PG Media Services Limited

Annual Report and Financial Statements

for the year ended 31 December 2021

Registered Number: 00926566

Directors

A King
A Nobels
G Boyle

Secretaries

R Bayley
P Muwanga

Auditor

Mazars LLP
30 Old Bailey
London
EC4M 7AU

Registered Office

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2 Television Centre
101 Wood Lane
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Strategic Report
for the year ended 31 December 2021

Principal activity and review of the business

The principal activity of PG Media Services Limited ("the Company") continues to be the engagement in media coordination, planning and buying in the advertising industry as well as the provision of marketing and promotional services.

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

	2021 £'000	2020 £'000	Change %
Revenue	74,710	62,967	19%
Operating profit / (loss)	8,184	(4,129)	298%
Profit / (loss) after tax	9.066	(582)	1,658%
Shareholder's funds	93,955	83,939	12%
Current assets as a % of current liabilities	125%	120%	6%
Average number of employees	732	727	1%

Revenue and operating profit has increased by 19% and 298% as agencies have benefited from the economic recovery following the outbreak of the Covid-19 pandemic in 2020 which has resulted in an increase in client spending.

Profit after tax has increased by 1,658% largely due to the large growth in revenue whilst continuing to manage the underlying cost base of the Company.

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 competitive market. The Company makes new business conversion a high priority in order to mitigate this risk to the greatest extent possible.

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)
for the year ended 31 December 2021

Principal risks and uncertainties (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. Our commercial dealings including intercompany activity are transacted in multiple foreign currencies and therefore expose the Company to a significant level of foreign exchange risk.

  The Company manages this risk through the use of derivatives, namely currency forward contracts and currency swaps, with the overall aim being to minimise the foreign exchange charge or gain.

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

  Derivatives used are generally forward currency contracts or currency swaps.

Covid-19

The declaration of the Covid-19 pandemic in 2020 resulted in unprecedented uncertainty to the global economy following the introduction of lockdown measures by national governments worldwide in a bid to combat the spread of the virus. Since the initial declaration, the Company has taken certain actions to effectively manage the impact of the pandemic on the Company which prioritised the health and safety of employees whilst supporting clients and managing the cost-base of the business. In this context, the Company has entered 2022 in an improving environment with various national governments including the UK government relaxing all restrictions related to the Covid-19 pandemic which has seen a recovery in economic activity.

However, there continues to be economic and social uncertainty related to the Covid-19 pandemic which could have an impact on economic activity in certain overseas markets in which the Company operates. This is largely driven by the potential impact from varying and ongoing Covid-19 restrictions which continue to be imposed by overseas national governments in their jurisdictions and has been factored by the Company as part of its going concern assessment.

In general, all of the principal risks and uncertainties above should be considered in light of the consequences of the Covid-19 pandemic.

Strategic Report (continued)
for the year ended 31 December 2021

Streamlined energy and carbon reporting

At a Groupe level and in the face of the climate emergency, we have set ambitious targets to reduce our environmental impact. We have decided to become carbon neutral by 2030. Our targets have been validated by the SBTi (Science Based Targets initiative) and are aligned with the Paris Agreement and the 1.5° scenario. To assist our clients in their own efforts to reduce their environmental footprint, we have created A.L.I.C.E (Advertising Limiting Impacts & Carbon Emissions), a calculator to assess the impact of their campaigns or projects. For further details of how we interact with communities and the environment, please see: https://www.publicisgroupe.com/en/the-groupe/corporate-social-responsibility/csr-strategy.

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

Section 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 2021.

Strategy, Purpose, Culture and Values

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 principal activity of the Company is the engagement in media coordination, planning and buying in the advertising industry as well as the provision of marketing and promotional services. Under the terms of two agency agreements, the Company acts as a Principal to two agents, Starcom Worldwide Limited and MSLGroup London Limited who are subsidiaries of the Company.

Starcom Worldwide Limited purchases and sells media space and carries out related activities on behalf of the Principal. Its passion is helping brands thrive by meeting people on their terms. They harness the power of data, media and technology to create experiences people love and actions brands need. MSLGroup London Limited carries out public relations and related communications activities on behalf of the Principal. MSL is a leading global creative communications agency, with diverse skills and perspectives creating stories, content and experiences that transform the way people think, feel and behave in order to build brands, businesses, reputations & relationships. Brave, Inventive, Community are its core values, woven into everything.

2021 is a year that will be remembered for the Covid-19 pandemic, with major health, economic and social consequences on a global scale. While all economic activities were impacted in one way or another, the economic rebound in some countries reveals a certain solidity in economic models and the beneficial impact of public policies supporting the economy, businesses and people. Groupe demonstrated its strong resilience in the face of the COVID-19 pandemic and put in place a number of strong measures to contain the financial impacts of the pandemic, such as the implementation of a global savings plan to adapt costs to the decline in the global business activity.

2021 confirmed major changes resulting from the consequences of the Covid-19 pandemic on the organisation of work and the aspirations of employees. Working from home, in either on-and-off or continuous mode, continued depending on changes in the local health situation. Groupe has taken important operational decisions to preserve its talent. The rollout of Marcel, the Groupe's artificial intelligence platform to meet the requirements of new working methods and enable better sharing, even remotely. Marcel has acted as a way of bringing teams together and proved to be a valuable tool during such a period.

Strategic Report (continued)
for the year ended 31 December 2021

Section 172(1) statement (continued)

Strategy, Purpose, Culture and Values (continued)

In December 2021, Groupe announced the implementation of Work Your World, a new internal mobility system to provide a sustainable response to several wishes formulated by employees in a post-Covid-19 world. Given the Groupe's international footprint with offices in almost every major city around the world, Work Your World allows the employee to work for up to six weeks from a destination of the employee's choice, giving everyone the opportunity to work from other locations in the world in a simple and flexible way.

