

Publicis Media Limited

Annual Report and Financial Statements

31 December 2017

Registered Number: 04244479

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COMPANIES HOUSE

Directors

S D King
A C Sayliss

Secretaries

J Munis
N Raj (appointed 7 June 2017)
R Basran (resigned 18 January 2017)

Auditor

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

Registered Office

Pembroke Building
Kensington Village
Avonmore Road
London
W14 8DG

Strategic Report

Principal activity and review of the business

In the prior period, the company became the global head office for the media brands of Publicis Groupe. This reorganisation involved the amalgamation of the Zenith Optimedia, Starcom Media Group and Vivaki brands under a new operating structure named Publicis Media.

The Company's subsidiary companies carry on the business of media planning and buying in the advertising industry. The Company also provides its own media services through the sale of media books and franchise fees.

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

	2017	Restated 2016	Change
	£000	£000	%
Revenue	324	823	(61%)
Operating (loss)/profit	(4,264)	11,402	(137%)
Profit after tax	4,961	7,727	(36%)

Revenue has decreased by 61% mainly as a result of increased costs related media book revenue generation.

Profit after tax has decreased by 36% due to a combination of a £9,000,000 dividends received during the year, offset by the increase in operating loss and a restatement of other operating income from 2016 resulting in an increase of £7,107,000 in operating profit.

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

Principal risks and uncertainties

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

- **Competitive risks**

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

- **Financial instrument risks**

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

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

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

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

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

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

Strategic Report (continued)

Principal risks and uncertainties (continued)

- Exposure to market risk

Foreign exchange risk is the risk arising from purchases and sales of goods or services denominated in foreign currencies. The majority of the Company's commercial dealings are done in the local currencies of the countries in which they are transacted. For transactions denominated in foreign currencies the foreign exchange risk is typically hedged through currency hedging agreements.

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

Derivatives used are generally forward currency contracts or currency swaps.

On behalf of the Board



A Sayliss
Director

30 November 2018

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2017.

Results and dividends

The Company recorded a profit after tax for the financial year of £4,961,000 (2016 restated: £7,727,00). A dividend of £9,000,000 was declared and paid during the year (2016: nil).

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

Future developments

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

Directors

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

Directors' indemnity

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

Events after the balance sheet date

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

Disabled employees

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

Employees' involvement

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

Disclosure of information to the auditor

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

Directors' Report (continued)

Going concern

The directors have concluded that the net current liabilities at year end represents a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern and that, therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Company has received confirmation from its immediate parent company, MMS UK Holdings Limited, that it will provide the necessary funds to enable it to meet its liabilities as they fall due, for at least twelve months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

On behalf of the board



A Sayliss
Director

30 November 2018

Directors' responsibilities statement

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

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

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

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

Independent auditor's report to the member of Publicis Media Limited

Opinion

We have audited the financial statements of Publicis Media Limited (the 'company') for the year ended 31 December 2017 which comprise the Statement of Total Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Use of the audit report

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

Conclusions relating to going concern

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

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

Independent auditor's report to the members of Publicis Media Limited (continued)

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

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

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

Independent auditor's report to the members of Publicis Media Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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

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



David Herbinet (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London E1W 1DD

17 December 2018

Statement of Total Comprehensive Income

for the year ended 31 December 2017

	Notes	2017 £000	Restated 2016 £000
Billings¹		<u>4,307</u>	<u>3,278</u>
Revenue	2	324	823
Administrative expenses		(4,588)	(7,218)
Other operating income		-	17,797
Operating (loss)/profit	3	<u>(4,264)</u>	<u>11,402</u>
Income from shares in group undertakings	7	9,000	-
Interest receivable and similar income	8	1	-
Interest payable and similar charges	9	<u>(225)</u>	<u>(477)</u>
Profit on ordinary activities before taxation		<u>4,512</u>	<u>10,925</u>
Tax	10	<u>449</u>	<u>(3,198)</u>
Total comprehensive income for the financial year		<u>4,961</u>	<u>7,727</u>

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

¹Billings is a management alternative performance measure and comprises the gross amounts billed to clients in respect of commission-based/fee-based income together with the total of other fees earned and recharge of third party costs.

