserve		(117)	-
Foreign currency translation reserve		5,964	3,070
Accumulated losses		(158,453)	(158,887)
Equity attributable to equity holders of the parent		143,602	140,391
Non-controlling interests		8,553	8,056
Total equity		152,155	148,447

The financial statements were approved by the Board of Directors and authorised for issue on 13 September 2019. They were signed on its behalf by:



Andrew Tisdale

Director



Matthew Vandrau

Director

Registered Company number: 09702342

The accompanying notes are an integral part of the financial statements.

Chime Group Holdings Limited

Consolidated statement of changes in equity Year ended 31 December 2018

	Share capital	Share premium	Hedge reserve	Translation reserves	Accumulated losses	Total	Non-controlling interests	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2017	81,153	215,055	-	9,024	(35,117)	270,115	7,431	277,546
Total comprehensive (loss)/income	-	-	-	(5,954)	(121,876)	(127,830)	1,077	(126,753)
Tax adjustment relating to prior period	-	-	-	-	146	146	-	146
Disposal of non-controlling interest	-	-	-	-	-	-	987	987
Purchase of non-controlling interests	-	-	-	-	(2,040)	(2,040)	(1,000)	(3,040)
Dividends to non-controlling interests	-	-	-	-	-	-	(439)	(439)
Balance at 1 January 2018	81,153	215,055	-	3,070	(158,887)	140,391	8,056	148,447
Total comprehensive income	-	-	(117)	2,894	(645)	2,132	613	2,745
Adoption of new accounting standards (IFRS 15 and 9)	-	-	-	-	1,079	1,079	-	1,079
Dividends to non-controlling interests	-	-	-	-	-	-	(116)	(116)
Balance at 31 December 2018	81,153	215,055	(117)	5,964	(156,453)	143,602	8,553	152,155

The accompanying notes are an integral part of the financial statements.

Chime Group Holdings Limited

Consolidated cash flow statement Year ended 31 December 2018

		2018	2017
	Note	£'000	£'000
Net cash from operating activities	29	5,685	4,281
Investing activities			
Interest received		459	858
Dividends received from investments and associates		157	268
Proceeds on disposal of other intangible assets		-	15
Proceeds on disposal of property, plant and equipment		-	754
Purchases of other intangible assets		(4,418)	(386)
Purchases of property, plant and equipment		(3,238)	(4,943)
Proceeds from disposal of subsidiaries		81,631	-
Acquisition of subsidiaries (net of cash acquired)		(4,766)	(13,073)
Deemed remuneration and deferred consideration payments		(15,550)	-
Net cash inflow/(outflow) from investing activities		54,275	(16,507)
Financing activities			
Dividends paid to non-controlling interests		(116)	(439)
(Reduction)/Increase in borrowings		(10,000)	16,591
Repayment of loan notes		(394)	(775)
Repayment of obligations under finance leases		-	14
Purchase of non-controlling interests		-	(2,051)
Net cash (outflow)/inflow from financing activities		(10,510)	13,340
Net increase in cash and cash equivalents		49,450	1,114
Cash and cash equivalents at beginning of year		24,527	23,185
Effect of foreign exchange rate changes		347	228
Cash and cash equivalents at end of year		74,324	24,527

Cash and cash equivalents comprise cash at bank, less overdrafts

Net debt comprises:

Cash and cash equivalents	20	74,324	24,527
Loan notes outstanding	21	(100)	(227)
Bank loans	22	(255,000)	(265,000)
Other borrowings ⁽¹⁾	23	(56)	(533)
Obligations under finance leases	24	-	(157)
Overall net debt		(180,832)	(241,390)

(1) Other borrowings included in net debt calculation excludes the lease liability brought onto the balance sheet on adoption of IFRS 16 (note 35)

The accompanying notes are an integral part of the financial statements.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements Year ended 31 December 2018

1. General information

Chime Group Holdings Limited (the 'Group') is a company incorporated in United Kingdom on 24 July 2015 under the Companies Act 2006. The address of the registered office is 62 Buckingham Gate, London SW1E 6AJ. The nature of the Group's operations consists principally of sports marketing, public relations, advertising, market research, direct marketing, and design and event management consultancy. Details are provided in the Strategic report, pages 5 to 19.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2. The Group's overseas operations are principally conducted in US dollars or euros. The rates used are as follows:

	Closing rate at 31 December 2018	Average rate 2018	Closing rate at 31 December 2017	Average rate 2017
US dollar	1.278	1.335	1.352	1.288
Euro	1.117	1.130	1.127	1.141

2. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') issued by the International Accounting Standards Board ('IASB') adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation. The Group has adopted all applicable standards effective for the current financial year with no material impact to the accounts.

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are carried at fair value in accordance with the accounting policies set out below.

Critical accounting judgements

In the process of applying the Group's accounting policies, management is required to make judgements that may affect the financial statements. Management believes that the judgements made in the preparation of the financial statements are reasonable. However, actual outcomes may differ from those anticipated.

Deemed remuneration

Deemed remuneration represents payments made for the acquisition of companies and limited liability partnerships that are dependent on continuing employment. In accordance with the IFRS Interpretations Committee's interpretation of paragraph B55 of IFRS3, this dependency means that they should be treated as remuneration regardless of other factors. The charge for the year for deemed remuneration has therefore been separately disclosed to assist readers in their understanding of the financial statements.

Revenue and cost recognition on long-term contracts

Revenue and costs are recognised on long-term contracts, by reference to the stage of completion of activity under that contract at the balance sheet date. Management has considered the stage of completion of each contract and made a number of assumptions in order to estimate the relevant revenues and costs to recognise under these contracts. Management is satisfied that the amounts recognised in 2018 are appropriate and consistent with the terms of the contracts and the stage of work completed.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

2. Significant accounting policies (continued)

Key sources of estimation uncertainty

In the process of applying the Group's accounting policies, management is required to make estimations and assumptions that may affect the financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, are discussed below:

Valuation and asset lives of separately identifiable intangible assets

In order to determine the value of the separately identifiable assets of a business combination, management is required to make estimates when determining fair values. This includes the use of discounted cash flows, revenue and profit before tax multiples. Asset lives are estimated based on the nature of the intangible asset acquired and range between three and fifteen years.

Allocation of goodwill and other intangible assets

There are a number of assumptions management has considered in allocating goodwill and intangible assets, as determining the value of goodwill or intangible assets requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the net present value. Note 11 details the assumptions that have been applied.

Contingent consideration

Contingent consideration relating to acquisitions has been included based on the fair value of management's estimate of the most likely outcome (note 28).

Vacant property provisions

Provisions for property represent amounts set aside in respect of property leases which are onerous and the unavoidable costs of restoring leasehold properties to the condition specified in the lease at the end of the contractual term. The quantification of each of the provisions is determined based on management's best estimate and is dependent on the Group's ability to exit the leases early or to sublet the properties. In general, property costs are expected to be incurred over periods for which individual properties remain vacant or, where occupied, to the termination of the leases in question.

Going concern

The Directors have prepared forecasts which indicate that the Company has adequate resources to continue in operational existence for the foreseeable future. In preparing these forecasts the Directors have taken into account the following key factors:

- The rate of growth of the UK and US economies on the Group's business;
- Key client account renewals;
- The level of committed and variable costs; and
- Current new business targets.

The Directors have concluded, based on the cash flow forecasts and the commitment made by the Group and its subsidiaries under the cross-guarantee it has entered into, that it is appropriate to prepare the financial statements on a going concern basis for the next twelve months.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

2. Significant accounting policies (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each period. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. The interest of non-controlling shareholders is stated at the non-controlling shareholders' proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition. The results of subsidiaries disposed of during the year are included in the consolidated income statement within the financial statement as Discontinued operations.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those associates are not recognised, unless the Group has incurred a legal or constructive obligation or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill and is included in the carrying value of the investment. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (ie discount on acquisition) is credited in the income statement in the year of acquisition.

Where a Group company transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Other investments

Other investments represent investments in equity securities that present the Group with opportunity for return through dividend income and trading gains. They have no fixed maturity or coupon rate. The fair values of the listed securities are based on quoted market prices. For unlisted securities, where market value is not available, the Group estimates relevant fair values on the basis of publicly available information from outside sources. Where this is not possible, investments are held at cost and are reviewed for impairment. Movements in the fair value of other investments designated as 'available for sale' are taken to equity.

On disposal, the cumulative gain or loss previously recognised in equity is included within the income statement for the year. Impairment losses recognised in the income statement for equity investments classified as 'available for sale' are not subsequently reversed through the income statement.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

2. Significant accounting policies (continued)

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of consideration over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is recognised as an asset and tested for impairment at least annually. Any impairment is recognised in the income statement and is not subsequently reversed.

On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

For acquisitions accounted for under IFRS 3, future anticipated payments to vendors in respect of deferred consideration are based on the Directors' best estimates of the fair value of future obligations, which are dependent on the future financial performance of the interests acquired and assume the operating companies improve profits in line with Directors' estimates and are included in liabilities greater or less than one year as appropriate. Subsequent reductions in provisions for deferred consideration are recorded in the income statement through costs of acquisitions.

When deferred considerations are to be settled in cash, the fair value of the consideration is obtained by discounting to the present value the amounts expected to be payable in the future. The resulting interest charge is included within finance costs of deferred consideration.

When a business is acquired from former shareholders who become employees of the Group, should their earn-out payments be dependent on continuing employment then all payments are treated as remuneration for post-acquisition services. The charge to the income statement is included in deemed remuneration and the fair value of the liability is included as deemed remuneration in the balance sheet, classified as current or non-current liabilities as appropriate.

In accordance with IFRS, an impairment charge is required for both goodwill and other indefinite lived assets when the carrying amount exceeds the 'recoverable amount', defined as the higher of fair value less costs to sell and value in use. Our approach in determining the recoverable amount utilises a discounted cash flow methodology, which necessarily involves making numerous estimates and assumptions regarding revenue growth, operating margins, tax rates, appropriate discount rates and working capital requirements. These estimates will likely differ from future actual results of operations and cash flows, and it is possible that these differences could be material. In addition, judgements are applied in determining our cash-generating units we identify for impairment testing.

Revenue recognition

In 2018, the Group adopted IFRS 15 (Revenue from contracts with customers). In adopting the new standard, policies regarding revenue recognition were amended. The Group has applied the IFRS 15 '5-step model' to each of the revenue streams across the Group, enabling the identification of distinct performance obligations within a contract, as well as the method for revenue recognition; either at a point in time when the performance obligation is satisfied, or over time as the performance obligation is satisfied. Where revenue is variable, revenue recognition is constrained to the extent that it is highly probable that a significant reversal for revenue already recognised will not occur, once the uncertainty around revenue is subsequently resolved.