During lockdown or restriction periods, Groupe (UK management) were involved in a vast mental health support programs across Groupe UK, involving all employees to meet their needs:

- 100 employees were trained as Mental Health First Aiders (with Mental Health First Aid England) and 15 of them received more specific training in suicide prevention. The Headline program continued in a more extensive version, always with the help of volunteers, Headline Ambassadors trained in issues related to the consequences of the pandemic;
- the offer of health care services in terms of physical and mental health remained due to the simplified access to the EAP – Employee Assistance Program and to activities: yoga, meditation, massages, sports club (including running, cycling, etc.), supplemented by a 24/7 hotline;
- the UK Executive Committee held plenary sessions to answer all employees' questions, and the internal communication plan was always accompanied government health announcements;
- these collective sessions were supplemented by Brave Space and another individual format, Ask US Anything days, organised by the Talent and DE&I teams, where each employee could meet directly with each other and ask more personal questions;
- two internal surveys dedicated to employee well-being were repeated (one per half-year), in order to monitor changes in team morale and provide rapid responses, and
- the Marcel Mentors program began allowing mentees with a professional challenge to find a voluntary mentor within the Groupe to support them; this relationship had a very positive impact for both partners, especially during the long months of working at home.

Support to clients to help them overcome the consequences of the Covid-19 pandemic crisis continues with the provision of strategic, creative, technological and commercial support. We are able to address their challenges through our strong ability to devise tailor-made solutions to maintain links with end consumers.

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. The 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.

Strategic Report (continued)
for the year ended 31 December 2021

Section 172(1) statement (continued)

How Stakeholder interests are considered (continued)

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 JANUS, the Group structure and our corporate culture, please see: https://www.publicisgroupe.com/en/the-groupe/corporate-social-responsibility/csr-strategy

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*

   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 and People 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.

   A Groupe centralised whistleblowing mechanism is operational, and is designed to receive and handle internal or external alerts. Reported concerns are managed by the Groupe Secretary General and systematically followed up, with complete confidentiality and protection for whistleblowers. We also have a whistleblowing policy, managed by an independent whistleblowing services provider, where employees can report concerns confidentially.

   Regular mental health and wellbeing surveys are conducted. Employees respond, giving their views on our strategic direction, the impact of recent transactions in the business and confidence in their leaders. The key takeaways from the surveys were that psychological and physical wellbeing are at the forefront of our employees' minds. The results of the surveys continue to shape future business decisions, where internal culture is at the heart of discussions, so that employees' mental wellbeing and physical wellbeing is supported. This is achieved through the establishment, continued promotion and support of current initiatives that are aligned with a feedback culture through listening exercises, engagement surveys and focus groups.

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

Strategic Report (continued)
for the year ended 31 December 2021

Section 172(1) statement (continued)

Our stakeholders (continued)

1. *Our People (continued)*

- Mental Health & Wellbeing policy;
- Agile, flexible working practices;
- Trained mental health first aiders and people managers to understand workplace pressures and build resilience with the aim of reducing employee turnover;
- Publicis e-Learning – the employee training and career development platform;
- Career Conversations – an online portal for annual performance reviews and goal setting for employees;
- HEADLINE – a mental health and wellbeing initiative which has a whole programme of activities, resources and tools to support employees and ensure they have more good days at work. UNUM Lifeworks opened a free 24/7 crisis support hotline to offer professional emotional support to individuals dealing with the unfolding events in Ukraine;
- The Groupe Diversity Equity & Inclusion charter. In 2021, extensive work was done to develop inclusive and progressive policies around the expression of concerns at work; and
- Business Resource Groups (BRGs) employee-led groups join together around common interests, backgrounds or demographic factors to help build an engaging and inclusive work environment for all:
    - **VivaWomen** – regularly offer free events and training for developing and encouraging confidence in female leaders;
    - **Egalite** – is Groupe's BRG for lesbian, gay, bisexual, transgender and queer (LGBTQ+) professionals and their allies. The group is committed to enhancing the Company's reputation as an employer of choice for LGBTQ+ employees and their allies by promoting equality in the workplace, supporting the LGBTQ+ community, and helping to develop leaders who can elevate our clients' brands within the hearts and minds of the LGBTQ+ community;
    - **Embrace** – established for BAME (Black, Asian, minority ethnic people) and their allies. The group is committed to support the unique issues and challenges facing ethnic minorities and their allies, and to foster a more informed and inclusive community where Black, Asian and people from ethnic minorities and their allies can live, develop and work authentically. Embrace aims to help steer Publicis Groupe to become a reflection of the brands and communities we serve; and
    - **Enable** – established to enable colleagues with a disability (visible and non-visible) to thrive within Publicis Groupe, and to attract, support and retain more disabled talent in the business. We do this by championing the needs of colleagues with disabilities and promoting dialogue and action to foster a more disability confident culture.

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

- Business Briefing videos - from executive committee to employees conducted regularly;

Strategic Report (continued)
for the year ended 31 December 2021

Section 172(1) statement (continued)

Our stakeholders (continued)

1. *Our People (continued)*

- Town Hall – held regularly, usually on an annual basis, for 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.

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, we scout out new opportunities for our clients – by challenging briefs, acting as consultants, and using insights to deliver growth right across the customer journey. We solve complex challenges.

We solve complex challenges. We interrogate data – looking at everything from technology infrastructure to content distribution – so we get to the heart of problems and provide broader, more impactful solutions. We grow our clients business it is simple. Everything we do is about delivering profitable top-line growth for our clients. We believe in exploring new perspectives. Looking at things differently. Turning structures upside down, back to front and sideways. Excited by what we might find.