Balance sheet

at 31 December 2017

	Notes	2017 £000	Restated 2016 £000
Non-current assets			
Property, plant and equipment	11	9	23
Investment in subsidiaries	12	82,872	82,872
Deferred tax asset	10	1,444	1,469
		<u>84,325</u>	<u>84,364</u>
Current assets			
Work in progress		316	6
Trade and other receivables	13	38,432	36,603
Derivatives	18	135	339
Cash and cash equivalents		-	50
		<u>38,883</u>	<u>36,998</u>
Current liabilities			
Trade and other payables	14	(113,386)	(107,428)
Derivatives	18	(100)	(361)
Corporation tax	9	(3,356)	(4,521)
		<u>(116,842)</u>	<u>(112,310)</u>
Net current assets		<u>(77,959)</u>	<u>(75,312)</u>
Total assets less current liabilities		<u>6,366</u>	<u>9,052</u>
Capital and reserves			
Called up share capital	15	9	9
Other reserves		(1)	(1)
Retained earnings		6,358	9,044
Total equity		<u>6,366</u>	<u>9,052</u>

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



A Sayliss
Director

30 November 2018

Statement of changes in equity

for the year ended 31 December 2017

	Called up share capital £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 January 2016	9	(1)	(189)	(181)
Profit for the financial year (as restated)	-	-	7,727	7,727
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year (as restated)	-	-	7,727	7,727
Share-based payment transactions	-	-	1,506	1,506
At 31 December 2016 (as restated)	9	(1)	9,044	9,052
Profit for the financial year	-	-	4,961	4,961
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	4,961	4,961
Share-based payment transactions	-	-	1,353	1,353
Equity dividends paid	-	-	(9,000)	(9,000)
31 December 2017	9	(1)	6,358	6,366

Notes to the financial statements

for the year ended 31 December 2017

1. Accounting policies

1.1. Basis of preparation

Statement of compliance

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

Basis of measurement

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

Consolidated financial statements

The Company is exempt from the requirement to prepare consolidated financial statements under Section 400 of the Companies Act 2006. Consolidated financial statements are prepared by Publicis Groupe S.A., the ultimate parent undertaking, incorporated in France and are available from the address set out in note 20. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

Going concern

The directors have concluded that the net current liabilities at year end represents a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern and that, therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Company has received confirmation from its immediate parent company, MMS UK Holdings Limited, that it will provide the necessary funds to enable it to meet its liabilities as they fall due, for at least twelve months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Disclosure exemptions applied

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

- (i) The requirements of IFRS 2 'Share-based Payment' paragraphs 45(b) and 46 to 52 relating to certain disclosure requirements on share-based payments;
- (ii) The requirement of IFRS 7 'Financial Instruments: Disclosures' relating to the disclosure of financial instruments and the nature and extent of risks arising from such instruments;
- (iii) The applicable requirements of IAS 1 'Presentation of Financial Statements' relating to the disclosure of comparative information in respect of the number of shares outstanding at the beginning and end of the year (IAS 1.79(a)(iv)), the reconciliation of the carrying amount of property, plant and equipment (IAS 16.73(e)) and the reconciliation of the carrying amount of intangible assets (IAS 38(118)(e));
- (iv) The requirements of IAS 1 'Presentation of Financial Statements' paragraph 16, the requirement to make an explicit and unreserved statement of compliance with IFRS;
- (v) The requirements of IAS 1 'Presentation of Financial Statements' paragraphs 38A to 40D relating to disclosures of comparative information;

Notes to the financial statements

for the year ended 31 December 2017

1. Accounting policies (continued)

Disclosure exemptions applied (continued)

- (vi) The requirement of IAS 1 'Presentation of Financial Statements' paragraphs 134 to 136 relating to the disclosure of capital management policies and objectives;
- (vii) The requirements of IAS 7 'Statement of Cash Flows' and IAS 1 'Presentation of Financial Statements' paragraph 10(d) and 111 relating to the presentation of a Cash Flow Statement;
- (viii) The requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31 relating to the disclosure of standards, amendments and interpretations in issue but not yet effective;
- (ix) The requirements of IAS 24 'Related Party Disclosures' paragraph 17 and 18(a) relating to the disclosure of key management personnel compensation and relating to the disclosure of related party transactions entered into between the Company and other wholly-owned subsidiaries of the group; and
- (x) The requirements of IAS 36 'Impairment of Assets' paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) relating to certain disclosure requirements of impairment testing.