Revenue is measured at the fair value of the consideration received or receivable and comprises the gross amounts billed to clients in respect of fees earned, expenses recharged and commission-based income. In line with IFRS 15, revenue is recognised in the income statement when the performance obligations detailed in the contract with the customer have been satisfied.

Revenue is largely derived from retainer fees and services performed subject to specific agreement. Revenue is recognised over the contract term, proportionate to the progress in overall satisfaction of the performance obligations (the services performed by the Group), measured by cost incurred to date out of total estimated costs.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

2. Significant accounting policies (continued)

Revenue recognition (continued)

Revenue from commission on sponsorship contracts and talent management is recognised at a point in time.

Revenue relating to a specific event is recognised at a point in time, when the performance obligation in the contract has been satisfied.

Operating income is revenue less amounts payable on behalf of clients to external suppliers where they are retained to perform part of a specific client project or service, and represents fees, commissions and mark-ups on rechargeable expenses and marketing products.

Contractual arrangements are reviewed to ascertain whether the Group acts as principal or agent with regard to third-party costs. If the relationship is that of agent then the amount of commission, plus any other amounts charged to the principal or other parties, net of corresponding sub-contractor costs, is recognised as revenue.

Revenue and operating income are stated exclusive of VAT, sales taxes and trade discounts.

Leasing

Under IFRS 16

The Group assesses whether a contract is or contains a lease at inception of the contract. This assessment involves the exercise of judgement about whether it depends on a specified asset, whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset.

The Group recognises a right-of-use (ROU) asset and a lease liability at the lease commencement date, except for short-term leases of 12 months or less and leases of low value assets, which are expensed in the income statement on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounting using the interest rate implicit in the lease, or if this rate cannot be readily determined, using the Groups incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments can include fixed payments; variable payments that depend on an index or rate known at the commencement date; and extension option payments or purchase options, if the Group is reasonably certain to exercise. The lease liability is subsequently measured at amortised cost using the effective interest rate method and remeasured (with a corresponding adjustment to the related ROU asset) when there is a change in future lease payments in case of renegotiation, changes of an index or rate or in case of reassessment of options.

At inception, the ROU asset comprises the initial lease liability, initial direct costs and the obligations to refurbish the asset, less any incentives granted by the lessors. The ROU asset is depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator for impairment, as for owned assets.

ROU assets are included in the heading 'property, plant and equipment', and the lease liability is included in the heading 'other borrowings'.

Under IAS 17

In the comparative period, leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases or, if lower, the present value of minimum lease payments. The excess of the lease payments over the recorded lease obligations is treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

2. Significant accounting policies (continued)

Leasing (continued)

Rental costs under operating leases are charged to the income statement in equal annual amounts over the periods of the leases.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Foreign currencies

Sterling is the functional and presentational currency of the Group. Transactions denominated in foreign currencies are initially translated at the exchange rate ruling at the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Net gains and losses arising on retranslation are included in the income statement for the year. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into the presentational currency of the Group at the exchange rates prevailing on the balance sheet date. Income and expenses are translated at the average exchange rates for the year unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation reserve differences are recognised as income or as expenses in the period in which the operation is disposed of.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as investments in equity securities classified as available for sale, are included in the fair value reserve in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Finance costs

Finance costs, which include interest, losses on interest rate swaps and bank charges, are recognised in the income statement in the year in which they are incurred.

Operating profit

Operating profit is stated before the share of results of associates, investment income and finance costs.

Retirement benefit costs

The pension cost is the amount of contributions payable by the Group to the defined contribution pension scheme and to personal pension schemes of certain employees during the accounting year. These are charged as an expense as they fall due.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

2. Significant accounting policies (continued)

Taxation (continued)

assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

The Group is committed to its Tax Strategy, which is published annually on the Chime website.

Other intangible assets

Other intangible assets comprise acquired customer relationships, contracts, trade names and computer software. Customer relationships and corporate trade names acquired on the acquisition of a business are capitalised separately from goodwill as an intangible asset if their value can be measured reliably on initial recognition and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group. Contracts entered into to provide right sales have been capitalised where an intangible asset is identifiable, future economic benefits are probable and the cost can be measured reliably. Computer software is capitalised based on the cost incurred to acquire and bring to use the specific software. Intangible assets are stated at cost net of amortisation and any provision for impairment. The costs are amortised over their estimated useful lives using the following rates:

Computer software	4 years
Customer relationships	3 to 8 years
Trade names	5 to 15 years
Client contracts	3 to 5 years

Property, plant and equipment

Property, plant and equipment are stated at cost net of depreciation and any provision for impairment. Depreciation is provided in equal instalments to write off the cost less residual value over the estimated useful economic lives of asset type as follows:

Short-term leasehold improvements	5 years
Motor vehicles	6 years
Fixtures, fittings and equipment	4 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

2. Significant accounting policies (continued)

Impairment of property, plant and equipment and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit ('CGU') to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually or whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is immediately recognised as an expense in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years.

Work in progress

Work in progress is stated at the lower of invoiced cost and net realisable value, net of payments received on account. Cost represents work supplied from outside the Group awaiting billing to clients at the year-end and directly attributable overhead costs.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation, and are discounted to present value where the effect is material.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash comprises cash, overdrafts (where the Group has formal right of set-off) and cash held on short-term deposit (up to six months).

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for expected irrecoverable amounts, and subsequently measured at amortised cost using the effective interest method less any impairment.

Available for sale investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under contract whose terms require the delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

Investments are classified either as available for sale, and are measured at subsequent reporting dates at fair value, or at historical cost, where no fair value is readily determinable. Gains and losses on available for sale

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

2. Significant accounting policies (continued)

Financial instruments (continued)

financial assets arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the year.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the fair value of proceeds received, net of direct issue costs.

Trade payables

Trade payables are not interest-bearing and are stated at their nominal value, and subsequently measured at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the fair value of proceeds received, net of direct issue costs.

Derivative financial instruments

The Group uses derivative financial instruments to reduce its exposure to interest rate movements and foreign currency risk. Interest rate swaps are used to hedge against fluctuations in future cash flows on the Group's debt funding due to movements in interest rates. Forward contracts are used to hedge against fluctuations in the exchange rate on specific sales contracts. The Group does not hold or issue derivative financial instruments for financial trading purposes.

At the inception of the hedge, the Company documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and hedge strategy. Derivative financial instruments are initially recognised at fair value at the contract date and continue to be stated at fair value at the balance sheet date.

Changes in fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity, are recycled in the income statement in the periods when the hedged item is recognised in profit or loss.

Derivatives that do not qualify for hedge accounting are accounted for at fair value through the income statement, with gains and losses on revaluation being recognised immediately in the income statement.

Standards and interpretations

The Group has adopted IFRS 15 Revenue from contracts with customers, IFRS 9 Financial instruments and IFRS 16 Leases during the year. The IFRS 15 and IFRS 9 standards did not have a material impact on the Group's financial position and performance, nor on the disclosures in these financial statements for the year ended 31 December 2018. IFRS 16 does have a material impact on these financial statements.

IFRS 15 Revenue from contracts with customers

IFRS 15 Revenue from contracts with customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It has replaced previous revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction contracts and IFRIC 13 Customer loyalty programmes.

The Group has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (1 January 2018). As a result, the Group has not applied the requirements of IFRS 15 to the comparative period. Revenue streams affected by the transition to IFRS 15 include commission contracts and player management contracts. Additionally the Group has introduced new policies around measuring the satisfaction of performance obligations within long-term contracts. The impact of adoption was to increase revenue in 2018 by £0.7m. See note 35 for additional details.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

2. Significant accounting policies (continued)

Standards and interpretations (continued)

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments became effective from 1 January 2018, requiring companies to apply an 'expected credit loss' impairment model to financial assets measured at amortised cost or FVOCI (except for investments in equity instruments, and to contract assets). In adopting IFRS 9, the Group increased the bad debt provision by £0.5m. See note 35 for additional details.

IFRS 16 Leases

The Group has adopted IFRS 16 Leases in 2018. This standard replaces IAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases.

The main effect on the Group is that IFRS 16 introduces a single lease accounting model and requires lessee to recognised assets and liabilities for almost all leases and therefore resulted in an increase of property, plant and equipment and total financial debt at 1 January 2018.

This standard is mandatory for the accounting period beginning 1 January 2019, the Group early adopted on 1 January 2018, under the modified retrospective approach utilising the practical expedient to not reassess whether a contract contains a lease. 2017 comparatives have been accounted for under IAS 17 and have not been restated. See note 35 for additional details.

New and revised IFRSs in issue but not yet effective

There are no standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods.

3. Analysis of revenue

100% of revenue is classed as 'income from rendering of services'.

	2018	2017 ⁽¹⁾
	£'000	£'000
United Kingdom	260,543	235,080
Europe & Africa	79,600	80,951
Middle East	8,140	4,392
USA	130,609	136,949
Rest of the World	34,332	40,026
	513,224	497,398

(1) The prior-year financials have been restated to exclude the results of subsidiaries disposed of in 2018.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

4. Operating expenses

Operating profit/(loss) has been arrived at after charging:

	2018	2017 ⁽¹⁾
	£'000	£'000
Depreciation of tangible assets (note 15)	13,656	5,714
Amortisation of other intangible assets (note 14)	19,803	17,637
Impairment of goodwill (note 11)	-	93,038
Rentals under operating leases	-	10,398
Impairment loss on trade receivables	459	504
Loss/(profit) on disposal of property, plant & equipment	249	(74)
Staff costs (note 6)	172,595	169,188
Net foreign exchange (gain)/loss	(598)	576
Other administration costs	39,690	52,517
Total operating expenses	245,854	349,498

(1) The prior-year financials have been restated to exclude the results of subsidiaries disposed of in 2018.

5. An analysis of auditor's remuneration is provided below:

	2018	2017
	£'000	£'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	127	155
The audit of the Company's subsidiaries pursuant to legislation	173	275
Total audit fees	300	430
Taxation and advisory services	-	-
Other services	6	608
Total non-audit fees	6	608
Total fees paid to Company's auditors	306	1,038

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

6. Staff costs

The average monthly number of employees for the year (including executive Directors) was 2,278 (2017: 2,128⁽¹⁾).

	2018	2017 ⁽¹⁾
	£'000	£'000
Wages and salaries	147,814	146,010
Social security costs	13,253	12,721
Pension costs	4,741	3,899
Deemed remuneration (note 25)	6,787	6,558
	<u>172,595</u>	<u>169,188</u>

The Group operates a defined contribution pension scheme for the benefit of the majority of its employees. This is an independently administered fund, the assets of which are held separately from those of the Company. At 31 December 2018, contributions of £0.2m (2017: £0.4m) due in respect of the current reporting period had not been paid over to the schemes.