Thinking big and acting bigger. So we think big and act bigger. Stay versatile and interconnected. We approach everything with an inventive spirit and rigorous mind-set. Individually we're great, but as a team we're unstoppable. Together, we seek out opportunities, frame problems and solve complex challenges. Our collective brilliance exposes breakthroughs. Our capability unleashes creativity. We pursue a new perspective and deliver a new kind of ROI. This all ensures we are bringing new clients into the group 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 in person meetings with the clients, to discuss their needs, progress with the monthly KPIs, any concerns or feedback. The Chief Executive Officer regularly attends these meetings.

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.

Strategic Report (continued)
for the year ended 31 December 2021

Section 172(1) statement (continued)

Our stakeholders (continued)

2. *Business Relationships (our clients and suppliers) (continued)*

   b. *Suppliers*

   In line with our current strategy, we practice responsible procurement. We value all of our suppliers and create and maintain relationships 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 Groupe level, we carry out a CSR assessment program (using the EcoVadis platform) for our main providers, and from 2020 this was extended 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: https://www.mslgroup.co.uk/support/policies/ and https://www.starcomww.com/markets/united-kingdom.

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: we all need to do is to reduce our impact on the environment, without exception. Our approach, priorities 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 groups overarching strategic objectives.

   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.

   Engagement: 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 (all waste goes to a recycling plant and waste is divided on site to make the waste stream

Strategic Report (continued)
for the year ended 31 December 2021

Section 172(1) statement (continued)

Our stakeholders (continued)

3. *Wider society (continued)*

   b. *Environment (continued)*

more efficient). 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 implemented a cycling to work scheme and provided cycling facilities for employees to encourage this.

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 those 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: https://www.mslgroup.co.uk/support/policies/ and https://www.starcomww.com/markets/united-kingdom.

The board recognises the need to review and regularly challenge 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 2022.

This report was approved by the board of directors and signed on its behalf by:

A Nobels
Director

1 July 2022

Directors' Report
for the year ended 31 December 2021

The directors present their report and the audited financial statements of PG Media Services Limited ("the Company") for the year ended 31 December 2021.

Results and dividends

The Company recorded a profit after tax for the year of £9,066,000 (2020: loss of £582,000). A dividend of £Nil (2020: £43,967,000) was declared and paid during the year.

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 10. 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 of the Company who served during the year and up to the date of signing the financial statements were:

A King
A Nobels
G P Boyle

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 year.

Post balance sheet events

Since the year ended 31 December 2021, the United Kingdom, the European Union, the United States of America and other Western nations have imposed economic sanctions on Russia and Russian interests worldwide in response to Russian forces entering Ukraine on 24 February 2022. The directors have considered the impact of the Company's ultimate parent undertaking Publicis Groupe S.A. subsequent announcement on 15 March 2022 that it has ceased all trading activities in Russia with immediate effect and the wider global impact of the economic sanctions imposed on the Company's activities and operations. Whilst it is too early to assess the full financial impact on the Company, a decline in activity may give rise to future impairment of assets and may create additional liabilities which cannot be quantified at this stage. As such, the directors have treated this as a non-adjusting post balance sheet event.

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

Directors' Report (continued)
for the year ended 31 December 2021

Disabled employees (continued)

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' engagement

The Company places considerable value on its engagement with 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 electronic communication. Employees are consulted regularly on a wide range of matters affecting their current and future interests. See the s172 Statement in the Strategic Report on pages 2 to 10 for further information.

Going concern

The Company has access to considerable financial resources together with long standing relationships with key clients and suppliers. The directors have prepared detailed budgets and financial forecasts taking into account expected future trading performance, including the prolonged impact of the Covid-19 pandemic and the impact on global economic activity of the economic sanctions imposed by the United Kingdom, the European Union, the United States of America and other Western nations on Russia and Russian interests in response to Russia entering Ukraine on 24 February 2022. 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 to meet its obligations as they fall due for the foreseeable future being a period of at least twelve months from the approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

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.

This information is given and should be interpreted in accordance with s418 of the Companies Act 2006.

This report was approved by the board of directors and signed on its behalf by:

A Nobels
Director

1 July 2022

Statement of Directors' Responsibilities
for the year ended 31 December 2021

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 PG Media Services Limited
for the year ended 31 December 2021

Opinion

We have audited the financial statements of PG Media Services Limited (the 'Company') for the year ended 31 December 2021 which comprise the Statement of 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, 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 2021 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 and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report and Financial Statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Independent auditor’s report to the members of PG Media Services Limited (continued)
for the year ended 31 December 2021

Other information (continued)

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 Statement of Directors’ Responsibilities set out on page 13, 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

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

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.

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.

Independent auditor's report to the members of PG Media Services Limited (continued)
for the year ended 31 December 2021

Use of our report

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

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

Date: 8 July 2022

Statement of Comprehensive Income
for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Revenue	4	74,710	62,697
Administrative expenses		(66,725)	(58,813)
Other income		199	1,717
Operating profit / (loss)	5	8,184	(4,129)
Income from shares in group undertakings		2,402	3,108
Interest receivable and similar income	9	-	92
Interest payable and similar charges	10	(25)	(138)
Profit / (loss) on ordinary activities before taxation		10,561	(1,067)
Taxation	11	(1,495)	485
Profit / (loss) for the year		9,066	(582)
Other comprehensive income:			
Items that will not be reclassified to profit and loss:			
Net actuarial gain recognised in the pension schemes	20	727	1,058
Movement on deferred tax relating to actuarial gain on pension schemes	11	(138)	(202)
		589	856
Total comprehensive income for the year		9,655	274

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

The notes on pages 22 to 55 form part of these financial statements.