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

Use of estimates and judgments

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

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

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

- revenue recognition on client projects;
- impairment of investments

Detailed disclosures concerning these matters are provided in Notes 1.2 and 12.

Restatement of comparative information

The financial statements provide comparative information in respect of the previous period. The Company has restated the previous period due to the correction of an error retrospectively. Detailed disclosures concerning the restatement are provided in Note 19.

Notes to the financial statements

for the year ended 31 December 2017

1. Accounting policies (continued)

1.2. Accounting principles

Revenue recognition

A written agreement with clients (purchase order, letter, contract, etc.) indicating the nature and the amount of the work to be performed is required for the recognition of revenue. The Company's revenue recognition policies are summarised below:

- project-based arrangements: revenue is recognised in the accounting period in which the service is rendered;
- fixed-fees: revenue is recognised on a straight-line basis, which reflects the nature and the scope of the services rendered;
- time-based fees: revenue is recognised on the basis of work done; and
- fees based on performance criteria: revenue is recognised when the performance criteria have been met and the customer has confirmed its agreement.

In most of its transactions, the Company acts as an agent for its clients. For these transactions, the Company recognises the net amount earned, and any expenses incurred with third-party suppliers are excluded from revenue. In certain instances, the Company acts as the principal. In these circumstances, the Company recognises the gross amount invoiced as revenue.

Billings

Billings represent amounts billed to clients during the year, excluding advanced billings, and is stated net of allowances, VAT and other sales related taxes.

Effect of foreign currency

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

Income tax

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

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

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

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

Leases

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

Notes to the financial statements

for the year ended 31 December 2017

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Property, plant and equipment

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

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

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

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

Computer equipment	–	4 years
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Residual value is calculated on prices prevailing at the date of acquisition, and reviewed annually. The carrying values of the property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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

Interest income and expense

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

Dividends

Dividend income is recognised when the Company's right to receive payment is established.

Investment in subsidiaries

Investments in subsidiaries are shown at cost less provision for impairment in value. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the financial statements

for the year ended 31 December 2017

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Work in progress

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

Cash and cash equivalents

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

Trade and other receivables

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

Trade and other payables

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

Financial liabilities carried at fair value

Derivative financial instruments, including hedge accounting

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

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. The fair value includes an allowance for debit/credit value adjustment in respect of both the Company and the derivative counterparty. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described in note 18.

Equity and reserves

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

Retained earnings include all current and prior period retained profits.

Notes to the financial statements

for the year ended 31 December 2017

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Share based payments

Equity-settled transactions

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

Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting conditions), other than market conditions.

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

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

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

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

Notes to the financial statements

for the year ended 31 December 2017

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Adoption of new and revised standards

The following standards and interpretations have been adopted in the financial statements as they are mandatory for the year ended 31 December 2017:

	EU effective date Periods beginning on or after
IAS 12 (amendment) Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvements to IFRS (2014 – 2016): Amendment to IFRS 12 Disclosure of Interests in Other Entities.	1 January 2017

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

2. Revenue

The activities of the Company during the year were principally related to the provision of media planning, buying and researching services. The Company also provides its own media services through the sale of media books and franchise fees. The members believe that such activities comprise a unified class of business which cannot be further analysed into segments.

An analysis of revenue by geographical market is given below:

	2017 £000	2016 £000
United Kingdom	11	230
Europe	210	122
USA	36	212
Asia	67	46
Rest of the World	-	213
	<u>324</u>	<u>823</u>

3. Operating loss

The operating loss is stated after charging:

	2017 £000	2016 £000
Loss on transactions denominated in foreign currency	981	488
Depreciation of property, plant and equipment (see note 11)	14	17
Operating leases – land and buildings	1,024	575
Staff costs (see note 5)	46,517	24,011
Auditor's remuneration (see note 4)	<u>4</u>	<u>4</u>

Notes to the financial statements

for the year ended 31 December 2017

4. Auditor's remuneration

The remuneration of the auditor is further analysed as follows:

	2017 £000	2016 £000
Audit of the financial statements	<u>4</u>	<u>4</u>

5. Staff costs

	2017 £000	2016 £000
Wages and salaries	40,946	19,657
Social security costs	5,398	4,172
Defined contribution pension scheme costs	<u>173</u>	<u>182</u>
	<u>46,517</u>	<u>24,011</u>

Included in total staff costs is £3,750,000 (2016: £2,605,000) in respect of directors' remuneration (see note 6) and a total expense for share-based payments of £1,353,000 (2016: £1,506,000) arising from transactions accounted for as equity-settled share-based payment transactions (see note 16).

