

Saatchi & Saatchi Group Ltd

Annual Report and Financial Statements

31 December 2020

Registered Number: 00231824



Directors

M Djaba

A King

J Carrigan (appointed 23 June 2021)

S Martin-Chantepie (resigned 23 June 2021)

Secretaries

P Muwanga (appointed 16 June 2020)

R Bayley (appointed 16 June 2020)

J Munis (resigned 16 June 2020)

Auditor

Mazars LLP

Tower Bridge House

St Katharine's Way

London

E1W 1DD

Registered Office

Tooks Court

40 Chancery Lane

London

WC2A 1JA

Strategic Report

Principal activity and review of the business

The principal activity of Saatchi & Saatchi Group Ltd (the “Company”) continues to be the provision of a comprehensive service to clients covering advertising, marketing and allied services.

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

	2020	2019	Change
	£000	£000	%
Revenue	53,973	59,339	(9%)
Operating profit	8,030	7,468	8%
Profit after tax	6,597	5,412	22%
Shareholder’s funds	7,141	7,749	(8%)
Current assets as a % of current liabilities	67%	70%	(3%)
Average number of employees	373	359	4%

Revenue has decreased by 9% due to the impact of client losses in 2020 and the impact of Covid-19.

Profit after tax has increased by 22% due to cost savings during 2020 and a lower effective tax charge.

Shareholder’s funds decreased by 8% due to the dividend paid to group, exceeding the profit for the year.

Current assets as a percentage of current liabilities has decreased by 3% mainly due to a decrease in Work In Progress and Assets on Contracts.

The total average number of employees has increased by 4% compared to the prior year due an increase in the number of Regional staff employed for the Mercedes business and additional staff hired prior to the Covid-19 impact in early 2020.

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.

Strategic Report (continued)

Principal risks and uncertainties (continued)

- Financial instrument risks (continued)

- Exposure to liquidity, cash flow and credit risk

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

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

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

- Exposure to foreign exchange risk

Foreign exchange risk is the risk arising from purchases and sales of goods or services denominated in foreign currencies. The majority of our commercial dealings are done in the local currencies of the countries in which they are transacted. As a result, exchange rate risk relating to such transactions is not very significant and is occasionally 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.

Covid-19

In 2020, the global economy suffered a completely unprecedented shock: the Covid-19 pandemic, which caused the voluntary shutdown of economies to combat the spread of the virus. The Company took certain actions in response to the Covid-19 pandemic to manage the crisis, which included:

- Prioritising employees' health & safety; both physical and mental. This includes the provision of necessary equipment and transferring almost all of its workforce to remote working, as well as improving access and solutions to Employee's Assistance Programs;
- Supporting clients as closely as possible to their needs, by offering steadfast availability and providing them with strategic, creative and technological support in all areas;
- Implementing cost saving measures such as reducing expenses on travel, finding equitable solutions with suppliers and benefitting from governmental support; and
- Addressing employees through continuous communications by the Board, via video or email.

The Company entered 2021 in a context characterised by economic uncertainty related to Covid-19. After 2020, this situation could continue to have an impact on economic activity in the markets in which the Company operates. It could also pose risks to the health and safety of the Company's employees. At the date of filing of these financial statements, the duration of this pandemic and the magnitude of its impact on the Company's growth are still difficult to assess. In general, all of the principal risks and uncertainties identified above should be considered in light of the consequences of the Covid-19 pandemic.

We have also looked at the impact on estimates made within these financial statements, including on the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. We specifically comment on the impact on our going concern assessment on page 10.

s. 172 (1) Statement

From the perspective of the Board, the matters that it is responsible for considering have been considered to an appropriate extent and the directors have acted in a way they consider in good faith would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out under Section 172 (1) (a)-(f) of the Companies Act 2006), in the decisions taken during the year ended 31 December 2020.

Strategic Report (continued)

s. 172 (1) Statement (continued)

Strategy, Purpose, Culture and Values

Saatchi & Saatchi launched in 1970, with the philosophy that “Nothing is Impossible” – a statement that is carved into the steps of our London building. This spirit remains fundamental to our approach.

Over the years, we are proud to have created some of the world’s most famous, loved – and in more recent times, most shared – ideas: from the ‘Face’ ad for British Airways, to ‘Life flows better’ for Visa, and the ‘Life’s for sharing’ campaign for T-Mobile.

We are a full service, integrated communications network, with 114 offices in 67 countries, with our headquarters in London. Saatchi & Saatchi is part of the Publicis Groupe, the world’s third largest communications group.

It is important to recognise that in an organisation such as ours, our strategy and culture is very much aligned with that of our ultimate parent company Publicis Groupe S.A. The Company operates as an advertising agency both for domestic and international clients producing marketing assets for broadcast, digital and print channels.

At Saatchi & Saatchi, we believe in the unreasonable power of creativity to deliver impossible outcomes for our clients. We are 50 years young in 2020 and we continue to be powered by the spirit of our founders – the philosophy that “Nothing is Impossible”. We create living business ideas that acts as the brief and North Star for creating action across a client’s business internally and externally, from communications and corporate reputation to innovation and culture.

The Covid-19 pandemic began in 2020 bringing major health, economic and social consequences on a global scale. At the end of January 2020, Publicis Groupe set up a coordination unit to standardise decision-making protocols across the entire Groupe to protect the health and safety of employees. Mirror crisis units were set up in each country, including the UK, to monitor the local situation in real time, implementing country-by-country operational management. Employees were provided with the necessary equipment to enable remote working and with access to solutions and applications to support their mental and physical well-being.