(1) The prior-year financials have been restated to exclude the results of subsidiaries disposed of in 2018.

Directors' remuneration

	2018	2017
	£'000	£'000
Short-term employee benefits	1,486	2,569
Pension costs	13	165
	<u>1,499</u>	<u>2,734</u>

The highest paid Director received short-term benefits of £0.6m (2017: £1.4m), and pension contributions of nil (2017: £0.1m) for the year.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued)
Year ended 31 December 2018

7. Investment income

	2018	2017
	£'000	£'000
Interest on bank deposits	183	438
Fair value gain on interest rate swap	766	420
Finance income of deferred consideration changes	343	7,670
Other interest received	86	-
	1,378	8,528

At 31 December 2018, the fair value of the interest rate swap was a liability of £0.1m (2017: £0.9m). The fair value gain has been recognised in investment income. Hedge accounting has not been applied (see note 32).

8. Finance costs

	2018	2017
	£'000	£'000
Interest on bank loans and overdrafts	(15,497)	(20,444)
Finance cost of deemed remuneration	(438)	(828)
Finance cost of deferred consideration	(24)	(412)
Finance cost of leased assets	(2,557)	-
	(18,516)	(21,684)

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

9. Tax

	2018 £'000	2017 £'000
Current tax:		
UK corporation tax at 19% (2017: 19.25%)	2,985	602
Foreign tax	1,092	1,470
Adjustments in respect of prior years	(1,033)	(1,124)
	3,044	948
Deferred tax:		
Current year origination and reversal of temporary differences	(1,542)	(2,536)
Adjustments in respect of prior years	270	644
	(1,272)	(1,892)
Tax charge for the year	1,772	(944)

UK corporation tax is calculated at 19.0% (2017: 19.2%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The charge for the year can be reconciled to the loss per the income statement as follows:

	2018		2017	
	£'000	%	£'000	%
Loss before tax from continuing operations	(14,273)		(126,973)	
Tax at the UK corporation tax rate of 19% (2017: 19.25%)	(2,712)	19.0%	(24,442)	19.2%
Disallowable items	305	(2.1)%	2,040	(1.6)%
Non-taxable income	(652)	4.6%	-	-
Remuneration expense on business combinations	656	(4.6)%	1,611	(1.3)%
Amortisation and impairment	1,528	(10.7)%	18,309	(14.4)%
Tax assets not recognised	3,721	(26.1)%	3,208	(2.5)%
Effect of overseas tax rates	(635)	4.4%	(501)	0.4%
Impact of rate changes	324	(2.3)%	(689)	0.5%
Adjustments in respect of prior years	(763)	5.3%	(480)	0.4%
Tax expense and effective tax rate for the year	1,772	(12.4)%	(944)	0.7%

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

10. Deferred tax

	Depreciation in excess of capital allowances	Losses	Short-term timing differences	Intangibles	Total
	£'000	£'000	£'000	£'000	£'000
At 31 December 2016	997	198	2,638	(11,115)	(7,282)
Acquisition of subsidiaries	-	-	98	-	98
Credit to the income statement	7	(198)	(581)	2,664	1,892
Exchange adjustments	19	-	(127)	(29)	(137)
At 31 December 2017	1,023	-	2,028	(8,480)	(5,429)
Acquisition of subsidiaries	-	-	-	(154)	(154)
Disposal of subsidiaries	(77)	-	(26)	1,426	1,323
Credit to the income statement	350	96	(269)	1,095	1,272
Exchange adjustments	(14)	-	137	124	247
At 31 December 2018	1,282	96	1,870	(5,989)	(2,741)

Deferred tax assets of £5.6m (2017: £0.1m) overseas have not been recognised in deferred taxation due to insufficient certainty that there will be appropriate profits available in the future to utilise them. Of the unrecognised losses, £0.1m will expire in 2027, the remaining amounts will not expire.

A deferred tax asset has been recognised in respect of certain fixed asset and short-term timing differences arising in the US. The US sub-group made a loss in 2018, and so recognition of any deferred tax asset is based on careful review and consideration of the forecast results of the US business. Management concluded that 2018 was an unusual result, and that the forecast supports recognition of this asset. Deferred tax assets in respect of losses and interest deductions have not been recognised as there is insufficient certainty regarding recoverability.

No deferred tax liability is recognised on temporary differences of £0.4m (2017: £0.1m) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences, and it is probable that they will not reverse in the foreseeable future. The temporary differences at 31 December 2018 represent only the unremitted earnings of those overseas subsidiaries where remittance to the UK of those earnings may result in a tax liability, principally as a result of dividend withholding taxes levied by the overseas jurisdictions in which these subsidiaries operate.

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 17% (effective 1 April 2020) were substantively enacted on 26 October 2015 and 6 September 2016 respectively. These will reduce the company's future current tax charge accordingly. The deferred tax balance relating to UK temporary differences at 31 December 2018 has been calculated based on these rates substantively enacted at the balance sheet date.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

11. Goodwill

	£'000
At 31 December 2016	408,311
Recognised on acquisition of subsidiaries	1,966
Impairment	(93,038)
Foreign exchange differences	(4,262)
At 31 December 2017	312,977
Recognised on acquisition of subsidiaries and minority interests	4,843
Disposal of discontinued operations (note 13)	(56,152)
Foreign exchange differences	1,723
At 31 December 2018	263,391

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ('CGUs') that are expected to benefit from that business combination. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. No impairment was identified from the impairment review for the year ended 31 December 2018.

In addition to the acquisitions detailed in note 12, an additional £0.1m goodwill has been recognised on the acquisition of Trisport by CSM South Africa, and £0.7m on the acquisition of minority interest in Teamspirit by CSG.

During the year Watermelon (previously CIE) was integrated within the VCCP business. The goodwill previously attributable to the Watermelon CGU had been incorporated in VCCP with 2017 figures being restated.

Further disclosures in accordance with IAS 36 are provided where the Group holds an individual goodwill item relating to a CGU that is significant, which the Group considers to be 10% or more of the Group's total carrying value of goodwill. The carrying value of goodwill at the reporting date for the significant CGUs is as follows:

	2018	2017
	£'000	£'000
CSM	100,416	98,948
VCCP	128,807	127,844
CSG	34,168	30,037

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates and growth rates during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and has taken into consideration the risks specific to each CGU. The Group prepared cash flow forecasts based on the 2019 budget approved by the Directors and applied a number of assumptions to arrive at a five-year forecast. The budgets were prepared by local management taking into account revenues from existing clients and the resources required to service these clients. They also used their industry knowledge with regards to the marketplace and pricing when formulating the budget.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

11. Goodwill (continued)

After the initial three-year forecast period, a long-term growth rate of 2% has been applied to the cash flow forecasts into perpetuity. This rate does not exceed the long-term growth rate for the relevant markets, and is applicable to all the CGUs.

The pre-tax rate used to discount the forecast cash flows from all CGUs is 13.4% (2017: 12.2%).

The Group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value. If forecasted cashflows decreased by 10%, the CSM CGU would be impaired by £6.0m. There would be no impairments to the other CGUs.

12. Acquisition of subsidiaries

Method

On 17 December 2018, the Group acquired 100% of Method Communications LLC ('Method') for initial consideration of £5.3m. No additional consideration is expected to be paid in 2019. Method was acquired by the Group's CSG division.

The fair values of the consideration and net assets acquired are as detailed below:

	Book value	Adjustments	Fair value
	£'000	£'000	£'000
Intangible assets	1,088	(1,088)	-
Property, plant and equipment	121	(17)	104
Debtors and other current assets	1,018	-	1,018
Cash at bank	627	-	627
Creditors and other liabilities	(1,559)	-	(1,559)
Net assets	1,295	(1,105)	190
Goodwill			3,395
Intangible Assets			1,680
Fair value of consideration			5,265
Cash consideration			5,265
Cash acquired			(627)
Cash outflow arising on acquisition			4,638

Acquisition related costs amounting to £0.3m have been expensed during the period and are included in operating expenses.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

12. Acquisition of subsidiaries (continued)

The adjustments to property, plant and equipment and intangible assets are to align Method's depreciation policy with that of the Group. On acquisition, an intangible assets was recognised in relation to the fair value customer contracts that were acquired. Goodwill represents the specialist skills held by Method which is expected to be deductible for income tax purposes.

Method contributed revenue of £0.3m and an operating profit of nil to the results of the Group since acquisition.

One Step Beyond

On 15 May 2018, the Group acquired 100% of One Step Beyond Promotions Limited ('One Step Beyond') for initial consideration of £0.9m. No additional consideration is expected to be paid in 2019. One Step Beyond was acquired by the Group's CSM division.

The fair values of the consideration and net assets acquired are as detailed below:

	Book value	Adjustments	Fair value
	£'000	£'000	£'000
Property plant and equipment	35	-	35
Debtors and other current assets	128	-	128
Cash at bank	819	-	819
Creditors and other liabilities	(710)	(37)	(747)
Net assets	<u>272</u>	<u>(37)</u>	<u>235</u>
Goodwill			641
Fair value of consideration			<u>876</u>
Cash consideration			876
Cash acquired			(819)
Cash outflow arising on acquisition			<u>57</u>

Acquisition related costs amounting to £0.1m have been expensed during the period and are included in operating expenses.

No adjustments were made to recognise any intangible assets on the basis that a value could not be attributed to existing contracts or customer relationships. No adjustments were required to property, plant and equipment to align One Step Beyond's depreciation policy with that of the Group. Goodwill represents the specialist skills held by One Step Beyond which is not expected to be deductible for income tax purposes.

One Step Beyond contributed revenue of £1.1m and an operating loss of £0.1m to the results of the Group since acquisition.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

13. Discontinued operations

OPEN Health

On 3 December 2018, the Group sold its OPEN Health division. The division was sold for £78.6m cash consideration and a pre-tax gain of £9.9m was recorded. The attributable tax was nil, leaving a gain after tax and results from operating activities tax of £12.4m.

OPEN Health was not previously classified as held-for-sale or as a discontinued operation. The comparative statement of profit or loss and statement of comprehensive income have been represented to show the discontinued operations separately from continuing operations.

Subsequent to the disposal, the Group has not transacted with OPEN Health.