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

	2017 No.	2016 No.
Senior management operational	<u>74</u>	<u>60</u>

6. Directors' remuneration

The directors' remuneration were as follows:

	2017 £000	2016 £000
Remuneration	<u>3,750</u>	<u>2,605</u>

There were 2 directors who were members of a money purchase pension scheme during the year (2016: 2).

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

	2017 £000	2016 £000
Remuneration	<u>2,541</u>	<u>1,839</u>

The highest paid director exercised share options £635,000 (2016: £293,000) in the year and received shares under a long term incentive scheme.

Notes to the financial statements

for the year ended 31 December 2017

7. Income from shares in group undertakings

	2017 £000	2016 £000
Dividends	<u>9,000</u>	<u>-</u>

8. Interest receivable and similar income

	2017 £000	2016 £000
Intercompany interest receivable	<u>1</u>	<u>-</u>

9. Interest payable and similar charges

	2017 £000	2016 £000
Intercompany interest payable	<u>225</u>	<u>477</u>

10. Taxation

(a) Analysis of charge for year

	2017 £000	Restated 2016 £000
Current tax:		
Corporation tax	(1,087)	2,443
Adjustment in respect of previous periods	(78)	-
Foreign taxes	<u>691</u>	<u>840</u>
Total current tax	<u>(474)</u>	<u>3,283</u>
Deferred tax:		
Origination & reversal of temporary difference	(145)	(466)
Adjustment in respect of previous periods	149	233
Rate change	<u>21</u>	<u>148</u>
Total deferred tax (see note 10(c))	<u>25</u>	<u>(85)</u>
Tax on profit/loss on ordinary activities (see note 10(b))	<u>(449)</u>	<u>3,198</u>

Notes to the financial statements

for the year ended 31 December 2017

10. Taxation (continued)

(b) Factors affecting tax charge for the year

The tax assessed on the profit/(loss) on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%). The differences are reconciled below:

	2017 £000	Restated 2016 £000
Profit on ordinary activities before tax	4,512	10,925
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	869	2,185
Expenses not deductible for tax purposes	9	(156)
Foreign tax	-	840
Share based payments	(376)	-
Tax under provided in prior years	70	181
UK dividend not taxable	(1,733)	-
Overseas withholding tax	691	-
Rate change	21	148
Total tax (see note 10(a))	(449)	3,198

(c) Deferred taxation

	Accelerated tax depreciation £000	Other temporary differences £000	Total £000
As at January 2016	8	1,376	1,384
Debit to profit or loss	-	466	466
Deferred tax in respect of prior year	-	(233)	(233)
Rate change	(1)	(147)	(148)
As at December 2016	7	1,462	1,469
Debit to profit or loss	-	145	145
Deferred tax in respect of prior year	2	(151)	(149)
Rate change	-	(21)	(21)
As at December 2017	9	1,435	1,444

Analysis of deferred tax balances for financial reporting purposes:

	2017 £000	2016 £000
Deferred tax assets	1,444	1,469

Notes to the financial statements

for the year ended 31 December 2017

10. Taxation (continued)

(d) Factors that may affect future tax charges

The UK corporation tax rate decreased from 20% to 19% from 1 April 2017 and will decrease further to 17% from 1 April 2020. As the rate changes were substantively enacted by the balance sheet date, the deferred tax balances has been calculated at average rate of 18.5%. These rate changes will also affect the amount of future cash payments made by the Company.

11. Property, plant and equipment

	Computer Equipment £000	Total £000
Cost:		
At 1 January 2017	85	85
At 31 December 2017	85	85
Depreciation:		
At 1 January 2017	62	62
Charge for the year	14	14
At 31 December 2017	76	76
Net book value:		
At 31 December 2017	9	9
At 31 December 2016	23	23

12. Investment in subsidiaries

	£000
Cost:	
At 1 January 2017	96,787
Additions	-
At 31 December 2017	96,787
Impairment:	
At 1 January 2017	13,915
Charge for year	-
At 31 December 2017	13,915
Net book value:	
At 31 December 2017	82,872
At 31 December 2016	82,872

The directors consider any need for impairment taking into consideration the group's assessment of goodwill and intangible assets, and 5 year forecasts into perpetuity in relation to the underlying investments.