Local leadership set up working groups and held open question-and-answer sessions (Town Halls) regularly to ensure all employees had up-to-date information and support during the pandemic. Our teams mobilised quickly to support clients to help them overcome the consequences of the crisis. By providing strategic, creative, technological and commercial support to our clients, we were able to address their challenges through our strong ability to devise tailor-made solutions to maintain links with end consumers during this unprecedented time.

Publicis Groupe implemented global savings plans to adapt costs to the decline in global business activity, including instituting a hiring freeze, stopping the use of freelancers, pausing internal promotions and, for some of our employees, reducing the working week and requesting voluntary wage cuts.

The Board recognises the importance of having the right corporate culture. Our long-term success depends on achieving our strategic goals in the right way, so we look after the best interests of our stakeholders.

How Stakeholder interests are considered?

The directors fulfil their duties partly through a governance framework that delegates day-to-day decision-making to senior management and employees of the Company.

Action has been taken to ensure stakeholder interests are embedded within the culture and operating model of the business by various means. Senior management meet regularly to discuss agency issues and sets the agency of actions to be taken/pursued including operational issues. The global Chief Financial Officer and Chief Executive Officer sit as directors of the Company and both have oversight over the strategic activities delegated to employees and as such, regularly provides updates to the other directors.

As part of their induction, all directors are briefed on their duties and they can access professional advice on these, either from the Company Secretary or, if they judge it necessary, from an independent adviser. Directors must fully adhere to the group code of ethics (“JANUS”) which includes a defined set of internal policies, procedures and processes framework that take into account stakeholder interests, as part of this process, they must declare any potential conflicts of interest annually. For further details of the JANUS, the group structure and our corporate culture, please see: <https://www.publicisgroupe.com/en/the-groupe/corporate-social-responsibility/csr-strategy>

Strategic Report (continued)

s. 172 (1) Statement (continued)

Our Stakeholders

The Company is committed to being a responsible business. Our behaviour is aligned with the expectations of our people, clients, investors, communities and society as a whole and we are aware that this is important for the long-term success of the Company:

1. Our People

People are at the heart of our services. Diversity and inclusion are deeply rooted in our strategy and recruitment policy, which brings through a diverse range of talent crucial in communication and advertising. For our business to succeed, it is crucial that we understand our employee's values, and what drives them. We aim to manage our people's performance and development and encourage employees to discuss training proposals with their line managers, whilst ensuring we operate as efficiently as possible and this is fundamental to the long-term success of the business. We also ensure we share common values that inform and guide our behaviour so we achieve our goals in the right way.

Engagement: The Company has a well-developed structure through which it engages with its employees. We communicate our core values, policies and processes to all our employees via JANUS and our detailed employee handbook. Our dedicated qualified HR teams are on hand to ensure compliance with JANUS and all local applicable employment laws, and are a point of contact for employees to raise queries, concerns and provide feedback on any employment matters, thus helping us to make improvements to our processes. We also have a whistleblowing policy, managed by an independent whistleblowing services provider, where employees can report concerns confidentially. We are continuously working on wide collaborative projects relating to recruitment, career development and equal pay.

Earlier in the year, we conducted a group wide employee satisfaction survey. 43% of our employees responded, giving us their views on our strategic direction, the impact of recent transactions in the business and confidence in their leaders. The key takeaways from the survey were that psychological well-being and concerns around job security were at the forefront of our employees minds. The results of the survey were reviewed by senior management and helped to shape future business decisions including the implementation of new:

- Mental Health & Well-being policy;
- Agile/Modern day working practices; and
- Trained mental health first aiders and people managers to understand work place pressures and build resilience with the aim of reducing employee turnover.

Following the survey, we have implemented new employee initiatives (as well as continue to promote current initiatives) that represent interests of employees throughout the year, including:

- HEADLINE – a mental health and well-being initiative to support employees and ensure they have better days at work i.e. free seminars on how to manage stress at work;
- Publicis E-Learning – the employee training and career development platform;
- Re:connect – an online portal for annual performance reviews and goal setting for employees;
- Viva Women – regularly offer free events and training for developing and encouraging confidence in female leaders;
- Egalite – committed to enhance Company's reputation as an employer of choice for LGBT employees by promoting equality in the workplace; and
- Employee Assistance Programme – Unum Lifeworks - which offers a confidential and free helpline offering independent advice and support to employees on health, family, finances and work.

We held various virtual meetings and events during the year for our employees, driven by senior management including:

- Employee representative forums where employees are encouraged to put forward their comments, questions and ideas about the business to their representatives (from across the business);
- Town Hall – held regularly, usually on an annual basis, where all employees in the group attend meetings online to learn more about key achievements; and
- Company Social Events – annual summer and Christmas party and various fundraising events

Strategic Report (continued)

s. 172 (1) Statement (continued)

Our Stakeholders (continued)

1. Our People (continued)

These meetings were an opportunity for employees to engage with each other or to provide feedback to senior management to help improve our processes, and for senior management to listen to employee concerns and inform them of any key strategic changes and transactions happening in the Company. Employees are consulted regularly on a wide range of matters affecting their current and future interests.

2. Business Relationships (our clients and suppliers)

a. Clients

Our client strategy prioritises growth, driven by responsible marketing which is at the core of what we want to for our client's brands and products; we also need to respond to consumers' expectation about climate change and do our social impact as this is driving the consumer's choice. Data protection is another vital requirement, as we need to keep consumer's trust in our digital world; citizens-consumers need to keep their freedom to share data or not, and their ability to express their choices. This all ensures we are bringing new clients into the group and maintain strong client relationships.