Balance Sheet
at 31 December 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Deferred tax	11	1,973	1,699
Intangible fixed assets	12	38,653	40,552
Property, plant and equipment	13	231	438
Right of use assets	14	-	268
Investments	15	2,340	2,340
		43,197	45,297
Current assets			
Work in progress		136	171
Trade and other receivables	16	266,817	293,951
Cash and cash equivalents		-	433
Derivatives - Assets	22	401	351
Corporation tax		484	2,683
		267,838	297,589
Current liabilities			
Trade and other payables	17	(213,859)	(247,793)
Short-term lease liabilities	14	-	(593)
Derivatives - Liabilities	22	(369)	(598)
		(214,228)	(248,984)
Net current assets		53,610	48,605
Total assets less current liabilities		96,807	93,902
Non-current liabilities			
Provisions	18	(341)	(7,001)
Defined benefit pension liability	20	(2,511)	(2,962)
		(2,852)	(9,963)
Net assets		93,955	83,939
Capital and reserves			
Called up share capital	19	5,383	5,383
Share premium		78,006	78,006
Retained earnings		10,566	550
Total equity		93,955	83,939

Balance Sheet
at 31 December 2021

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

A Nobels
Director

1 July 2022

The notes on pages 22 to 55 form part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2021

	Called-up share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 1 January 2020	5,383	78,006	43,967	127,356
Loss for the year	-	-	(582)	(582)
Other comprehensive income	-	-	856	856
Total comprehensive income for the year	**-**	**-**	**274**	**274**
Share-based payments (see Note 21)	-	-	276	276
Dividends paid	-	-	(43,967)	(43,967)
At 31 December 2020	**5,383**	**78,006**	**550**	**83,939**
Profit for the year	-	-	9,066	9,066
Other comprehensive income	-	-	589	589
Total comprehensive income for the year	**-**	**-**	**9,655**	**9,655**
Share-based payments (see Note 21)	-	-	361	361
At 31 December 2021	**5,383**	**78,006**	**10,566**	**93,955**

The notes on pages 22 to 55 form part of these financial statements.

Notes to the financial statements
for the year ended 31 December 2021

1. Accounting policies

1.1. Basis of preparation

PG Media Services Limited ("the Company") is a private company limited by shares incorporated and domiciled in the United Kingdom and registered in England and Wales. The address of the registered office is 1st Floor, 2 Television Centre, 101 Wood Lane, London W12 7FR. These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") and in accordance with the applicable provisions of the Companies Act 2006. Except for certain disclosure exemptions detailed below, the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK 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. The Company's functional and presentational currency is Pound Sterling.

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 24. 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 directors have prepared detailed budgets and financial forecasts taking into account expected future trading performance, including the prolonged impact of the Covid-19 pandemic and the impact on global economic activity of the economic sanctions imposed by the United Kingdom, the European Union, the United States of America and other Western nations on Russia and Russian interests in response to Russia entering Ukraine on 24 February 2022. 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 to meet its obligations as they fall due for the foreseeable future being a period of at least twelve months from the approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements

Notes to the financial statements
for the year ended 31 December 2021

1. Accounting policies (continued)

1.1. Basis of preparation (continued)

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 requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 ‘Revenue from Contracts with Customers’

(iv) The 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));

(v) The requirements of IAS 1 ‘Presentation of Financial Statements’ paragraph 16, the requirement to make an explicit and unreserved statement of compliance with IFRS;

(vi) The requirements of IAS 1 ‘Presentation of Financial Statements’ paragraphs 38A to 40D relating to disclosures of comparative information;

(vii) The requirement of IAS 1 ‘Presentation of Financial Statements’ paragraphs 134 to 136 relating to the disclosure of capital management policies and objectives

(viii) 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;

(ix) 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;

(x) 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

(xi) 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.

Notes to the financial statements
for the year ended 31 December 2021

1. Accounting policies (continued)

1.1. Basis of preparation (continued)

Changes in accounting policies

New and amended standards and interpretations adopted

The following standards and interpretations have been adopted by the Company as they are mandatory for the year ended 31 December 2021:

	UK effective date Periods beginning on or after
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021
IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current	1 January 2021

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

1.2. Accounting principles

Revenue recognition

The Company's revenue stems from contracts with clients to provide direct and digital marketing, CRM (Customer Relationship Management), sales promotion and point of sales marketing, public relations, event management, institutional and financial communication strategic media planning, and media buying as well as digital business transformation consulting.

Revenue recognised from contracts with clients comprises fees, commission, performance-based bonuses, and reimbursement of third-party costs incurred on behalf of clients and is stated exclusive of VAT, sales taxes and trade discounts. Fees are usually calculated on the basis of an hourly rate plus overheads and a margin. Commission-based contracts are calculated on the basis of a percentage of the total sum of costs paid to third parties to carry out the contract. Commission-based contracts mainly relate to media space bought on behalf of the clients and supervision of production carried out by third parties. Contracts are short-term in nature, generally under one year, and the Company typically has right to payment to the end of the contract or as a minimum for the work performed to date.

Performance obligations

Revenue is recognised when a performance obligation is satisfied in accordance with the terms of the contractual arrangement. Generally, the promised services in a contract are not considered distinct and are accounted for as a single performance obligation. The promised services are only distinct if the client can benefit from the services on its own and if the Company's promise to transfer these services is separately identifiable from other promises in the contract. As such, these services are recognised as separate performance obligations.

In media services, the transaction price generally covers strategic media planning services as well as media buying. In these contracts, we consider that these two groups of services are separate performance obligations. The transaction price is allocated to each performance obligation based on the actual input and cost of employees assigned have spent fulfilling each service.

Notes to the financial statements
for the year ended 31 December 2021

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Revenue recognition (continued)

Variable considerations of the transaction price

Some contracts include incentives that are subject to qualitative or quantitative performance criteria. These variable components are only included in the transaction price when it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Performance-based incentives are typically only recognised when the performance criteria specified in the contract have been met and the client has confirmed its agreement.

The Company also receives volume rebates from suppliers on transactions carried out on behalf of clients. These rebates are either remitted to clients based on contractual terms or local laws, or retained by the Company. The portion paid back to clients is recognised under liabilities and the portion retained is typically recognised under revenue when the media is broadcast, if a contract exists with the media vendor and we anticipate exceeding volume criteria.