Notes to the financial statements

for the year ended 31 December 2017

12. Investment in subsidiaries (continued)

The Company has investments in the following subsidiary undertakings:

<i>Name</i>	<i>Direct %</i>	<i>Indirect %</i>	<i>Country of Incorporation</i>	<i>Activities</i>
Zenith (Media) International Limited	100%		England and Wales	Media planning and buying
Zenith UK (Media) Limited	100%		England and Wales	Media planning and buying
Zenith Services (Media) Limited	100%		England and Wales	Media planning and buying
Meridian Outdoor Advertising Limited	50%		England and Wales	Media planning and buying
Publicis Media UK Limited		100%	England and Wales	Media planning and buying

13. Trade and other receivables

	2017 £000	2016 £000
Trade receivables	98	5,461
Amounts owed by group undertakings	31,798	30,869
Other receivables	100	3
Prepayments and accrued income	6,436	270
	<u>38,432</u>	<u>36,603</u>

14. Trade and other payables

	2017 £000	Restated 2016 £000
Bank overdraft	13	70
Trade payables	754	245
Amounts owed to group undertakings	83,302	98,610
Other taxation and social security costs	4,388	4,289
Accruals and deferred income	20,690	2,774
Other payables	4,239	1,440
	<u>113,386</u>	<u>107,428</u>

15. Allotted and issued share capital

	2017 £000	2016 £000
<i>Allotted, called up and fully paid</i>		
2,500 'A' ordinary shares of 50p each	1	1
7,500 'B' ordinary shares of £1 each	8	8
	<u>9</u>	<u>9</u>

Notes to the financial statements

for the year ended 31 December 2017

16. Share based payments

The total expense recognised for share-based payments in respect of employee services received during the year to 31 December 2017 is £1,353,000 (2016: £1,506,000). The total expense arose from equity-settled share-based payment transactions.

Free share plans (senior employees):

Free shares are granted to senior employees of the Company at the discretion of the Management Board of the ultimate parent company Publicis Groupe S.A.. The free share plans outstanding at 31 December 2017 have the following characteristics:

Long Term Incentive Plan (LTIP) 2017

Under this plan, a certain number of Group managers were awarded free shares, subject to two conditions. Firstly, employment must continue throughout the three-year vesting period. Furthermore, the free shares are subject to performance criteria, such that the total number of shares delivered will depend on the overall attainment of growth and profitability targets in 2017. The shares, awarded in May 2017, will vest in May 2020.

Long Term Incentive Plan (LTIP) 2016-2018

Under this plan, the ultimate parent company, Publicis Groupe S.A. has awarded free shares to individuals within the Company under two conditions.

Firstly, employment must continue throughout the three-year vesting period. Furthermore, the free shares are subject to performance criteria, such that the total number of shares received will depend on the overall attainment of growth and profitability targets in 2016. The shares ultimately awarded in accordance with the level of attainment of these performance targets will be deliverable at the end of a three-year period, i.e. in June 2019.

Long Term Incentive Plan (LTIP) 2016

Under this plan, the ultimate parent company, Publicis Groupe S.A. has awarded free shares to individuals within the Company under two conditions.

Firstly, employment must continue throughout the three-year vesting period. Furthermore, the free shares are subject to performance criteria, such that the total number of shares received will depend on the overall attainment of growth and profitability targets in 2016. The shares ultimately awarded in accordance with the level of attainment of these performance targets will be deliverable at the end of a three-year period, i.e. in June 2019.

Long Term Incentive Plan (LTIP) 2015

Under this plan, the ultimate parent company, Publicis Groupe S.A. has awarded to individuals within the Company under two conditions.

Firstly, employment must continue throughout the four-year vesting period. Furthermore, the free shares are subject to performance criteria, such that the total number of shares received will depend on the overall attainment of growth and profitability targets in 2015. The award, made in 2015, will become effective in April 2019.

Long Term Incentive Plan (LTIP) 2014

Under this plan, the ultimate parent company, Publicis Groupe S.A. has awarded free shares to individuals within the Company under two conditions.

First of all, the shares are subject to a condition of presence during the period of acquisition for a period of 4 years. The shares are also subject to criteria of additional performance, so that the total number of shares delivered will depend on the level of achievement of objectives of growth and profitability for the year 2014. The award, made in March 2014, will become effective in March 2018.