Engagement: We engage with our clients on a regular basis. We set up and communicate key performance indicators (KPIs) with our clients from the outset and the managing director of the Company has weekly virtual meetings with the clients, to discuss their needs, progress with the monthly KPIs, any concerns or feedback. The Chief Executive Officer regularly attends these virtual meetings. We perform regular client surveys during the year (3 in 2020) to measure how we are performing against client expectations.

We operate in a way that allows us to stay close to our clients, and actively seek feedback to build relationships and inform them of ongoing improvements. We have fully dedicated client teams that have increased engagements with clients throughout the year, in order to gain insight from clients to assist with innovation and improvements in our processes.

For further details of how we work with our clients, please see: <https://www.publicisgroupe.com/en/the-groupe/corporate-social-responsibility/csr-strategy>

b. Suppliers

In line with our current strategy, we practice responsible procurement. We value all of our suppliers and create and maintain relationships with them to ensure that they are compliant with applicable law and our processes. We aim to ensure all suppliers are paid promptly.

Engagement: We communicate our core values, policies and processes to all our suppliers via our supplier code of conduct, which they must all adhere to. We engage with key suppliers on a regular basis through our dedicated financial operations and procurement teams who have monthly or quarterly calls with major suppliers (dependent on their classification i.e. business critical or high revenue) to discuss payment concerns and provide feedback. We have in place a vendor management system (RVIC), where suppliers can raise queries and complaints, helping to make adjustments to our payment processes and we continue to engage with our platform user and monitor supplier satisfaction.

On a group level, we carry out a CSR assessment program (using the EcoVadis tool) for our main providers, and in 2020, we extended this to local providers through a proprietary tool called PASS (Publicis Groupe Platform for Providers for a (self) Assessment on Sustainability in the Supply-chain). For further details of how we work with our suppliers, please see our modern slavery statement and supplier code of conduct: <http://saatchi.co.uk/en-gb/terms/>

3. Wider Society

a. Community

Corporate social responsibility continues to remain an integral part of the Company's business and long term strategic aspirations. Climate change is the shift for the future and is starting now and what we all need to do is to reduce our impact on the environment, without exception. Our approach which prioritises corporate social responsibility, specific to the environment and communities in which we work, are set out in JANUS, communicated and embedded within the business as part of our group's overarching strategic objectives.

Strategic Report (continued)

s. 172 (1) Statement (continued)

Our Stakeholders (continued)

3. *Wider Society (continued)*

a. *Community (continued)*

Engagement: The Company's approach is to use our position of strength to create positive change for the people and communities with which we interact. We want to leverage our expertise and enable colleagues to support the communities around us. We encourage our employees to volunteer (through paid leave) for local projects to support the communities in which they live and work, and have in the past raised donations for various charitable causes.

b. *Environment*

We carry out multiple activities to improve the overall environmental conditions of our office building by cutting down the amount of waste produced by recycling used water and recycling 98% of waste. We have installed PV solar panels, which store solar energy and are currently using heat from the earth to heat the building thereby being more energy efficient. We have installed a building management system to monitor energy usage and temperature control at our main site as well as programmable lighting systems, (including PIR), to reduce usage at non-occupied times and LED lights in 100% of areas. We have installed grey water harvesting system and a brown roof (planted with wildflowers to encourage ecosystems, supporting rarely found species of plants, animals and invertebrates). To further encourage energy efficiency, we have a passive chilled ceiling, with wireless sensor controls on the floors with auto shut off valves for the water services in high ambient/humidity and are BREEAM rated. We have implemented a cycling to work scheme, and provided cycling facilities for employees to encourage this.

We work closely with Brite Green, a sustainability strategy company to secure our (EMS) Environmental management system/ISO14001 audit accreditation by working with the relevant arms of our business to look at ways to manage our environmental impact and improve our environmental performance caused by our activities as a company both internally and externally.

We also encourage our key suppliers to sign up to our group CSR Procurement Guidelines and their actions and commitment to CSR is tracked through our internal platform 'EcoVadis'. Only suppliers who have conducted the self-assessment may progress to the next step, which is the selection process. We aim to expand our commitment to corporate social responsibility further in 2021. For further details of how we interact with communities and the environment, please see: <https://www.publicisgroupe.com/en/the-groupe/corporate-social-responsibility/csr-strategy>

4. *Shareholders*

The Board is committed to openly engaging with our shareholders, as we recognise the importance of a continuing effective dialogue with all shareholders. It is important to us that shareholders understand strategy and objectives.

The board throughout the year reviews the stakeholder interests set out in s.172 by information provided from the Company Secretary and senior management, who have direct engagement with the stakeholders. This year, the board have reviewed and approved reports, policies and processes on gender gap reporting, modern slavery and human trafficking, and payment practices, which affect the interests of various stakeholders (including employees and suppliers). For further details on policies these policies, please see: <http://saatchi.co.uk/en-gb/terms/>.

The board recognises the need to review and challenge regularly the identity of our stakeholders as it makes decisions, as well as how we can improve engagement. This is something we will continue to review throughout 2021.

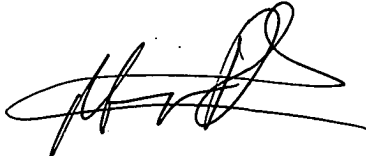
Strategic Report (continued)

s. 172 (1) Statement (continued)

Streamlined Energy and Carbon Reporting

To view the details of the Company's environmental impact please refer to the Strategic Report of MMS UK Holdings Limited, the immediate parent company, where the UK Group's environmental impact is reported in full.

On behalf of the board



M Djaba
Director
29 June 2021

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2020.