Result of the discontinued operations

	2018	2017
	£'000	£'000
Revenue	46,638	45,921
Expenses	(43,146)	(39,516)
Profit before tax	3,492	6,405
Tax on profit	(902)	(1,217)
Results from operating activities net of tax	2,590	5,188
Gain on sale of discontinued operations	9,837	-
Income tax on gain on sale of discontinued operations	-	-
Profit from discontinued operations, net of tax	12,427	5,188

Cash flows from/(used in) discontinued operations

	2018	2017
	£'000	£'000
Net cash used in operating activities	1,724	(1,291)
Net cash used in investing activities	77,669	-
Net cash from/(used in) discontinued operations	79,393	(1,291)

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

13. Discontinued operations (continued)

Effect of the disposals on individual assets and liabilities

	2018
	£'000
Property, plant and equipment	900
Intangibles	206
Trade and other receivables	18,747
Cash and cash equivalents	965
Deferred income	(4,387)
Trade and other payables	(10,185)
Tax liabilities	(1,987)
Net identifiable assets	4,259
Goodwill related to OPEN Health	56,152
Intangibles related to OPEN Health	8,386
Net assets disposed	68,797
Consideration received, satisfied in cash	78,634
Cash disposed of	(965)
Net cash inflow	77,669

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

13. Discontinued operations (continued)

CSM New Zealand

In 2018, the Group sold its share in CSM New Zealand. In November, the agency was sold for £4.2m cash consideration and a pre-tax gain of £4.4m was recorded. The attributable tax was nil, leaving a gain after tax and results from operating activities tax of £3.8m.

CSM New Zealand was not previously classified as held-for-sale or as a discontinued operation. The comparative statement of profit or loss and statement of comprehensive income have been represented to show the discontinued operations separately from continuing operations.

Result of the discontinued operations

	2018	2017
	£'000	£'000
Revenue	2,009	2,413
Expenses	(2,600)	(1,976)
(Loss)/profit before tax	(591)	437
Tax on profit	-	-
Results from operating activities net of tax	(591)	437
Gain on sale of discontinued operations	4,404	-
Income tax on gain on sale of discontinued operations	-	-
Profit from discontinued operations, net of tax	3,813	437

Cash flows from discontinued operations

	2018	2017
	£'000	£'000
Net cash used in operating activities	148	427
Net cash used in investing activities	3,962	-
Net cash from discontinued operations	4,110	427

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued)
Year ended 31 December 2018

13. Discontinued operations (continued)

Effect of the disposals on individual assets and liabilities

	2018
	£'000
Property, plant and equipment	23
Trade and other receivables	2,222
Cash and cash equivalents	202
Deferred income	(1,037)
Trade and other payables	(1,650)
Net identifiable liabilities	(240)
Consideration received, satisfied in cash	4,164
Cash disposed of	(202)
Net cash inflow	3,962

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued)
Year ended 31 December 2018

14. Other intangible assets

	Trade names £'000	Customer relationships £'000	Contracts £'000	Computer software £'000	Total £'000
Cost					
At January 2017	22,521	92,009	3,849	3,568	121,947
Additions	-	-	-	386	386
Disposal	-	-	-	(75)	(75)
Exchange differences	(301)	(2,676)	144	(9)	(2,842)
At 31 December 2017	22,220	89,333	3,993	3,870	119,416
Discontinued operations	-	(12,136)	-	-	(12,136)
Additions	-	1,680	-	3,574	5,254
Disposals	-	-	-	(202)	(202)
Exchange differences	181	1,379	-	202	1,762
At 31 December 2018	22,401	80,256	3,993	7,444	114,094
Accumulated amortisation					
At 1 January 2017	1,818	17,509	642	1,663	21,632
Charge for the year	1,427	14,975	920	315	17,637
Charge discontinued operations	68	1,146	-	-	1,214
Disposal	-	-	-	(59)	(59)
Exchange differences	(35)	(731)	36	(7)	(737)
At 31 December 2017	3,278	32,899	1,598	1,912	39,687
Discontinued operations	-	(2,637)	-	-	(2,637)
Charge for the year	2,131	14,776	2,395	501	19,803
Disposals	-	-	-	-	-
Exchange differences	38	847	-	42	927
At 31 December 2018	5,447	45,885	3,993	2,455	57,780
Net book amount					
31 December 2018	16,954	34,371	-	4,989	56,314
31 December 2017	18,942	56,434	2,395	1,958	79,729

15. Property, plant and equipment

Property, plant and equipment comprises owned and leased assets.

	£'000
Property plant and equipment – owned	10,312
Right-of-use assets - leased	41,516
At 31 December 2018	51,828

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued)
Year ended 31 December 2018

15. Property, plant and equipment (continued)

Owned Assets

	Short-term leasehold improvements	Motor vehicles	Fixtures, fittings and computers	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2017	5,749	2,660	9,848	18,257
Additions	1,002	449	3,493	4,944
Disposals	(1,918)	(353)	(5,394)	(7,665)
Exchange differences	(181)	(481)	(516)	(1,178)
At 31 December 2017	4,652	2,275	7,431	14,358
Discontinued operations	-	-	(1,191)	(1,191)
Acquisition of subsidiaries	-	-	139	139
Additions	1,033	727	2,412	4,172
Disposals	(248)	(489)	(556)	(1,293)
Exchange differences	73	296	384	753
At 31 December 2018	5,510	2,809	8,619	16,938
Accumulated depreciation				
At 1 January 2017	1,165	379	3,032	4,576
Charge for the year	1,659	520	3,535	5,714
Charge discontinued operations	-	-	399	399
Disposals	(1,775)	(232)	(4,985)	(6,992)
Exchange differences	(105)	(360)	(399)	(864)
At 31 December 2017	944	307	1,582	2,833
Discontinued operations	-	-	(288)	(288)
Charge for the year	1,278	532	3,119	4,929
Disposals	(155)	(470)	(420)	(1,045)
Exchange differences	74	27	96	197
At 31 December 2018	2,141	396	4,089	6,626
Net book amount				
31 December 2018	3,369	2,413	4,530	10,312
31 December 2017	3,708	1,968	5,849	11,525

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

15. Property, plant and equipment (continued)

Right-of-use assets

Property leases

The Group leases land and buildings for its office and warehouse space. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leases are typically made for a fixed period of 5 years and may include extension options which provide operational flexibility.

Other leases

The Group also leases vehicles, machinery, furniture and other office equipment. The average contract duration is 3 years.

	Property £'000	Motor vehicles £'000	Fixtures, fittings and computers £'000	Total £'000
Balance At 1 January 2018	46,748	240	354	47,342
Additions	1,801	17	9	1,827
Depreciation charge for the year	(8,448)	(96)	(183)	(8,727)
Exchange Differences	1,064	2	8	1,074
Balance at 31 December 2018	<u>41,165</u>	<u>163</u>	<u>188</u>	<u>41,516</u>

Other Lease disclosures

A maturity analysis of lease liabilities is shown in note 23.

The Group incurred interest expense of lease liabilities of £2.6m. The expense relating to short-term leases and variable lease payments not included in the measurement of lease liabilities is not significant. The total cash outflow for leases amounted to £10.5m.

There are no significant lease commitments for leases not commenced at year-end.

16. Subsidiaries and associates

In accordance with section 409 of the Companies Act 2006, a full list of subsidiaries and associates and the effective percentage of equity owned included in these consolidated financial statements at 31 December 2018 are disclosed in appendix 1.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

17. Investments in associates

	£'000
At 1 January 2017	8,077
Disposal	(6,299)
Profit for the year	287
Dividends received	(268)
At 31 December 2017	1,797
Profit for the year	282
Dividends received	(157)
At 31 December 2018	1,922

A list of the investments in associates, including the name, country of incorporation and proportion of ownership interest is given in appendix 1. During 2017, the Group disposed of its 25% shareholding in Bell Pottinger Private Limited. None of the associates is considered to be individually material.

18. Other investments

	Available for sale £'000	Historic cost £'000	Total £'000
At 31 December 2016	538	2,188	2,726
Exchange differences	-	(178)	(178)
Revaluation	(278)	-	(278)
At 31 December 2017	260	2,010	2,270
Impairment	-	(1,956)	(1,956)
Exchange differences		107	107
Revaluation	(227)	-	(227)
At 31 December 2018	33	161	194

The available for sale investments comprise 1,684,750 TLA Worldwide shares. The quoted market price fell during the year from £0.155 at 31 December 2017 to £0.02 at 31 December 2018, resulting in a £0.2m (2017: £0.3m) loss recognised in the statement of comprehensive income.

The impairment relates to the 10% holding in Rugby International Marketing, LLC.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

19. Trade and other receivables

	2018	2017
	£'000	£'000
Amounts receivable from provision of services	90,343	97,667
Other receivables	8,722	7,577
Prepayments	12,769	20,677
Accrued income	17,803	18,652
	<u>129,637</u>	<u>144,573</u>

The Group's trade receivables are stated after allowances of £2.0m (2017: £1.3m) for bad and doubtful debt. In 2018 there has been a change in accounting policy. The provision has been determined applying IFRS 9, the impact of which was £0.5m (note 35).

20. Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in bank. Cash and cash equivalents at year-end as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	2018	2017
	£'000	£'000
Consolidated statement of financial position	74,324	24,527
Consolidated statement of cash flows	74,324	24,527

At 31 December 2018, the Group held £1.8m (2017: £1.0m) of cash on behalf of the Estera Trust for payments made by participants into the Management Incentive Plan. This is deemed to be restricted cash.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

21. Trade and other payables

	2018	2017
	£'000	£'000
Trade creditors	27,022	28,970
Other creditors	4,368	5,718
Work in progress	37,753	36,289
Accruals	24,363	31,620
Deferred income	21,846	30,878
Other taxation and social security	7,341	9,026
Loan notes	100	227
Forward exchange contracts used for hedging	117	-
	122,910	142,728

The Directors consider that the carrying amount of trade payables approximates to their fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

Loan notes

Loan notes totalling £0.1m (2017: £0.2m) are outstanding representing payment of deemed remuneration due on the purchase of WARL Group Limited. The loan notes are unsecured, and repayable on demand. The loan notes carry interest at a rate per annum equivalent to the Bank of England's base rate, and are redeemable at the option of the noteholders on 60 days' written notice expiring on quarterly periods.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

22. Bank loans

	2018	2017
	£'000	£'000
Bank loans and overdrafts	255,000	265,000
The borrowings are repayable as follows:		
After five years	255,000	265,000
Total	255,000	265,000

Cash deposits and bank loans are held at either variable rates of interest or at rates fixed for periods of no longer than six months. The facilities are provided by a syndicate of banks including but not limited to AIG, Barclays, BNP, CVC, Hayfin, HSBC, ING, Mizuho, Natixis, RBS and NatWest.