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.

For the majority of fee arrangements, revenue is recognised over time based on internal measurement which best describes the level of effort spent on the project, usually calculated using an input method on the basis of hours worked and direct external costs incurred on the project to date. For retainer arrangements with a dedicated team, the 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.

For commission-based media contracts revenue is recognised at a point in time when the media is broadcast.

"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.

Notes to the financial statements
for the year ended 31 December 2021

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Revenue recognition (continued)

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 Statement of Comprehensive Income. 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.

Interest income and expense

Interest income arises from balances with group undertakings. Interest expense arises from financing activities. Interest income and expense are recognised in the Statement of Comprehensive Income using the effective interest method.

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.

Intangible fixed assets

The excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities of businesses acquired is capitalised on the Balance Sheet. Goodwill that is recorded in the Balance Sheet as Intangible fixed assets is not amortised but is instead subject to impairment tests on at least an annual basis. Impairment tests are performed for the cash-generating unit(s) to which goodwill has been allocated by comparing the recoverable value and the carrying amount of the cash-generating unit(s). The Company considers each brand or group of brands to be a cash-generating unit.

Notes to the financial statements
for the year ended 31 December 2021

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Intangible fixed assets (continued)

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.

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 10 years or remaining lease term
Furniture and equipment	-	10 to 20% per annum
Computer equipment	-	33% per annum

Residual value is calculated on prices prevailing at the date of acquisition. 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 the Statement of Comprehensive Income.

Leases

Leases are recognised on the Balance sheet at the outset of the lease at the present value of future payments. These leases are recognised under "Lease liabilities", offset by "Right-of-use assets". They are amortised over the term of the lease, which is typically the fixed period of the lease unless there is a stated intention to renew or terminate. In the Income Statement, depreciation and amortisation expenses are recognised in the operating margin and interest expenses under net financial income (expenses).

Notes to the financial statements
for the year ended 31 December 2021

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Leases (continued)

Leases of low-value assets or short-term leases are immediately expensed in the Statement of Comprehensive Income.

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.

Work in progress

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

Trade and other receivables

Trade receivables are recognised at the initial amount of the invoice, except for longer-term debtors explained below. Trade receivables presenting a risk of non-recovery are subject to impairment. Such allowances are determined, on a case-by-case basis, using various criteria such as difficulties in recovering the receivables, the existence of any disputes and claims, or the financial position of 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.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Notes to the financial statements
for the year ended 31 December 2021

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Trade and other payables

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

Contract liabilities

Contract liabilities correspond to deferred income. These are considerations received or invoiced to clients for which the Company 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 Company acts as "Agent". Such advances are recorded under Trade payables.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Dilapidations are provided for on leasehold properties where the terms of the lease require the Company to make good any changes made to the property during the period of the lease

Pensions

The Company operates a defined benefit scheme which requires contributions to be made to a separately administered fund. The defined benefit pension scheme was closed to new members in a prior period and these benefits are funded. The Company has also agreed to provide certain additional post-employment healthcare benefits to one employee. These post-retirement healthcare benefits are unfunded. The Company also operates a defined contribution scheme for its employees.

The cost of providing benefits under the defined benefit schemes 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 Statement of Comprehensive Income 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

Notes to the financial statements
for the year ended 31 December 2021

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Pensions (continued)

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.

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, 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 the Statement of Comprehensive Income as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described in Note 23.

Equity and reserves

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

Share premium represents the difference between the issue price and the nominal value of the shares issued.

Retained earnings include all current and prior period retained profits.

Notes to the financial statements
for the year ended 31 December 2021

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Dividends paid

Dividends are recognised when they become legally payable. Interim dividends to equity shareholders are recognised when paid. Final dividends to equity shareholders are recognised when approved by the shareholders at the annual general meeting.

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 performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

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 a cumulative expense since the previous balance sheet date is recognised in the Statement of Comprehensive Income, 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income.

Notes to the financial statements
for the year ended 31 December 2021

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires of the use of certain critical accounting judgements and estimates regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Information about critical accounting judgements and key sources of estimation uncertainty 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;
- the calculation of the recoverable value of goodwill and intangible assets used for impairment tests;
- impairment of investments;
- provisions for liabilities and charges particularly for defined benefit pension liabilities and post-employment medical care;
- fair-value measurement of stock options awarded under Publicis Groupe S.A.'s stock option plans.

Detailed disclosures concerning these matters are provided in Notes 1.2, 12, 15, 20 and 21.

3. Agency agreement

Under the terms of two agency agreements, the Company acts as a Principal to two agents, Starcom Worldwide Limited and MSLGroup London Limited ("the Agents"), who are subsidiaries of the Company:

- Starcom Worldwide Limited purchases and sells media space and carries out related activities on behalf of the Principal; and
- MSLGroup London Limited carries out public relations and related communications activities on behalf of the Principal.

The Principal has agreed to indemnify and keep indemnified the Agents against all and any loss, damage, expense or liability of whatsoever nature suffered or incurred by the Agent as a result of or arising from the agreement.

All costs incurred by the Agent are to be paid direct or reimbursed by the Principal.

As the Agent acts solely as agent to the Principal, its immediate parent undertaking, under the agency agreement, the Agent has no profit and loss for the year, nor does it have any assets or liabilities except in relation to its issued share capital and amounts due from the parent undertaking.

All other assets, liabilities and other obligations are reflected within the financial statements of the Principal.