Results and dividends

The Company recorded a profit after tax for the financial year of £6,597,000 (2019: £5,412,000). A dividend of £7,463,000 was declared and paid during the year (2019: £5,666,000).

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 8. 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 Company all staff meetings. Employees are consulted regularly on a wide range of matters affecting their current and future interests.

Disclosure of information to the auditor

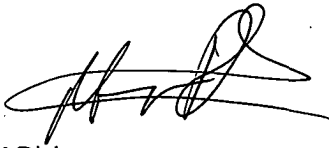
The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make 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 uncertainty as to the future impact on the Company of the Covid-19 outbreak in particular has been considered as part of the Company's adoption of the going concern basis of preparation. The directors have prepared detailed budgets and forecasts taking into account expected future trading performance, including the ongoing impact of COVID-19. We have also reviewed all costs, discretionary and fixed, to ensure the impact of Covid-19 is minimised and managed efficiently. On this basis, we are satisfied that the Company will still be able to meet its obligations as they fall due and that the going concern basis of preparation therefore remains appropriate.

On behalf of the board



M Djaba
Director

29 June 2021

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 members of Saatchi & Saatchi Group Ltd

Opinion

We have audited the financial statements of Saatchi & Saatchi Group Ltd (the 'company') for the year ended 31 December 2020 which comprise the income statement, statement of comprehensive income, balance sheet, 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, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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 course of 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.

Independent auditor's report to the members of Saatchi & Saatchi Group Limited (continued)

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 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition, impairment of intangible assets, provisions for liabilities and charges and fair value measurement of stock options.

Independent auditor's report to the members of Saatchi & Saatchi Group Limited (continued)

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

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

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

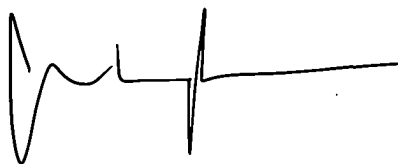
- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing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

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

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

Use of 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.



Claire Larquetoux (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

5 July 2021

Income statement

for the year ended 31 December 2020

	Notes	2020 £000	2019 £000
Revenue	2	53,973	59,339
Administrative expenses		(45,943)	(51,871)
Operating profit	3	8,030	7,468
Interest receivable and similar income	7	6	11
Interest payable and similar charges	8	(230)	(376)
Profit on ordinary activities before taxation		7,806	7,103
Taxation	9	(1,209)	(1,691)
Profit for the financial year		<u>6,597</u>	<u>5,412</u>

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

Statement of comprehensive income

for the year ended 31 December 2020

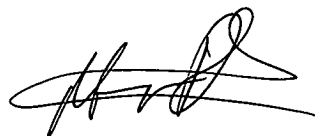
	Notes	2020 £000	2019 £000
Profit for the financial year		6,597	5,412
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Net actuarial loss recognised in the pension scheme	19	30	-
Movement on deferred tax relating to actuarial loss on pension scheme	9	(6)	-
Other comprehensive income		24	-
Total comprehensive income for the year		6,621	5,412

Balance sheet

at 31 December 2020

	Notes	2020 £000	2019 £000
<i>Non-current assets</i>			
Deferred tax asset	9	2,030	1,391
Property, plant and equipment	11	2,595	3,507
Investments	12	266	266
Intangible assets	13	24,485	24,485
		<u>29,376</u>	<u>29,649</u>
<i>Current assets</i>			
Work in progress		5,004	9,296
Trade and other receivables	14	35,534	33,602
Assets on contracts		5,242	7,152
Derivative assets	20	61	38
		<u>45,841</u>	<u>50,088</u>
<i>Current liabilities</i>			
Trade and other payables	15	(63,589)	(69,993)
Liabilities on contracts		(499)	(381)
Provisions	17	(560)	(25)
Derivative liabilities	20	(57)	(46)
Corporation tax		(3,371)	(1,543)
		<u>(68,076)</u>	<u>(71,988)</u>
<i>Net current liabilities</i>		<u>(22,235)</u>	<u>(21,900)</u>
<i>Total assets less current liabilities</i>		<u>7,141</u>	<u>7,749</u>
Net assets		<u>7,141</u>	<u>7,749</u>
<i>Capital and reserves</i>			
Called up share capital	16	286	286
Retained earnings		6,855	7,463
Total equity		<u>7,141</u>	<u>7,749</u>

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



M Djaba
Director
29 June 2021

Statement of changes in equity

for the year ended 31 December 2020

	Notes	Called up share capital £000	Retained earnings £000	Total Equity £000
At 1 January 2019		286	5,840	6,126
Profit for the financial year		-	5,412	5,412
Other comprehensive loss		-	-	-
Total comprehensive income for the year		-	5,412	5,412
Share-based payment transactions	18	-	1,877	1,877
Equity dividends paid	10	-	(5,666)	(5,666)
At 31 December 2019		286	7,463	7,749
Profit for the financial year		-	6,597	6,597
Other comprehensive income		-	24	24
Total comprehensive income for the year		-	6,621	6,621
Share-based payment transactions	18	-	234	234
Equity dividends paid	10	-	(7,463)	(7,463)
At 31 December 2020		286	6,855	7,141

Notes to the financial statements

for the year ended 31 December 2020

1. Accounting policies

1.1. Basis of preparation

Statement of compliance

Saatchi & Saatchi Group Ltd is a private Company limited by shares incorporated and domiciled in the United Kingdom and registered in England and Wales. 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 22. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

Going concern

The Company has access to considerable financial resources together with long standing relationships with key clients and suppliers. The Company's business activities, together with the factors likely to affect its future development and financial position, including the impact of Covid-19, are set out in the Strategic and Directors Report. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. 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;
- (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;

Notes to the financial statements

for the year ended 31 December 2020

1. Accounting policies (continued)

1.1. Basis of preparation (continued)

Disclosure exemptions applied (continued)

- (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 uncertainty 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 and goodwill;
- fair-value measurement of stock options awarded under Publicis Groupe S.A.'s stock option plans; and
- the provisions for liabilities and charges, particularly for defined benefit pension liabilities.