The principal features of the Group's borrowings are as follows:

- A committed facility (Facility B) of £255.0m (2017: £255.0m). The term of the facility is until 11 August 2024.
- A committed facility (Capex Facility) of £9.5m (2017: £9.5m). The term of the facility is until 11 August 2023.
- A committed facility (RCF Facility) of £25.0m (2017: £25.0m). The term of the facility is until 11 August 2023. £3.0m has been carved out for ancillary facilities which include a rolling overdraft facility of £2.5m and a Bonds Guarantees facility of £0.5m.
- The committed facilities incurred interest at a margin of 4.25% above LIBOR (Capex Facility and RCF Facility) and 4.75% above LIBOR (Facility B). There is a ratchet clause applicable to margins as follows:

Leverage ratio	A, RCF, Capex margin	B margin
> 4.00:1	4.25%	4.75%
between 4.00:1 and 3.50:1	4.00%	4.50%
between 3.50:1 and 3.25:1	3.75%	4.25%
between 3.25:1 and 2.75:1	3.50%	4.25%
< 2.75:1	3.25%	4.25%

- A cross-guarantee exists between the majority of wholly-owned subsidiaries and the parent Company. The bank syndicate holds debentures over the assets of the Company and the subsidiaries in respect of the bank loans.

At 31 December 2018, the Group had drawn down £255.0m (2017: £265.0m) of the available borrowing facility £289.5m (2017: £289.5m) leaving £34.5m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The Group had utilised nil (2017: £0.5m) of the overdraft facility at year-end. The weighted average interest rate applied in the year is 5.59% (2017: 5.05%). The fair values of bank overdrafts and loans are determined by considering the maturity dates.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

23. Other borrowings

	2018	2017
	£'000	£'000
The borrowings are repayable as follows:		
Within one year	8,935	533
Within two to five years	25,680	-
After five years	7,847	-
Total	42,462	533

24. Obligations under finance leases

Under IAS 17, the future minimum rentals payable under non-cancellable finance leases at 31 December 2017, are as follows:

	2018		2017	
	Minimum lease payments	Present value of lease payments	Minimum lease payments	Present value of lease payments
	£'000	£'000	£'000	£'000
<i>Amounts payable under finance leases</i>				
Within one year	-	-	122	80
Between one and five years	-	-	142	77
Present value of finance lease obligations	-	-	264	157

The Group leases certain of its motor vehicles, and fixtures, fittings and equipment under finance leases.

The lease terms are up to three years. The finance leases bear interest at rates between 5% and 15%. The fair value of the Group's lease obligations approximates to their carrying amount (see note 15). The Group's obligations under finance leases are secured by the lessors' charges over the leased assets.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

25. Provisions

	Deferred consideration	Deemed remuneration	Vacant property	Other provisions	Total
	£'000	£'000	£'000	£'000	£'000
At 31 December 2016	18,729	8,812	-	-	27,541
Acquisition of subsidiaries	355	-	-	-	355
Increase/(decrease) in provision	(7,676)	10,961	2,600	732	6,617
Discounting charge	417	837	-	-	1,254
Payments	(1,926)	(9,203)	-	-	(11,129)
Foreign exchange movements	(967)	(793)	-	-	(1,760)
At 31 December 2017	8,932	10,614	2,600	732	22,878
Acquisition of subsidiaries	-	1,928	-	-	1,928
Disposal of subsidiaries	(118)	-	-	-	(118)
Increase/(decrease) in provision	(226)	4,859	(72)	69	4,630
Discounting charge	24	438	-	-	462
Payments	(7,005)	(7,863)	(1,381)	(504)	(16,753)
Foreign exchange movements	116	365	-	-	481
At 31 December 2018	1,723	10,341	1,147	297	13,508
Included in current liabilities	60	9,222	1,147	297	10,726
Included in non-current liabilities	1,663	1,119	-	-	2,782
	1,723	10,341	1,147	297	13,508

Deferred consideration

Deferred consideration relates to acquisitions made in the current and previous periods. The amounts payable are dependent on the future financial performances of the companies acquired, as set out in the relevant sale and purchase agreements. The timings of payments of deferred consideration are also set out in the relevant sale and purchase agreements. Further details of the deferred consideration are shown in note 28.

Deemed remuneration

Deemed remuneration relates to acquisitions made in the current and previous periods. The amounts payable are dependent on the future financial performances of the companies acquired along with specified performance obligations of certain employees, as set out in the relevant sale and purchase agreements. The timings of payments of deemed remuneration are also set out in the relevant sale and purchase agreements. Further details of the deemed remuneration are shown in note 28.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

25. Provisions (continued)

Vacant property

Provisions for property represent amounts set aside in respect of property leases which are onerous and the unavoidable costs of restoring leasehold properties to the condition specified in the lease at the end of the contractual term. The quantification of each of the provisions has been determined based on management's best estimate and is dependent on the Group's ability to exit the leases early or to sublet the properties. In general, property costs are expected to be incurred over periods for which individual properties remain vacant or, where occupied, to the termination of the leases in question.

26. Share capital

	Number of shares	£'000
Issued, allotted and fully paid at 31 December 2017 and 2018	81,152,858	81,153

The Company has one class of ordinary shares which carry no right to fixed income.

27. Share premium and other reserves

Share premium

Share premium arises from capital raised in an issue of shares, net of costs, to the extent that exceeds the nominal value of the shares.

Hedge reserve

The hedge reserve relates to the fair value of forward contracts taken out to hedge against fluctuations in the exchange rate on specific sales contracts.

Foreign translation reserve

The foreign currency translation reserve relates to exchange differences arising on consolidation of overseas operations.

28. Contingent liabilities and commitments

Deferred and contingent consideration

In addition to the £1.7m (2017: £8.9m) deferred consideration provision (note 25), there was a maximum undiscounted financial commitment of £0.2m (2017: £9.6m) in respect of unprovided deferred consideration payable in respect of acquisitions of subsidiary undertakings. The calculation of the deferred consideration liability requires estimates to be made regarding the future financial performance of these businesses for the earn-out period. The unprovided deferred consideration would become payable over periods from 2019 to 2021 and would be payable in cash/loan notes.

Deemed remuneration

In addition to the £10.3m (2017: £10.6m) deemed remuneration provision (note 25), £13.4m (2017: £17.3m) will be expensed over the period of service based on the current fair value. The calculation of the deemed remuneration liability requires estimates to be made regarding the future financial performance of these businesses for the period of service. The unprovided deemed remuneration would become payable over periods from 2018 to 2022 and would be payable in cash/loan notes.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

29. Notes to the cash flow statement

	2018	2017
	£'000	£'000
Operating profit/(loss)	4,539	(100,963)
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	13,656	6,113
Amortisation of intangible fixed assets	20,916	18,851
Impairment of goodwill	-	93,038
Loss/(profit) on disposal of property, plant and equipment	249	(74)
Lease Payments	(10,567)	
Deemed remuneration	6,787	10,961
Translation differences	-	(1,916)
Increase/(decrease) in provisions	(1,770)	3,332
Operating cash flows before movements in working capital	33,810	29,342
(Increase)/decrease in work in progress	(2,397)	(5,787)
Decrease/(increase) in receivables	13,478	(18,183)
(Decrease)/increase in payables	(19,935)	24,720
Cash generated from operations	24,956	30,092
Income taxes paid	(3,312)	(1,777)
Interest paid	(15,959)	(24,034)
Net cash from operating activities	5,685	4,281

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

30. Operating lease arrangements

The Group as lessee

The Group has entered into commercial property leases, and leases on certain items of office furniture and equipment. Under IAS 17, the future minimum rentals payable under non-cancellable operating leases at 31 December 2017, are as follows:

	2018	2017
	£'000	£'000
Within one year	-	14,974
Between one and five years	-	32,615
Greater than five years	-	10,181
	<u>-</u>	<u>57,770</u>

Leases are negotiated for an average term of five years and rentals are fixed for an average of five years at the prevailing market rate, unless a rent review prevails that rate.

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2018	2017
	£'000	£'000
Within one year	713	-
Between one and two years	767	37
	<u>1,480</u>	<u>37</u>

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

31. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note (details of subsidiaries are included in appendix 1). Transactions between the Group and its associates are disclosed below.

Trading transactions

During the year, Group companies entered into the following transactions with related parties who are not members of the Group.

	2018			
	Sale of services	Purchase of services	Amounts owed by related parties	Amounts owed to related parties
	£'000	£'000	£'000	£'000
Associates				
The Agency of Someone Limited	-	763	12	169
StratAgile Limited	74	1,101	-	1,142
Naked Eye Limited	15	17	-	-
Enigma Code Limited	1	-	1	-
Shareholders				
WPP plc	128	79	31	14
	2017			
	Sale of services	Purchase of services	Amounts owed by related parties	Amounts owed to related parties
	£'000	£'000	£'000	£'000
Associates				
The Agency of Someone Limited	196	520	16	10
StratAgile Limited	-	646	-	89
Naked Eye Limited	22	30	-	-
Bell Pottinger Private Limited (disposed on 22 August 2017)	266	-	-	-
Enigma Code Limited	6	21	-	25
Shareholders				
WPP plc	175	-	33	-

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

31. Related party transactions (continued)

Sales of goods to related parties were made on an arm's length basis and in the normal course of business. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Remuneration of key management personnel

The key management personnel of the Group comprise the Board members and the Executive Directors. The remuneration of the Executive Directors and Board members is set out in note 6, for each of the categories specified in IAS24 Related Party Disclosures.

32. Financial instruments

The Group's principal financial instruments comprise bank loans, bank overdrafts and cash. The main purpose of the financial instruments is to provide finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, obligations under finance leases, and other borrowings which arise directly from operations. During the year the Group has financed its business through a revolving credit facility and long-term loan facilities arranged with a syndicate of banks.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk, externally imposed capital requirement risk, market price risk, credit risk and capital management risk. The policy for managing these risks is reviewed and agreed with the Board.

Interest rate risk

The Group holds variable rate financial debt. The interest rates paid by the Group on financial debt are disclosed in note 22. The Group assesses its borrowing requirements by monitoring short and medium-term cash flow forecasts and interest rate risks are assessed through sensitivity analysis.

The Group uses interest rate swaps to mitigate the risk of changing interest rates increasing the cost of servicing its debt. By fixing interest rates, the Group is willing to forgo the potential economic benefit that could result from a low interest rate environment in order to protect its downside risks and ensure the predictability of its interest cash flows. The fair value of interest rate swaps at year-end is determined by reference to a market valuation.

An interest rate swap was taken out and became effective on 2 November 2017 to hedge £17.5m of the Group's total debt at a fixed interest rate of 0.985%. This was in addition to the interest rate swap taken out and effective from 22 January 2016 to hedge £110.0m of the Group's total debt at a fixed interest rate of 1.1%. The two swaps hedge a total of £127.5m of the Group's total debt of £255.0m (2017: £265.5m), by fixing the variable rate of interest payable at a blended rate of 1.08%.