Notes to the financial statements
for the year ended 31 December 2021

4. Revenue

The activities of the Company during the year were principally related to the engagement in media coordination, planning and buying in the advertising industry as well as the provision of marketing and promotional services. The directors 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:

	2021	**2020**
	£'000	**£'000**
United Kingdom	45,371	39,503
Europe	22,769	16,752
USA	2,200	5,583
Asia	4,058	454
Rest of the world	312	675
	74,710	62,967

5. Operating profit / (loss)

Operating profit / (loss) is stated after charging / (crediting):

	2021	**2020**
	£'000	**£'000**
Loss / (gain) on transactions denominated in foreign currency	414	399
Amortisation of intangible fixed assets (Note 12)	1,899	1,899
Depreciation of property, plant and equipment (Note 13)	224	246
Impairment of property, plant and equipment (Note 13)	-	1,179
Gain on disposal of property, plant and equipment	(16)	-
Depreciation of right of use assets (Note 14)	268	1,636
Auditor's remuneration (Note 6)	71	59
Staff costs (Note 7)	46,431	44,193

6. Auditor's remuneration

The remuneration of the auditor is further analysed as follows:

	2021	**2020**
	£'000	**£'000**
Audit of the financial statements - Company	71	59

Notes to the financial statements
for the year ended 31 December 2021

7. Employees

Staff costs were as follows:

	2021 £'000	2020 £'000
Wages and salaries	39,847	37,634
Social security costs	5,078	4,984
Defined contribution pension scheme costs	1,506	1,575
	46,431	44,193

Included in total staff costs is £314,000 (2020: £267,000) in respect of directors' remuneration (see Note 8) and a total expense for share-based payments of £361,000 (2020: £276,000) arising from transactions accounted for as equity-settled share-based payment transactions (see Note 21). Also included in total staff costs are the employees of the two Agents (see Note 3) as they are employed solely by the agent on behalf of the Company.

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

	2021 No.	2020 No.
Advertising	694	81
Administration	50	676
	744	727

8. Directors' remuneration

The directors' remuneration were as follows:

	2021 £'000	2020 £'000
Emoluments	313	266
Defined contribution pension scheme costs	1	1
	314	267

There was 1 (2020: 1) director who was a member of a money purchase pension scheme during the year.

There were no (2020: None) directors who were granted share options nor who exercised options during the current year.

Notes to the financial statements
for the year ended 31 December 2021

8. Directors' remuneration (continued)

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

	2021 £'000	2020 £'000
Emoluments	291	266
Defined contribution pension scheme costs	1	1
	292	267

The highest paid director exercised share options in the year of £Nil (2020: £Nil) and received shares under a long term incentive scheme.

9. Interest receivable and similar income

	2021 £'000	2020 £'000
Intercompany interest receivable	-	92

10. Interest payable and similar charges

	2021 £'000	2020 £'000
Intercompany interest payable	25	98
Interest expense on lease liabilities	-	40
	25	138

Notes to the financial statements
for the year ended 31 December 2021

11. Taxation

(a) Analysis of charge / (credit) for year

	2021 £'000	2020 £'000
Current tax:		
Corporation tax	1,903	(480)
Adjustment in respect of previous periods	4	322
Total current tax	1,907	(158)
Deferred tax:		
Origination and reversal of temporary difference	115	(15)
Adjustment in respect of previous periods	(61)	(312)
Change in tax rate	(466)	1
Total deferred tax (see Note 11(c))	(412)	(326)
Tax on profit / (loss) on ordinary activities (see Note 11(b))	1,495	(484)

(b) Factors affecting tax charge / (credit) 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 19.00% (2020: 19.00%). The differences are reconciled below:

	2021 £'000	2020 £'000
Profit / (loss) on ordinary activities before taxation	10,561	(1,067)
Profit / (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	2,007	(203)
Expenses not deductible for tax purposes	161	389
Share based payments	(55)	(90)
Income not taxable for tax purposes	(456)	(591)
Goodwill amortisation	361	-
Adjustment in respect of previous periods	(57)	10
Remeasurement of deferred tax for changes in tax rates	(466)	1
Total tax (see Note 11(a))	1,495	(484)

Notes to the financial statements
for the year ended 31 December 2021

11. Taxation (continued)

(c) Deferred taxation

	Accelerated capital allowances £'000	Retirement benefit obligation £'000	Other temporary differences £'000	Total £'000
At 1 January 2020	150	660	763	1,573
(Debit) / credit to profit and loss	(32)	(6)	52	14
Debit to other comprehensive income	-	(199)	-	(199)
Deferred tax in respect of prior year	92	57	163	312
Change in tax rates	-	(1)	-	(1)
At 31 December 2020	210	511	978	1,699
(Debit) / credit to profit and loss	(35)	52	(132)	(115)
Debit to other comprehensive income	-	(138)	-	(138)
Deferred tax in respect of prior year	9	52	-	61
Change in tax rates	58	150	258	466
At 31 December 2021	242	627	1,104	1,973

Analysis of deferred tax balances for financial reporting purposes:

	2021 £'000	2020 £'000
Deferred tax assets	1,973	1,699

(d) Factors that may affect future tax charges

The UK Government has announced plans to increase the standard rate of corporation tax from 19% to 25% from 1 April 2023. This change has been substantively enacted by the year end and therefore has been reflected in the calculation of deferred tax above.

Notes to the financial statements
for the year ended 31 December 2021

12. Intangible fixed assets

	Goodwill £'000	Intangibles £'000	Total £'000
Cost:			
At 1 January & 31 December 2021	34,853	18,992	53,845
Amortisation:			
At 1 January 2021	-	13,293	13,293
Charge for the year	-	1,899	1,899
At 31 December 2021	-	15,192	15,192
Net book value:			
At 31 December 2021	34,853	3,800	38,653
At 31 December 2020	34,853	5,699	40,552

Intangibles at year end relates to the purchase of SAS with the remaining amortisation period of 12 years.