Detailed disclosures concerning these matters are provided in Notes 1.2, 12, 13, 18 and 19.

1.2. Accounting principles

Revenue recognition

The Company recognises revenue when (or as) the control of the promised goods or services (identified as performance obligations) is transferred to the client, at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The Company receives compensation from clients in the form of fees, commission, performance-based bonuses, and reimbursement of third-party costs incurred on behalf of clients. Fees are usually calculated on the basis of an hourly rate plus overheads and a margin. Commission-based contracts are calculated on the basis of a percentage of the total sum of costs paid to third parties to carry out the contract. Commission-based contracts mainly relate to supervision of production carried out by third parties. Contracts are short-term, generally under one year, and

Notes to the financial statements

for the year ended 31 December 2020

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Revenue recognition (continued)

the Company typically has right to payment to the end of the contract or as a minimum for the work performed to date.

Performance obligations

In creative advertising, there are two performance obligations, one for creative advisory services and the second for production, with the compensation for each performance obligation defined in the contract.

Some contracts include incentives that are subject to qualitative or quantitative performance criteria. These variable components are only included in the transaction price when it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Revenue recognition

Almost all the Company's revenue is recognised over time because the client simultaneously receives and consumes the benefit of the services or an asset is generated with no alternative use and for which the Company is entitled to payment for the work done to date.

- Fixed fee projects - revenue is recognised over time based on internal measurement which best describes the level of effort spent on the project, usually calculated on the basis of hours worked and direct external costs incurred on the project. For retainer arrangements with a dedicated team, the Company considers that its performance obligation is to be ready at all times to make resources available to the client. In this instance, revenue is recognised on a straight-line basis over the term of the contract.
- Commission based media contracts – revenue is recognised when the media is broadcast.
- Fees based on performance criteria - revenue is recognised when the performance criteria have been met and the client has confirmed its agreement.

"Agent" vs. "Principal" Considerations:

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

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

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

Contract modifications:

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

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.

Notes to the financial statements

for the year ended 31 December 2020

1. Accounting policies (continued)

1.2. Accounting principles (continued)

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.

Investments

Investments 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.

Intangible assets

Intangible assets and goodwill which are recorded in the balance sheet are not amortised but instead subject to impairment tests on at least an annual basis. Impairment tests are performed for the cash-generating unit(s) by comparing the recoverable value and the carrying amount of the cash-generating unit(s). The Company considers each agency or group of agencies to be a cash-generating unit.

The recoverable value of a cash-generating unit is the greater of its fair value (generally its market value), net of disposal costs, and its value in use. Value in use is determined on the basis of discounted future cash flows. Calculations are based on five-year cash flow forecasts, a terminal growth rate for subsequent cash flows and the application of a discount rate to all future flows. The discounted rate used reflects current market assessments of the time value of money and the specific risks to which the cash-generating unit is exposed.

If the carrying amount of a cash-generating unit is higher than its recoverable value, the assets of the cash-generating unit are written down to their recoverable value. Impairment losses are recognised through the statement of comprehensive income and against the investment.

Property, plant and equipment

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

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

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

Notes to the financial statements

for the year ended 31 December 2020

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Property, plant and equipment (continued)

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

Leasehold improvements	–	over the shorter of the lease term and the useful life of the asset
Furniture and equipment	–	3 - 8 years
Motor vehicles	–	4 years

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.

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.

Contract assets

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

Notes to the financial statements

for the year ended 31 December 2020

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Pensions

The Company operates a defined benefit scheme which requires contributions to be made to a separately administered fund. The Company also has a defined contributions scheme.

The cost of providing benefits under the defined benefit scheme is determined separately for each plan using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) based on actuarial advice. Past service costs are recognised in the profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occurs the charge in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the income statement. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

The interest element of the defined benefit cost represents the change in present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest costs is recognised in the income statement as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service costs not yet recognised and less fair-value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published mid-price.

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

Trade and other payables

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

Liabilities on contracts

Liabilities on contracts correspond to deferred income. These are considerations received or invoiced to clients for which the Group has an obligation to provide goods or services.

Contract liabilities do not include client advances for external costs incurred on behalf of clients and that are directly pass-through to the clients when the Group acts as "Agent". Such advances are recorded under Trade payables.

Notes to the financial statements

for the year ended 31 December 2020

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Financial liabilities carried at fair value

Derivative financial instruments, including hedge accounting

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

On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be “highly effective” in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described in note 20.

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.

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 or performance condition (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 in 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.

Notes to the financial statements

for the year ended 31 December 2020

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Share-based payments (continued)

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.