Notes to the financial statements

for the year ended 31 December 2017

16. Share based payments (continued)

Share option plans:

Share Options are granted to senior employees of the Company at the discretion of the Management Board of the ultimate parent company Publicis Groupe S.A.. The stock option plans outstanding at 31 December 2014 have the following characteristics:

LionLead II 2013 (options)

Under this plan, the ultimate parent company, Publicis Groupe S.A. has awarded one free share and 7.03 stock options for each Publicis share purchased on their behalf by LionLead, a specific structure dedicated to this operation. The stock options are subject to conditions: i.e., that the entire investment remains unsold and that employment continues throughout the four-year vesting period. These options, which were granted in April 2013, will become exercisable in April 2017.

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

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

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

The following table illustrates the number and weighed average exercise prices (WAEP) of share options exercised during the year.

	2017		2016	
	No	WAEP (€)	No	WAEP (€)
Outstanding at 1 January	299,386		251,282	
Granted	12,350		48,650	
Exercised	(186,665)	26.29 ¹	(546)	34.60 ²
Outstanding at 31 December	125,071	35.25	299,386	27.58

¹ The weighted average share price at the date of exercise for the options exercised is €26.29.

² The weighted average share price at the date of exercise for the options exercised is €34.60.

For the share options outstanding as at 31 December 2017, the weighted average remaining contractual life is 0.75 years (2016: 1.00 years).

The range of exercise prices for options outstanding at the end of the year was £6.99 - £67.27 (2016: £6.99 - £67.27).

Notes to the financial statements

for the year ended 31 December 2017

17. Related party transactions

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

For the year ended 31 December 2017 the Company had the following transactions with other subsidiaries of Publicis Groupe S.A. that are not 100% owned.

Related Party	Payables		Receivables		Services	
	2017	2016	2017	2016	2017	2016
	£000	£000	£000	£000	£000	£000
Publicis Bulgaria	-	-	5	5	-	-
Leo Burnett Estonia	-	-	3	3	-	-
Publicis Conseil S.A.	-	-	13	6	-	-
ZenithOptimedia Indonesia	-	-	5	5	-	-
Applied Media Logic Pty Ltd	-	-	-	21	-	-
S&S (Vietnam) J.V. Co.Ltd	-	-	11	15	-	-
Walker Media Limited	(616)	-	-	-	-	-
MMS Communication South Africa (Pty) Ltd	-	-	6	-	-	-

18. Financial instruments

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

Categories of financial instruments held at fair value

	2017 £000	2016 £000
Financial assets at fair value through profit and loss		
Derivative instruments – Assets	135	339
Total	<u>135</u>	<u>339</u>
Financial liabilities at fair value through profit and loss		
Derivative instruments – Liabilities	(100)	(361)
Total	<u>(100)</u>	<u>(361)</u>

Fair value hierarchy

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

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

Derivative financial instruments valued using level 2 valuation techniques.

Notes to the financial statements

for the year ended 31 December 2017

18. Financial instruments (continued)

Changes in the value of financial instruments at fair value

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

	2017 £000	2016 £000
Financial assets at fair value through profit and loss		
Derivative instruments – Assets	20	20
Total	<u>20</u>	<u>20</u>
Financial liabilities at fair value through profit and loss		
Derivative instruments – Liabilities	(186)	(94)
Total	<u>(186)</u>	<u>(94)</u>

19. Restatement of prior year

Certain restatements have been made to the prior year's financial statements to enhance comparability with the current year's financial statements for reasons noted below.

	Previously reported 2016 £000	Adjustment 2016 £000	After restatement 2016 £000
Profit/(Loss) for the financial period and total comprehensive income			
Other operating income	10,690	7,107	17,797
Taxation	(1,829)	(1,369)	(3,198)
Profit/(Loss) on ordinary activities after taxation	1,989	5,738	7,727
Balance Sheet			
Accruals and deferred income	9,882	7,107	2,774
Corporation tax	3,152	(1,369)	4,521
Retained earnings at 01 January 2016	3,306	5,738	9,044

As a result of the advisory service fee invoice relating to services previously rendered, a £7,107,000 adjustment has been recognised in 2016. In association with the charge recognised above, a prior year tax restatement of £1,369,000 was made, resulting in a net restatement of 2016 profits of £5,738,000.

20. Ultimate parent undertaking and controlling party

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

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