In October 2018, the £110m interest rate swap (fixed interest rate of 1.1%) matured. At this date, the principal of the remaining hedge (at fixed interest rate 0.985%) stepped up to a total of £127.5m. The interest rate swap covering £127.5m of debt matures in August 2019. Hedge accounting has not been adopted, and the fair value movement has been accounted for in investment income (note 7). At 31 December 2018, the fair value of the interest rate swap was a liability of £0.1m (2017: £0.9m).

Liquidity risk

The Group has a committed facility of £289.5m (2017: £289.5m) with a syndicate of banks. £34.5m matures in August 2023 and £255.0m matures in August 2024. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows. At 31 December 2018, the Group had borrowings net of cash of £180.9m (2017: £241.4m) and the undrawn committed facility was therefore £34.5m (2017: £24.0m).

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

32. Financial Instruments (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Maturity profile	Within 1	1-2 years	2-5 years	5+ years	Total	Carrying
	year					amount
	£'000	£'000	£'000	£'000	£'000	£'000
2018						
Bank loans	-	-	-	(255,000)	(255,000)	(255,000)
Other borrowings	(11,217)	(8,226)	(21,902)	(8,415)	(49,760)	(42,462)
Trade and other payables	(122,910)	-	-	-	(122,910)	(122,910)
Deferred consideration	(60)	(1,103)	(560)	-	(1,723)	(1,723)
Deemed remuneration	(9,222)	(1,014)	(105)	-	(10,341)	(10,341)
2017						
Bank loans	-	-	-	(265,000)	(265,000)	(265,000)
Finance leases	(80)	(77)	-	-	(157)	(157)
Other borrowings	(533)	-	-	-	(533)	(533)
Trade and other payables	(142,728)	-	-	-	(142,728)	(142,728)
Deferred consideration	(6,670)	(592)	(1,183)	-	(8,445)	(8,932)
Deemed remuneration	(5,961)	(5,238)	(5,528)	-	(16,727)	(10,614)

Externally imposed capital requirement risk

The Group has committed to adhering to the capital requirement set out by the syndicate of banks providing the loan facility, commencing 4 August 2017. The capital requirement is a maximum leverage. The Group was not in breach of the requirements at any time since they came into force. The capital requirement at 31 December 2018 was as follows:

Leverage: Group Net Debt/Group EBITDA Maximum Ratio 6.5

Foreign currency risk

The Group has overseas operations (branches and subsidiaries) which trade in Europe, the USA, the Far East, the Middle East, South America, Australasia and Africa. The sterling value of the net monetary assets held in the principal foreign currencies held by the Group are as follows:

	2018	2017
	£'000	£'000
Net monetary assets/(liabilities)		
Euros	5,943	(11,582)
US dollars	7,067	17,916

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

32. Financial instruments (continued)

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales and purchases are denominated and the respective functional currencies of subsidiaries. Where appropriate the foreign currency income and expense are netted off to mitigate foreign exchange exposure.

In 2018 the Group entered into forward exchange contracts to cover a substantial contracted foreign currency exposure within the business to 2021. Such contracts are designated as cash flow hedges, and hedge accounting has been applied in line with IFRS 9.

Capital management risk

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

Market price risk

The Group's exposure to market price risk comprises interest rate risk and currency rate risk. The Group regularly monitors these exposures which, setting aside the interrelationships between such rates and their wider impact on the economy, are not considered to have a significant impact on the Group.

Credit risk:

The Group considers its maximum exposure to credit risk to be as follows:

	2018	2017
	£'000	£'000
Trade receivables	90,343	97,667

The Group trades only with recognised, creditworthy third parties. Customers who wish to trade on credit terms are generally subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts has not been significant.

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

32. Financial instruments (continued)

Fair values of financial assets and financial liabilities

Fair value is the amount at which a financial instrument can be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale.

The following table provides a comparison of the book values and the fair value of the Group's financial liabilities and assets as at 31 December 2018:

	2018		2017	
	Book value	Fair value	Book value	Fair value
	£'000	£'000	£'000	£'000
Financial liabilities				
Bank loans	(255,000)	(255,000)	(265,000)	(265,000)
Obligations under finance leases	-	-	(157)	(157)
Other borrowings	(42,462)	(42,462)	(533)	(533)
Trade and other payables	(122,910)	(122,910)	(142,728)	(142,728)
Deferred consideration	(1,723)	(1,723)	(8,932)	(8,932)
Deemed remuneration	(10,341)	(10,341)	(10,614)	(10,614)
	(432,436)	(432,436)	(427,964)	(427,964)
Financial assets				
Available for sale investments	33	33	260	260
Cash and bank balances	74,324	74,324	24,527	24,527
Trade and other receivables	129,637	129,637	144,573	144,573
	203,994	203,994	169,360	169,360

There were no transfers between fair value levels during 2018.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

32. Financial instruments (continued)

	Fair value 2018 £'000	Fair value 2017 £'000	Fair value hierarchy
Contingent consideration in a business combination (note 28)	(155)	(9,589)	Level 3
Foreign exchange forward contract	(117)	-	Level 2
Interest rate swap	(97)	(863)	Level 2
Available for sale investments	33	260	Level 1

Valuation techniques used to derive Level 1 fair values

Level 1 assets comprise available for sale investments. The fair value measurement of the assets is derived from quoted prices in active markets for identical assets.

Valuation techniques used to derive Level 2 fair values

Level 2 derivatives comprise of interest rate swaps and forward exchange contracts. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. Foreign exchange forward contracts are fair valued using foreign exchange forward rates.

Valuation techniques used to derive Level 3 fair values

Contingent consideration liabilities are valued using a discounted cash flow methodology. The liability is based on the acquired business's forecast future financial performance for the earn-out period as set out in the sale and purchase agreements. The significant unobservable inputs to this valuation include forecast financial performance and discount rate applied. The fair value of the liability is the maximum financial commitment as set out in the relevant sale and purchase agreements, therefore sensitivity analysis is not applicable.

33. Ultimate parent Company and parent Company of larger Group

The Group is a subsidiary undertaking of PM VII S.a.r.l., which is the ultimate parent Company incorporated in Luxembourg. The ultimate controlling party is PM VII S.a.r.l.

Copies of its financial statements are available from the Luxembourg registry.

34. Post balance sheet events

There were no post balance sheet events since 31 December 2018.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

35. Changes in significant accounting policies

Except for the changes below, the Group has consistently applied accounting policies to all periods presented in these consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

Impact on the Group – Impairment of financial assets

As a result of the adoption of IFRS 9, the Group has amended the bad debt provision to bring it in line with the requirements of the new standard. An increase of £0.5m in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. Under IFRS 9, credit losses are recognised earlier than under IAS 39. For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional allowance for impairment of trade receivables as follows.

	£'000
Loss allowance at 31 December 2017 under IAS 39	1,348
Additional impairment recognised at 1 January 2018 on:	
Trade and other receivables as at 31 December 2017	500
Loss allowance at 1 January 2018 under IFRS 9	1,848

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (ie 1 January 2018). Accordingly, the information presented for 2017 has not been restated – ie it is presented, as previously reported, under IAS 18 and related interpretations.

Impact on the Group – Revenue recognition

As a result of the adoption of IFRS 15, the Group has amended the timing of revenue recognition to bring it in line with the requirements of the new standard. An increase of £1.6m in retained earnings was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 15. The effect of initially applying these standards is mainly attributed to the earlier recognition of revenue from commissions contracts.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2018

35. Changes in significant accounting policies (continued)

IFRS 15 Revenue from contracts with customers (continued)

The following table summarises the impact, net of tax, of transition to IFRS 15 on retained earnings and NCI at 1 January 2018.

	Impact of adopting IFRS 15 at 1 January 2018 £'000
Retained earnings	
Sport and Entertainment – commissions	2,065
Communications – production	(486)
Impact at 1 January 2018	1,579

The following tables summarise the impacts of adopting IFRS 15 on the Group's statement of financial position as at 31 December 2018 and its statement of profit or loss and OCI for the year then ended for each of the line items affected. There was no material impact on the Group's statement of cash flows for the year ended 31 December 2018.

Impact on the consolidated statement of financial position

	As reported	Adjustments	Amounts without adoption of IFRS 15
31 December 2018	£'000	£'000	£'000
Assets			
Total assets	592,372		592,372
Liabilities			
Deferred income	(21,846)	(2,235)	(24,081)
Current tax liability	(3,596)	125	(3,471)
Others	(414,775)	-	(414,775)
Total net assets	152,155	(2,110)	150,045

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued)
Year ended 31 December 2018

35. Changes in significant accounting policies (continued)

IFRS 15 Revenue from contracts with customers (continued)

31 December 2018	As reported	Adjustments	Amounts without adoption of IFRS 15
	£'000	£'000	£'000
Equity			
Retained earnings	(158,453)	(2,110)	(160,563)
Non controlling interest	8,553	-	8,553
Others	302,055	-	302,055
Total equity	152,155	(2,110)	150,045

Impact on the consolidated statement of profit and loss

31 December 2018	As reported	Adjustments	Amounts without adoption of IFRS 15
	£'000	£'000	£'000
Revenue	513,224	(656)	512,568
Cost of sales	(262,831)	-	(262,831)
Income tax expense	(1,772)	125	(1,647)
Others	(248,426)	-	(248,426)
Profit for the period	195	(531)	(336)

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued)
Year ended 31 December 2018

35. Changes in significant accounting policies (continued)

IFRS 16 Leases

Lease liabilities

	2018
	£'000
Maturity analysis – contractual undiscounted cash flows	
Less than one year	11,217
One to five years	30,128
More than five years	8,415
Total undiscounted lease liabilities at 31 December	49,760

Lease liability included in the consolidated balance sheet

	2018
	£'000
Current	8,879
Non current	33,527

Amounts recognised in the consolidated income statement

	2018
	£'000
Interest on lease liabilities	2,583
Expense related to short-term leases and low value assets	31

Amounts recognised in the consolidated cash flow statement

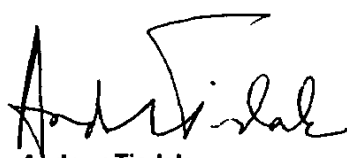
	2018
	£'000
Total cash outflow for leases	10,567

Chime Group Holdings Limited

Company Balance Sheet At 31 December 2018

	Notes	2018 £'000	2017 £'000
Non-current assets			
Investment in subsidiaries	2	295,840	295,840
		<u>295,840</u>	<u>295,840</u>
Current assets			
Intercompany receivables	3	368	368
		<u>368</u>	<u>368</u>
Total assets		<u>296,208</u>	<u>296,208</u>
Equity			
Share capital		81,153	81,153
Share premium account		215,055	215,055
Total equity		<u>296,208</u>	<u>296,208</u>

The financial statements were approved by the Board of Directors and authorised for issue on 13 September 2019 and were signed on its behalf by:



Andrew Tisdale

Director



Matthew Vandrau

Director

Registered Company number: 09702342

The accompanying notes are an integral part of the financial statements.