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 2020:

	EU effective date
	Periods beginning on or after
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Definition of a Business (Amendments to IFRS 3)	1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020
Covid-19-Related Rent Concessions (Amendment to IFRS 16)	1 January 2020

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

Notes to the financial statements

for the year ended 31 December 2020

2. Revenue

The activities of the Company during the year were principally related to the provision of a comprehensive service to clients covering advertising, marketing and allied services. 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:

	2020 £000	2019 £000
United Kingdom	29,793	33,919
Europe	7,689	7,102
USA	2,820	10,557
Asia	13,635	7,753
Rest of the World	36	8
	<u>53,973</u>	<u>59,339</u>

3. Operating profit

The operating profit is stated after charging

	2020 £000	2019 £000
Loss on transactions denominated in foreign currency	203	21
Depreciation of property, plant and equipment (see note 11)	912	983
Staff costs (see note 5)	33,443	32,436
Auditor's remuneration (see note 4)	33	40
	<u>33</u>	<u>40</u>

4. Auditor's remuneration

The remuneration of the auditor is further analysed as follows:

	2020 £000	2019 £000
Audit of the financial statements – Company	<u>43</u>	<u>40</u>

5. Staff costs

	2020 £000	2019 £000
Wages and salaries	28,425	27,779
Social security costs	4,127	3,833
Defined contribution pension scheme costs (see note 19)	887	824
Defined benefit pension scheme costs (see note 19)	4	-
	<u>33,443</u>	<u>32,436</u>

Included in total staff costs is £618,000 (2019: £638,000) in respect of directors' remuneration (see note 6) and a total charge for share-based payments of £234,000 (2019: £1,877,000) arising from transactions accounted for as equity-settled share-based payment transactions (see note 18).

Notes to the financial statements

for the year ended 31 December 2020

5. Staff costs (continued)

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

	2020	2019
	No.	No.
Advertising	324	310
Administration	49	49
	<u>373</u>	<u>359</u>

6. Directors' emoluments

Some of the directors of the Company are also directors of a number of subsidiaries of the ultimate parent undertaking.

The directors' emoluments for those directors remunerated by the Company were as follows:

	2020	2019
	£000	£000
Emoluments	614	630
Company contributions to defined contribution pension schemes	4	8
	<u>618</u>	<u>638</u>

There were 2 directors who were members of a money purchase pension scheme during the year (2019: 2).

There was 1 director who exercised share options during the year (2019: 1).

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

	2020	2019
	£000	£000
Emoluments	409	488
Company contributions to defined contribution pension schemes	3	7
	<u>412</u>	<u>495</u>

The highest paid director exercised share options in the year of £52,560 (2019: £57,531) and received shares under the long term incentive scheme.

7. Interest receivable and similar income

	2020	2019
	£000	£000
Intercompany interest receivable	6	11
	<u>6</u>	<u>11</u>

Notes to the financial statements

for the year ended 31 December 2020

8. Interest payable and similar charges

	2020 £000	2019 £000
Intercompany interest payable	230	376
	<u>230</u>	<u>376</u>

9. Taxation

(a) Analysis of charge for year

	2020 £000	2019 £000
Current tax:		
Corporation tax	2,031	1,645
Adjustment in respect of previous periods	(192)	-
Overseas withholding tax	3	-
Total current tax	<u>1,842</u>	<u>1,645</u>
Deferred tax:		
Origination & reversal of temporary difference	(434)	(290)
Adjustment in respect of previous periods	3	306
Rate change	(202)	30
Total deferred tax (see note 9(c))	<u>(633)</u>	<u>46</u>
Tax on profit on ordinary activities (see note 9(b))	<u>1,209</u>	<u>1,691</u>

(b) Factors affecting tax charge for the year

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%). The differences are reconciled below:

	2020 £000	2019 £000
Profit on ordinary activities before tax	<u>7,806</u>	<u>7,103</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	1,483	1,350
Expenses not deductible for tax purposes	114	128
Overseas withholding tax	3	-
Share-based payments	-	(119)
Other timing differences	-	(4)
Adjustment in respect of previous periods	(189)	306
Rate change	(202)	30
Total tax (see note 9(a))	<u>1,209</u>	<u>1,691</u>

Notes to the financial statements

for the year ended 31 December 2020

9. Taxation (continued)

(c) Deferred taxation

	Accelerated tax depreciation	Other temporary differences	Total
	£000	£000	£000
As at 1 January 2019	534	904	1,438
Debit/(credit) to profit or loss	31	258	289
Deferred tax in respect of prior year	(306)	-	(306)
Rate change	(4)	(26)	(30)
As at 31 December 2019	<u>255</u>	<u>1,136</u>	<u>1,391</u>
Debit to profit or loss	8	426	434
Deferred tax in respect of prior year	-	-	-
Rate change	45	160	205
As at 31 December 2020	<u>308</u>	<u>1,722</u>	<u>2,030</u>

Analysis of deferred tax balances for financial reporting purposes:

	2020	2019
	£000	£000
Deferred tax assets	<u>1,267</u>	<u>1,391</u>

(d) Factors that may affect future tax charges

The UK corporation tax rate is currently at 19%. The deferred tax balance has been calculated at this rate.

10. Dividends paid and proposed

Declared and paid during the year:

Equity dividends on ordinary shares:

	2020	2019
	£000	£000
Dividend paid to MMS UK Holdings Limited	<u>7,463</u>	<u>5,666</u>

Notes to the financial statements

for the year ended 31 December 2020

11. Property, plant and equipment

	Leasehold improvements £000	Motor vehicles £000	Furniture and equipment £000	Total £000
Cost:				
At 1 January 2020	3,722	42	5,638	9,402
Disposals	-	-	(2,418)	(2,418)
At 31 December 2020	<u>3,722</u>	<u>42</u>	<u>3,220</u>	<u>6,984</u>
Depreciation:				
At 1 January 2020	(1,344)	(42)	(4,509)	(5,895)
Charge for the year	(396)	-	(516)	(912)
Transfers	5	-	(5)	-
Disposals	-	-	2,418	2,418
At 31 December 2020	<u>(1,735)</u>	<u>(42)</u>	<u>(2,612)</u>	<u>(4,389)</u>
Net book value:				
At 31 December 2020	<u>1,987</u>	<u>-</u>	<u>608</u>	<u>2,595</u>
At 1 January 2020	<u>2,378</u>	<u>-</u>	<u>1,129</u>	<u>3,507</u>

12. Investments

	Art £000
Cost:	
At 1 January and 31 December 2020	266
Net book value:	
At 1 January and 31 December 2020	<u>266</u>

The directors consider any need for impairment taking into consideration a 5 year forecast into perpetuity in relation to the underlying investments. No impairment is necessary.