Notes to the financial statements
for the year ended 31 December 2021

13. Property, plant and equipment

	Leasehold improvements £'000	Furniture and equipment £'000	Computer equipment £'000	Total £'000
Cost:				
At 1 January 2021	12,129	1,073	1,426	14,628
Disposals	(12,129)	(125)	(93)	(12,947)
At 31 December 2021	-	948	1,333	2,281
Depreciation:				
At 1 January 2021	12,011	756	1,423	14,190
Charge for the year	151	70	3	224
Disposals	(12,162)	(109)	(93)	(12,364)
At 31 December 2021	-	717	1,333	2,050
Net book value:				
At 31 December 2021	-	231	-	231
At 31 December 2020	118	317	3	458

14. Leases

(a) Right-of use asset

	Property £'000	Total £'000
Cost:		
At 1 January 2021		268
Depreciation charge for the year		(268)
At 31 December 2021	-	-

(b) Lease liability

During 2021 the property leases held by the Company expired and were not renewed as the Publicis Groupe continued to streamline and consolidate its UK property portfolio. As a result, £Nil (2020: £593,000) liabilities are owed and payable within twelve months of the year-end.

Notes to the financial statements
for the year ended 31 December 2021

15. Investments

	Investments in subsidiaries £'000	Associates £'000	Total £'000
Cost:			
At 1 January and 31 December 2021	2,342	8	2,350
Provision for impairment			
At 1 January and 31 December 2021	10	-	10
Net book value:			
At 31 December 2021	2,332	8	2,340
At 31 December 2020	2,332	8	2,340

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.

The Company has investments in the following subsidiary undertakings at the year-end:

Name	*Direct %*	*indirect %*	*Country of Incorporation*	*Activities*	*Registered office*
Subsidiary Undertakings					
MSLGroup London Limited	100		England & Wales	Public relations*	1st Floor, 2 Television Centre, 101 Wood Lane, London W12 7FR
Starcom Worldwide Limited	100		England & Wales	Media buying*	1st Floor, 2 Television Centre, 101 Wood Lane, London W12 7FR
D'arcy Masius Benton & Bowles (Trustee) Ltd	100		England & Wales	Dormant	1st Floor, 2 Television Centre, 101 Wood Lane, London W12 7FR
CNC - Communications & Network Consulting Limited		100	England & Wales	Advertising Agency	1st Floor, 2 Television Centre, 101 Wood Lane, London W12 7FR
Associates					
Quinn McDonnell Pattison Limited	16		Republic of Ireland	Advertising	Level 4, The Observatory, 7-11 Sir John Rogerson's Quay, Dublin 2 D02 VC42
Core1WML Limited	16		Republic of Ireland	Advertising	1 Windmill Lane, Dublin 2, D02 F206

Notes to the financial statements
for the year ended 31 December 2021

16. Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	135,082	132,267
Amounts owed by group undertakings	101,792	128,206
Prepayments	166	1,469
Contract assets	29,623	31,764
Other receivables	154	245
	266,817	293,951

17. Trade and other payables

	2021 £'000	2020 £'000
Bank overdraft	4	3
Trade payables	141,311	122,448
Amounts owed to group undertakings	57,694	56,101
Other taxation and social security costs	5,562	5,891
Accruals	2,841	48,540
Contract liabilities	3,291	9,542
Payments on account	1,133	3,856
Other payables	2,023	1,412
	213,859	247,793

Notes to the financial statements
for the year ended 31 December 2021

18. Provisions

	Onerous lease £'000	Dilapidations £'000	Total £'000
At 1 January 2021	1,500	5,501	7,001
Released during the year	(1,159)	(5,501)	(6,660)
At 31 December 2021	341	-	341

Onerous lease

This provision related to an on-going service-related commitment relating to two properties in Kensington Village, London. These provisions were previously reported in a fellow subsidiary acting as an agent that manages the property leases with a significant proportion being released during the year following the vacation of the properties at the end of the lease terms.

The first commitment in Kensington Village extended to 2021. The assumptions used in calculating the provision are a discount rate of 1.53%, a term extending to 2021; and the space having been let out to a third party. The second commitment in Kensington Village extended to 2021. The assumptions used in calculating the provision are a discount rate of 1.53%; a term extending to 2021; and the space remaining unoccupied.

Dilapidations

This provision was created in relation to the future costs to be incurred on restoring the leasehold improvements on the properties leased by the Company to their original state. The full provision has been released during the year following the vacation of the properties at the end of the lease terms.

19. Authorised and issued share capital

	2021 £'000	2020 £'000
Allotted, called up and fully paid		
5,382,509 (2020: 5,382,509) ordinary shares of £1 each	5,383	5,383

Notes to the financial statements
for the year ended 31 December 2021

20. Pension and other post-retirement benefits

Defined benefit pension 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 Company also provides certain additional post-retirement healthcare benefits to one employee in the UK. These benefits are unfunded.

The valuation used has been based on the most recent actuarial valuation at 31 December 2017 and was updated by Aon Hewitt Limited into take account the requirements of IAS 19 in order to assess the liabilities of the scheme at 31 December 2021 and 31 December 2020. 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 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 Group'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 Group, 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 2021

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

Defined benefit pension scheme (continued)

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

Year ended 31 December 2021

	Defined benefit plans £'000	Additional pension arrangements £'000	Retirement healthcare benefits £'000	Total £'000
Fair value of plan assets	74,424	-	-	74,424
Present value of defined benefit obligation	(51,965)	(1,632)	(879)	(54,476)
	22,459	(1,632)	(879)	19,948
Unrecognised asset due to asset ceiling	(22,459)	-	-	(22,459)
	-	(1,632)	(879)	(2,511)

Year ended 31 December 2020

	Defined benefit plans £'000	Additional pension arrangements £'000	Retirement healthcare benefits £'000	Total £'000
Fair value of plan assets	76,136	-	-	76,136
Present value of defined benefit obligation	(54,623)	(2,028)	(934)	(57,585)
	21,513	(2,028)	(934)	18,551
Unrecognised asset due to asset ceiling	(21,513)	-	-	(21,513)
	-	(2,028)	(934)	(2,962)