Chime Group Holdings Limited

Company Statement of Changes in Equity
Year ended 31 December 2018

	Share capital	Share premium	Total
	£'000	£'000	£'000
At 31 December 2017 and 2018	81,153	215,055	296,208
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of the financial statements.

Chime Group Holdings Limited

Notes to the Company Financial Statements Year ended 31 December 2018

1. Accounting policies

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ('FRS 101').

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of key management personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

Accounting convention

The financial statements are prepared under the historical cost convention.

Investments

In the Company's accounts, investments in subsidiary undertakings are stated at cost less provision for any impairment in value.

Going concern

The financial statements have been prepared on the going concern basis, details of which can be found on page 15.

2. Investments in subsidiaries

	£'000
At 31 December 2017 and 2018	295,840
	<hr/>

See appendix 1 for details of subsidiary undertakings.

Chime Group Holdings Limited

Notes to the Company Financial Statements Year ended 31 December 2018

3. Debtors

	2018	2017
	£'000	£'000
Amounts owed by Group undertakings	368	368
	<u>368</u>	<u>368</u>

Amounts owed by Group undertakings are unsecured, repayable on demand and interest-free.

4. Statements of share capital, share premium and reserves

	Number of shares	£'000
Issued, allotted and fully paid at 31 December 2017 and 2018	81,152,858	81,153
	<u>81,152,858</u>	<u>81,153</u>

5. Subsidiaries, associates and joint ventures

The Company's trading subsidiaries and associated undertakings are listed in appendix 1 of the consolidated financial statements.

Appendix 1 Subsidiaries and Associates

The Group's subsidiaries and associated undertakings in 2018 are listed below:

Subsidiaries	Audit exemption	Nature of business	% Shareholding and voting rights	Country of registration of incorporation
14 Curzon Street 1 Limited	*†	Holding company	100%	United Kingdom
14 Curzon Street 2 Limited	*†	Holding company	100%	United Kingdom
Accretio Limited	*†	Healthcare communications	60%	United Kingdom
AdConnections Holdings Limited	*	Holding company	100%	United Kingdom
AdConnections Limited	*	Media buying	100%	United Kingdom
C2S Acquisitions LLC		Sports marketing consultancy	100%	USA
Chime 360 Limited	*	Advertising and marketing	100%	United Kingdom
Chime Atlantic Limited	*	Treasury	100%	United Kingdom
Chime Australia Pty Limited		Digital research	100%	Australia
Chime Communications Limited	*	Head office activities	100%	United Kingdom
Chime Finance Limited	*	Head office activities	100%	United Kingdom
Chime Group Limited		Head office activities	100%	United Kingdom
Chime Midco Limited	*	Head office activities	100%	United Kingdom
Chime Holdco Limited	*	Head office activities	86%	United Kingdom
Chime Limited	*	Holding company	100%	United Kingdom
Chime USA Inc		Holding company	100%	USA
Choice Healthcare Solutions Limited	*†	Healthcare communications	100%	United Kingdom
Choice Healthcare Solutions US Inc	†	Healthcare communications	100%	USA
Corporate Citizenship Chile Spa		Corporate & social responsibility consultancy	51%	Chile
Corporate Citizenship Limited	*	Corporate & social responsibility consultancy	100%	United Kingdom
Corporate Citizenship Southeast Asia Pte Limited		Corporate & social responsibility consultancy	100%	Singapore
CSM Active Limited	*	Sports marketing consultancy	100%	United Kingdom
CSM Advisory Group LLC		Sports marketing consultancy	100%	USA
CSM iLUKA Brasil Organizacao De Eventos Ltd		Sports marketing consultancy	100%	Brazil
CSM Live LLC		Sports marketing consultancy	100%	USA
CSM Marketing LLC		Sports marketing consultancy	100%	USA
CSM Motorsports Inc		Sports marketing and sponsorship	100%	USA
CSM Motorsports Limited	*	Sports marketing and sponsorship	100%	United Kingdom
CSM Netherlands BV	*	Holding company	100%	Netherlands
CSM North America USA LLC		Holding company	100%	USA

Appendix 1 Subsidiaries and Associates

Subsidiaries	Audit exemption	Nature of business	% Shareholding and voting rights	Country of registration of incorporation
CSM Properties Inc		Sports marketing consultancy	100%	USA
CSM Soccer Inc		Sports marketing and sponsorship	80%	USA
CSM Sport and Entertainment Australia Pty Ltd		Athletes management and sports marketing	100%	Australia
CSM Sport and Entertainment Espana S.L.		Sports marketing consultancy	81%	Spain
CSM Sport and Entertainment France Limited	*	Athletes management and sports consultancy	100%	United Kingdom
CSM Sport and Entertainment Holdings Limited	*	Holding company	100%	United Kingdom
CSM Sport and Entertainment International Limited	*	Holding company	100%	United Kingdom
CSM Sport and Entertainment LLC		Sports marketing consultancy	100%	Qatar Financial Centre
CSM Sport and Entertainment Middle East FZ-LLC		Sports marketing consultancy	100%	Dubai
CSM Sport and Entertainment New Zealand Limited	†	Athletes management and sports consultancy	51%	New Zealand
CSM Sport and Entertainment South Africa (Pty) Limited		Athletes management and sports marketing	100%	South Africa
CSM Sport and Entertainment (Singapore) Pte Limited		Sports marketing consultancy	100%	Singapore
CSM Sport and Entertainment LLC		Sports marketing consultancy	100%	Oman
Curb Group Limited	*	Sports marketing consultancy	100%	United Kingdom
Curb Media Limited		Sports marketing consultancy	100%	United Kingdom
Deutsche Chime GmbH		Holding company	100%	Germany
Earth Works Digital Limited	*†	Digital healthcare initiatives	100%	United Kingdom
Executive Drive Events LLC		Sports marketing and sponsorship	100%	USA
Facts International Limited	*	Research	100%	United Kingdom
Fast Track Hong Kong Limited		Sports marketing consultancy	100%	Hong Kong
Fast Track Middle East FZ LLC		Sports marketing consultancy	100%	Abu Dhabi
FIL Market Research Limited	*	Research	100%	United Kingdom
Good Relations Group USA Inc		Public relations	100%	USA
Good Relations Limited	*	Public relations	100%	United Kingdom
GRP Public Relations Limited (formerly Good Relations Property Limited)	*	Property marketing	100%	United Kingdom
Harvard Public Relations Limited		Public relations	80%	United Kingdom
Harvey Walsh Limited	*†	Healthcare data analytics	100%	United Kingdom
Heresy IMS Group Limited	*	Holding company	100%	United Kingdom
ICON LLC		Sports marketing consultancy	100%	Russia

Appendix 1 Subsidiaries and Associates

Subsidiaries	Audit exemption	Nature of business	% Shareholding and voting rights	Country of registration of incorporation
ICON Marketing em Display Ltda		Sports marketing consultancy	91%	Brazil
ICON Middle East LLC		Sports marketing consultancy	100%	Qatar
ICON Prolab Events Organising LLC		Sports marketing consultancy	50%	Abu Dhabi
iLUKA LLC		Sports marketing and sponsorship consultancy	100%	Russia
iLUKA South Korea Co. Limited		Sports marketing consultancy	100%	South Korea
InEvidence Limited	*	Public relations	100%	United Kingdom
Insight Public Relations Limited	*	Public relations	100%	United Kingdom
JHE Production Group Inc		Sports marketing consultancy	60%	USA
JMI Motorsport Limited	*	Sports marketing and sponsorship	100%	United Kingdom
Leaddog Marketing Group Inc.		Sports marketing and sponsorship	100%	USA
LEC Communications Limited	*†	Holding company	100%	United Kingdom
Liberum Independent Medical Education Limited	*†	Healthcare communications	100%	United Kingdom
Method Connections LLC		Public relations	100%	USA
Muh-Tay-Zik-Hof-Fer LLC		Advertising and marketing	100%	USA
OH investors Limited	*†	Healthcare communications	51%	United Kingdom
OHC London Holdings Limited	*†	Holding company	100%	United Kingdom
One Step Beyond Promotions Limited	*	Sports marketing consultancy	100%	United Kingdom
OPEN Health Communications FZ-LLC (formerly Choice Medical Communications FZ-LLC)	†	Healthcare communications	100%	Dubai
OPEN Health Inc.	†	Healthcare communications	100%	USA
OPEN LEC Limited	*†	Holding company	100%	United Kingdom
Opinion Leader Research Limited	*	Market research	100%	United Kingdom
People Marketing Sport and Entertainment (Shanghai) Co Ltd		Sports marketing consultancy	100%	China
People Marketing Sport and Entertainment Hong Kong Limited		Holding company	100%	Hong Kong
PH Associates Limited	*†	Healthcare communications	100%	United Kingdom
Pure Media Group Limited	*	Media buying	100%	United Kingdom
Reynolds Mackenzie Limited	*†	Healthcare communications	100%	United Kingdom
Snap London Limited (formerly Big Eyes Communications Limited)	*	Advertising and marketing	100%	United Kingdom
Succinct Communications Limited	*†	Healthcare educations	100%	United Kingdom
Teamspirit Corporate and Business Limited	*	Financial services advertising and marketing	100%	United Kingdom

Appendix 1 Subsidiaries and Associates

Subsidiaries	Audit exemption	Nature of business	% Shareholding and voting rights	Country of registration of incorporation
Teamspirit Limited	*	Financial services advertising and marketing	100%	United Kingdom
The Blaze Agency Pty Limited		Athletes management and sports consultancy	100%	Australia
The Complete Leisure Group Limited	*	Sports marketing consultancy	99%	United Kingdom
The Corporate Citizenship Inc.		Corporate & social responsibility	100%	USA
VCCP GmbH		Advertising and marketing	100%	Germany
VCCP Health Limited	*	Advertising and marketing	95%	United Kingdom
VCCP Holdings Limited	*	Holding company	100%	United Kingdom
VCCP Kin Limited	*	Advertising and marketing	90%	United Kingdom
VCCP Overseas Limited	*	Holding company	100%	United Kingdom
VCCP Pty Ltd		Advertising and marketing	100%	Australia
VCCP s.r.o.		Advertising and marketing	100%	Czech Republic
VCCP Singapore Pte Ltd		Advertising and marketing	100%	Singapore
VCCP Spain SL		Advertising and marketing	100%	Spain
VCCP USA, LLC		Advertising and marketing	100%	USA
WARL Group Limited	*	Advertising and marketing	100%	United Kingdom
Watermelon Research Limited	*	Digital research	100%	United Kingdom