Notes to the financial statements

for the year ended 31 December 2020

13. Intangible assets

	£000
Cost and Net book value:	
As at 1 January and 31 December 2020	<u>24,485</u>

Intangible assets relate to the goodwill on acquisition of trade and assets of The Outside Line Limited in 2015.

14. Trade and other receivables

	2020 £000	2019 £000
Trade receivables	13,459	17,830
Amounts owed by group undertakings	21,279	15,337
Other receivables	620	237
Prepayments	176	198
	<u>35,534</u>	<u>33,602</u>

15. Trade and other payables

	2020 £000	2019 £000
Bank overdraft	19	238
Trade payables	3,171	2,071
Amounts owed to group undertakings	41,938	42,107
Payments on account	6,242	13,464
Accruals and deferred income	10,253	10,160
Other taxation and social security costs	1,885	1,725
Other payables	81	228
	<u>63,589</u>	<u>69,993</u>

16. Allotted and issued share capital

	2020 £000	2019 £000
Redeemable preference shares:		
<i>Allotted, called up and fully paid</i>		
869,812 'A' ordinary shares of 25p each	217	217
275,980 'B' ordinary shares of 25p each	69	69
	<u>286</u>	<u>286</u>

The 'B' ordinary shares are non-voting and holders of these shares have no rights to participate in dividends unless the dividend exceeds \$100,000,000. On a winding up of the Company, 'A' ordinary shares take priority in repayment of capital and share equally in any surplus assets. Both classes of shares are held by the immediate parent undertaking.

Notes to the financial statements

for the year ended 31 December 2020

17. Provisions

	2020	2019
	£000	£000
<i>Severance Provision</i>		
Balance as at 1 January	25	59
Severance payments processed	-	(34)
Additional provision	535	-
Balance as at 31 December	<u>560</u>	<u>25</u>

18. Share-based payments

The total expense recognised for share-based payments in respect of employee services received during the year to 31 December 2020 is £234,000 (2019: £1,877,000). The total credit/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 2020 have the following characteristics:

Long Term Incentive Plan (LTIP) 2019

Under this plan, a certain number of Group managers were awarded free shares, subject to two conditions: i) employment must continue throughout the three-year vesting period; ii) the free shares are subject to performance criteria and the total number of shares delivered will depend on the overall growth and profitability targets attained in 2019.

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

Long Term Incentive Plan (LTIP) 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 2018. 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 April 2021.

Long Term Incentive Plan (LTIP) 2017

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 2017. The shares ultimately awarded in accordance with the level of attainment of these performance targets will be deliverable at the end of a three-year period, i.e. in May 2020.

Special "Star Growth Performers" 2019 plan

To retain Group players that have a direct impact on growth, some of the Group's employees were awarded free shares subject only to a continued employment condition. The shares will be deliverable at the end of a three-year period, in May 2022.

Special Retention Plan 2019-2022

A new 3-year retention plan was established for certain Groupe managers. This plan is subject, in addition to the condition of continued employment, to personal performance conditions for 2020 to 2022. It will be deliverable in March 2023, at the end of a 3-year period.

Notes to the financial statements

for the year ended 31 December 2020

19. Pension and other post-retirement benefits

Defined contribution scheme

The Company operates a defined contribution scheme for the majority of its UK based employees, which is in the nature of a money purchase scheme. The assets of the schemes are held independently from those of the Company. Pension costs of £887,000 (2019: £824,000) represents contributions payable to these schemes.

Defined benefit scheme

The Company operates a defined benefit pension scheme in the UK. The scheme is funded by the payment of contributions to separately administered trust funds.

The Company sponsors defined benefit schemes for qualifying employees. The defined benefit schemes are administered by a separate fund that is legally separated from the Company. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension fund are responsible for the investment policy with regard to the asset of the fund.

The valuation used has been based on the most recent actuarial valuation at 31 March 2017 and was updated by Aon Hewitt Limited to take into account the requirements of IAS 19 in order to assess the liabilities of the scheme at 31 December 2020 and 31 December 2019. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets.

Risk exposure

The principal risks to which the Company is exposed through its pension funds in the United Kingdom are as follows:

- *Volatility of financial assets*
The financial assets in the plans (shares, bonds, etc.) often have a return higher than the discount rate over the long term, but are more volatile in the short term, especially since they are measured at their fair value for the Company's annual accounting needs. The asset allocation is determined so as to ensure the financial viability of the plan over the long term.
- *Variation of bond rates*
A decrease in private bond rates leads to an increase in obligations under the plans as recognised by the Company, even where this increase is partially reduced by a growth in value of the financial assets in the plans (for the portion of first category private bonds).
- *Inflation*
A significant portion of the benefits guaranteed by the pensions funds is indexed to inflation. A rise in the inflation leads to an increase in the obligation (even when thresholds have been set for most of them in order to protect the plan from hyper-inflation). Most of the financial assets are either not impacted by inflation or linked very little with inflation, therefore inferring that a rise in inflation would lead to an increase of the plan's deficit from an accounting perspective.