Dormants

Subsidiaries	Audit exemption	Nature of business	% Shareholding and voting rights	Country of registration of incorporation
1B Communications Limited	*	Dormant	100%	United Kingdom
ABC Sports Management Limited	*	Dormant	100%	United Kingdom
Acefieldwork Limited	*	Dormant	100%	United Kingdom
Athletes 1 Limited	*	Dormant	100%	United Kingdom
Athletes 1 Sports Limited	*	Dormant	100%	United Kingdom
Baxter Hulme PR and Marketing Limited	*	Dormant	100%	United Kingdom
Brand & Issues Limited	*	Dormant	100%	United Kingdom
Brand Democracy Limited	*	Dormant	100%	United Kingdom
Brass Tacks Publishing Group Limited	*	Dormant	100%	United Kingdom
Brass Tacks Publishing Portfolio Limited	*	Dormant	100%	United Kingdom

Appendix 1 Subsidiaries and Associates

Subsidiaries	Audit exemption	Nature of business	% Shareholding and voting rights	Country of registration of incorporation
Bullnose Limited	*	Dormant	100%	United Kingdom
Cardwhite Limited	*	Dormant	100%	United Kingdom
Caucusworld Limited	*	Dormant	75%	United Kingdom
Cherry Picked Research Limited	*	Dormant	100%	United Kingdom
Chime Insight and Engagement Limited	*	Dormant	100%	United Kingdom
Chime Interactive Bureau Limited	*	Dormant	100%	United Kingdom
Chime Interactive Limited	*	Dormant	100%	United Kingdom
Chime Interactive LLC		Dormant	100%	USA
Chime On Line Limited	*	Dormant	100%	United Kingdom
Chime Research and Engagement Group Limited	*	Dormant	100%	United Kingdom
CSG North America LLC		Dormant	100%	USA
CSM Agency Limited	*	Dormant	100%	United Kingdom
CSM Division Limited	*	Dormant	100%	United Kingdom
CSM Eurasia Sport and Entertainment BV		Dormant	100%	Netherlands
CSM Events Limited	*	Dormant	100%	United Kingdom
CSM Perimeter Signage Limited	*	Dormant	100%	United Kingdom
CSM Scotland Limited	*	Dormant	100%	United Kingdom
CSM Sport and Entertainment Events Limited	*	Dormant	100%	United Kingdom
CSM Strategic Limited	*	Dormant	100%	United Kingdom
Digital Experiences Limited	*	Dormant	100%	United Kingdom
Digital Strategy Limited	*	Dormant	100%	United Kingdom
DOCC Limited	*	Dormant	100%	United Kingdom
Essentially Athlete Management Limited	*	Dormant	100%	United Kingdom
Essentially Group Limited	*	Dormant	100%	Jersey
Essentially Sports Marketing Limited	*	Dormant	100%	United Kingdom
Ex Nihilo Limited	*	Dormant	100%	United Kingdom

Appendix 1 Subsidiaries and Associates

Subsidiaries	Audit exemption	Nature of business	% Shareholding and voting rights	Country of registration of incorporation
Fast Track Sailing Limited	*	Dormant	100%	United Kingdom
First Financial Advertising Limited	*	Dormant	100%	United Kingdom
First Financial Public Relations Limited	*	Dormant	100%	United Kingdom
FITBA Limited	*	Dormant	100%	United Kingdom
Full Access Limited	*	Dormant	100%	United Kingdom
Gasoline Limited	*	Dormant	100%	United Kingdom
Girardot Partners Limited	*	Dormant	100%	United Kingdom
Global Environment Forum Limited	*	Dormant	100%	United Kingdom
Good Broadcast Limited	*	Dormant	100%	United Kingdom
Good Influence Limited	*	Dormant	100%	United Kingdom
Good Relations Consultants Limited	*	Dormant	100%	United Kingdom
Good Relations Group Limited	*	Dormant	100%	United Kingdom
Good Relations Group USA LLC		Dormant	100%	USA
Good Relations Healthcare Limited	*	Dormant	100%	United Kingdom
Good Relations Life Limited	*	Dormant	100%	United Kingdom
Good Relations Studio Limited	*	Dormant	100%	United Kingdom
GR-1 Limited	*	Dormant	100%	United Kingdom
Graphiti Limited	*	Dormant	100%	United Kingdom
Gulliford Consulting Limited	*	Dormant	100%	United Kingdom
Harvard Consult Limited	*	Dormant	100%	United Kingdom
Harvard Interactive Limited	*	Dormant	100%	United Kingdom
Harvard Marketing Services Limited	*	Dormant	100%	United Kingdom
Harvard Public Relations Inc		Dormant	100%	USA
Hayhurst Conington Cripps Limited	*	Dormant	100%	United Kingdom
HCC De Facto Financial Limited	*	Dormant	100%	United Kingdom
HCC De Facto Trustees Limited	*	Dormant	100%	United Kingdom

Appendix 1 Subsidiaries and Associates

Subsidiaries	Audit exemption	Nature of business	% Shareholding and voting rights	Country of registration of incorporation
HHCL Group Limited	*	Dormant	100%	United Kingdom
Hooper Galton Limited	*	Dormant	100%	United Kingdom
ICON Beta Limited	*	Dormant	100%	United Kingdom
ICON Display Limited	*	Dormant	100%	United Kingdom
ICON Display Limited		Dormant	100%	BVI
iLUKA Limited	*	Dormant	100%	United Kingdom
In Real Life Limited	*	Dormant	100%	United Kingdom
International Financial Services Consulting Limited	*	Dormant	100%	United Kingdom
It's the Dug Out Limited	*	Dormant	100%	United Kingdom
Just Marketing International Limited	*	Dormant	100%	United Kingdom
Landmark Consultants Limited	*	Dormant	100%	United Kingdom
Lighthouse Communications Limited	*	Dormant	100%	United Kingdom
Maidstone Road Holdings Limited	*	Dormant	100%	United Kingdom
Marketing Activity Limited	*	Dormant	100%	United Kingdom
MC2013 Limited	*	Dormant	100%	United Kingdom
MESHH Limited	*	Dormant	100%	United Kingdom
OHC US Holdings Limited	*†	Dormant	100%	United Kingdom
OPEN VP Holdings Limited	*†	Dormant	100%	United Kingdom
Ozone Marketing Communications Limited	*	Dormant	100%	United Kingdom
Pelham Bell Pottinger (Trustees) Limited	*	Dormant	100%	United Kingdom
Pelham Public Relations Limited	*	Dormant	100%	United Kingdom
People Marketing UK Limited	*	Dormant	100%	United Kingdom
PMPLegacy Limited	*	Dormant	100%	United Kingdom
Property & Business Services Limited	*	Dormant	100%	United Kingdom
Property and Office Services Limited	*	Dormant	100%	United Kingdom
Pure Digital Media Limited	*	Dormant	100%	United Kingdom

Appendix 1 Subsidiaries and Associates

Subsidiaries	Audit exemption	Nature of business	% Shareholding and voting rights	Country of registration of incorporation
Pure Search Marketing Limited	*	Dormant	100%	United Kingdom
Roose and Partners Advertising Limited	*	Dormant	100%	United Kingdom
Roose Holdings Limited	*	Dormant	100%	United Kingdom
Roose Trustees (UK) Limited	*	Dormant	100%	United Kingdom
Russell Partnership Limited	*	Dormant	100%	United Kingdom
Sebastian Coe Limited	*	Dormant	100%	United Kingdom
Shieldmirror Limited	*	Dormant	100%	United Kingdom
SPS Etech Limited	*	Dormant	100%	United Kingdom
Stuart Higgins Communications Limited	*	Dormant	100%	United Kingdom
Teamspirit Brand Limited	*	Dormant	100%	United Kingdom
Teamspirit Corporate and Business Trustees Limited	*	Dormant	100%	United Kingdom
Tempo Graphic Design Limited	*	Dormant	100%	United Kingdom
The HHCL Brasserie Limited	*	Dormant	100%	United Kingdom
The Quentin Bell Organisation Limited	*	Dormant	100%	United Kingdom
The Smart Company.net Limited	*	Dormant	100%	United Kingdom
Torphines Limited	*	Dormant	100%	United Kingdom
Tree (London) Limited	*	Dormant	100%	United Kingdom
TTA Group Limited	*	Dormant	100%	United Kingdom
TTA Property Limited	*	Dormant	100%	United Kingdom
TTA Public Relations Limited	*	Dormant	100%	United Kingdom
VCCP Blue Limited	*	Dormant	100%	United Kingdom
VCCP Bratislava		Dormant	100%	Slovakia
VCCP Limited	*	Dormant	100%	United Kingdom
VCCP Me Limited	*	Dormant	100%	United Kingdom
VCCP Search Limited	*	Dormant	100%	United Kingdom
WARL Internal Communications Limited	*	Dormant	100%	United Kingdom

Appendix 1 Subsidiaries and Associates

Subsidiaries	Audit exemption	Nature of business	% Shareholding and voting rights	Country of registration of incorporation
Wilson Bridges & Trace Limited	*	Dormant	100%	United Kingdom
Exhibit - ICON SAS		Dormant	80%	France
Fast Track Agency Limited	*	Dormant	100%	United Kingdom
Fast Track Agency Scotland Limited	*	Dormant	100%	United Kingdom
Limited Liability Partnerships	Note	Nature of business	% Shareholding and voting rights	Country of registration of incorporation
CSM Sport and Entertainment LLP		Sports marketing consultancy	100%	United Kingdom
OPEN Healthcare Communications LLP	†	Healthcare communications	91%	United Kingdom
VCCP Group LLP		Advertising and marketing	100%	United Kingdom
Associates		Nature of business	% Shareholding and voting rights	Country of registration of incorporation
Enigma Code Limited		Sports marketing consultancy	20%	United Kingdom
ICON Display South Africa Pty Ltd		Sports marketing consultancy	30%	South Africa
Naked Eye Research Limited		Research	26%	United Kingdom
StratAgile Limited		Data analytics	40%	Singapore
The Agency of Someone Limited		Branding and design	40%	United Kingdom
The Brand Marketing Team Limited		Consumer marketing	40%	United Kingdom
X & Y Communications Limited		Public relations	29%	United Kingdom

+ Direct subsidiary/associate of Chime Group Holdings Limited.

* This company has taken advantage of the S479a exemption from audit.

† This company has been disposed of during 2018.