Notes to the financial statements

for the year ended 31 December 2020

19. Pension and other post-retirement benefits (continued)

The assets and liabilities of the schemes at 31 December are:

	2020 £000	2019 £000
<i>Scheme assets at fair value</i>		
Cash	492	485
Bonds	96,977	95,587
Fair value of scheme assets	97,469	96,072
Present value of funded obligations	(69,840)	(75,306)
Defined benefit pension plan surplus	27,629	20,766
Unrecognized asset due to asset ceiling	(27,629)	(20,766)
	<u>-</u>	<u>-</u>

The pension plans have not invested in any of the Company's own financial instruments nor in properties or other assets used by the Company.

The amounts recognised in the Income statement and in the Statement of comprehensive income for the year are analysed as follows:

	<i>Defined benefit pensions</i>	
Amounts recognised in the income statement	2020 £000	2019 £000
Current service cost	4	-
	<u>4</u>	<u>-</u>

	<i>Defined benefit pensions</i>	
Amounts recognised in other comprehensive income	2020 £000	2019 £000
Actual return less expected return on pension scheme assets	4,203	10,420
Experience gains arising on scheme liabilities	162	(124)
Changes in assumptions underlying the present value of scheme liabilities	(1,891)	(9,796)
Changes in irrecoverable surplus, effect of limit in Para 64	(2,444)	(500)
	<u>30</u>	<u>-</u>

The total contributions to the defined benefit plans in 2020 are expected to be *£nil* (2020: *£nil*).

Notes to the financial statements

for the year ended 31 December 2020

19. Pension and other post-retirement benefits (continued)

Principal actuarial assumptions at the balance sheet date:

	<i>Defined benefit pensions</i>	
	2020	2019
Rate of salary increases	0.00%	0.00%
Rate of increase in pensions in payment	2.95%	3.10%
Discount rate	1.60%	1.80%
Expected return on plan assets at 31 December		
Equities	1.60%	1.80%
Corporate bonds	1.60%	1.80%
Government bonds	1.60%	1.80%
Real estate	1.60%	1.80%
Cash	1.60%	1.80%
Overall expected return on plan assets at 31 December	1.60%	1.80%
Inflation assumption (CPI)	2.25%	2.10%

Changes in the present value of the defined benefit obligations are as follows:

	<i>Defined benefit pensions</i>	
	2020	2019
	£000	£000
As at 1 January	75,306	66,208
Service cost	4	-
Interest cost	1,323	1,835
Actuarial Losses / (Gains)	1,730	9,920
Benefits paid	(8,523)	(2,657)
As at 31 December	<u>69,840</u>	<u>75,306</u>

The defined benefit obligation comprises £69,840,000 (2019: £75,306,000) arising from plans that are wholly or partly funded.

Changes in the present value of plan assets are as follows:

	<i>Defined benefit pensions</i>	
	2020	2019
	£000	£000
As at 1 January	96,072	89,858
Actual return	9,946	8,871
Benefits paid	(8,523)	(2,657)
Administrative expenses paid	(26)	-
As at 31 December	<u>97,469</u>	<u>96,072</u>

Notes to the financial statements

for the year ended 31 December 2020

19. Pension and other post-retirement benefits (continued)

The amount included in the balance sheet arising from the Company's obligation in respect of its defined benefit scheme is as follows:

	<i>Defined benefit pensions</i>	
	2020	2019
	£000	£000
Present value of defined benefit obligation	(69,840)	(75,306)
Fair value of plan assets	97,469	96,072
Defined benefit pension plan surplus	27,629	20,766
Unrecognised asset due to asset ceiling	(27,629)	(20,766)
	<u> </u>	<u> </u>

20. Financial instruments

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

Categories of financial instruments held at fair value

	2020	2019
	£000	£000
Financial assets at fair value through profit and loss		
Derivative instruments – Assets	61	38
Total	<u>61</u>	<u>38</u>
Financial liabilities at fair value through profit and loss		
Derivative instruments – Liabilities	(57)	(46)
Total	<u>(57)</u>	<u>(46)</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 2020

20. Financial instruments (continued)

Changes in the value of financial instruments at fair value

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

	2020 £000	2019 £000
Financial assets at fair value through profit and loss		
Derivative instruments – Assets	6	29
Total	<u>6</u>	<u>29</u>
Financial liabilities at fair value through profit and loss		
Derivative instruments – Liabilities	(21)	(34)
Total	<u>(21)</u>	<u>(34)</u>

21. 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 2020 the Company had the following transactions with other subsidiaries of Publicis Groupe S.A that are not 100% owned.

Related Party	Payables		Receivables		Services		Billings	
	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
Beacon Communications KK (Japan)	-	-	-	-	-	-	-	(0)
Lion Communication Romania S.A.	-	-	-	8	-	0	(1)	(8)
Marcel	(19)	-	-	-	19	-	-	-
MMS Communication Israel Ltd	-	-	-	-	1	377	-	-
MMS Communication South Africa (Pty) Ltd	-	-	-	-	-	4	-	-
Publicis Bulgaria	-	-	-	-	-	12	-	-
Publicis Conseil S.A.(France)	(104)	-	-	23	59	-	-	-
PUBLICIS CONSULTANTS I FRANCE	(6)	-	-	2	8	1	-	-
Publicis Macedonia	-	-	-	-	-	1	-	-

Notes to the financial statements

for the year ended 31 December 2020

22. 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 Elysees, 75008 Paris, France.