Notes to the financial statements
for the year ended 31 December 2021

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

Defined benefit pension scheme (continued)

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

Year ended 31 December 2021

	Defined benefit plans £'000	Additional pension arrangements £'000	Retirement healthcare benefits £'000	Total £'000
At 1 January 2021	76,136	-	-	76,136
Actual return	315	-	-	315
Contributions by employer	-	61	70	131
Benefits paid	(2,027)	(61)	(70)	(2,158)
At 31 December 2021	74,424	-	-	74,424

Year ended 31 December 2020

	Defined benefit plans £'000	Additional pension arrangements £'000	Retirement healthcare benefits £'000	Total £'000
At 1 January 2020	71,580	-	-	71,580
Actual return	6,547	-	-	6,547
Contributions by employer	-	69	72	141
Benefits paid	(1,991)	(69)	(72)	(2,132)
At 31 December 2020	76,136	-	-	76,136

Notes to the financial statements
for the year ended 31 December 2021

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

Defined benefit pension scheme (continued)

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

Year ended 31 December 2021

	Defined benefit plans £'000	Additional pension arrangements £'000	Retirement healthcare benefits £'000	Total £'000
At 1 January 2021	54,623	2,028	934	57,585
Interest cost	859	32	15	906
Actual gains	(1,490)	(367)	-	(1,857)
Benefits paid	(2,027)	(61)	(70)	(2,158)
At 31 December 2021	51,965	1,632	879	54,476

Year ended 31 December 2020

	Defined benefit plans £'000	Additional pension arrangements £'000	Retirement healthcare benefits £'000	Total £'000
At 1 January 2020	54,102	2,000	1,886	57,988
Interest cost	925	35	40	1,000
Actual losses / (gains)	1,587	62	(920)	729
Benefits paid	(1,991)	(69)	(72)	(2,132)
At 31 December 2020	54,623	2,028	934	57,585

The defined benefit obligation comprises £51,965,000 (2020: £54,623,000) arising from plans that are wholly or partly funded and £2,511,000 (2020: £2,962,000) from plans that are unfunded.

Notes to the financial statements
for the year ended 31 December 2021

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

Defined benefit pension scheme (continued)

The assets and liabilities of the scheme are as follows:

Year ended 31 December 2021

	Defined benefit plans £'000	Additional pension arrangements £'000	Retirement healthcare benefits £'000	Total £'000
Scheme assets at fair value				
Bonds	73,374	-	-	73,374
Other	1,050	-	-	1,050
Fair value of scheme assets	74,424	-	-	74,424
Present value of funded obligations	(51,965)	-	-	(51,965)
Defined benefit pension plan surplus	22,459	-	-	22,459
Present value of unfunded obligations	-	(1,632)	(879)	(2,511)
Restriction due to asset ceiling	(22,459)	-	-	(22,459)
Defined benefit pension plan deficit	-	(1,632)	(879)	(2,511)

Year ended 31 December 2020

	Defined benefit plans £'000	Additional pension arrangements £'000	Retirement healthcare benefits £'000	Total £'000
Scheme assets at fair value				
Cash	1,065	-	-	1,065
Bonds	75,071	-	-	75,071
Fair value of scheme assets	76,136	-	-	76,136
Present value of funded obligations	(54,623)	-	-	(54,623)
Defined benefit pension plan surplus	21,513	-	-	21,513
Present value of unfunded obligations	-	(2,028)	(934)	(2,962)
Restriction due to asset ceiling	(21,513)	-	-	(21,513)
Defined benefit pension plan deficit	-	(2,028)	(934)	(2,962)

Notes to the financial statements
for the year ended 31 December 2021

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

Defined benefit pension scheme (continued)

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 defined benefit obligation includes benefits for current employees, former employees and current pensioners.

A broad indication of the profile is set out below:

- about 0.97% (2020: 5.9%) of the liabilities are attributable to former employees and 99.03% (2020: 94.1%) to current pensioners.

The scheme duration is an indicator of the weighted-average time until benefit payments are made. The approximate scheme duration is as follows:

- the duration is around 10 – 15 years.

The amounts recognised in the Statement of Comprehensive Income for the year are analysed as follows:

Year ended 31 December 2021

	Defined benefit plans £'000	Additional pension arrangements £'000	Retirement healthcare benefits £'000	Total £'000
Amounts recognised in the Statement of Comprehensive Income				
Interest cost	859	32	15	906
Amounts recognised in Other Comprehensive Income				
Actual return less expected return on pension scheme assets	315	-	-	315
Experience gains arising on scheme liabilities	1,053	363	-	1,416
Changes in assumptions underlying the present value of scheme liabilities	435	4	-	439
Other actuarial (gains) and losses	(1,443)	-	-	(1,443)
	360	367	-	727

Notes to the financial statements
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20. Pension and other post-retirement benefits (continued)

Defined benefit pension scheme (continued)

Year ended 31 December 2020

	Defined benefit plans £'000	Additional pension arrangements £'000	Retirement healthcare benefits £'000	Total £'000
Amounts recognised in the Statement of Comprehensive Income				
Interest cost	925	35	40	1,000
Amounts recognised in Other Comprehensive Income				
Actual return less expected return on pension scheme assets	2,842	-	-	2,842
Experience gains arising on scheme liabilities	(664)	(9)	936	263
Changes in assumptions underlying the present value of scheme liabilities	(923)	(53)	(96)	(1,072)
Actuarial loss due to change in demographic assumptions	-	-	80	80
Other actuarial (gains) and losses	(1,055)	-	-	(1,055)
	200	(62)	920	1,058

The total contributions to the defined benefit plans in 2022 are expected to be £130,000 (2021: £205,000).

Notes to the financial statements
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20. Pension and other post-retirement benefits (continued)

Defined benefit pension scheme (continued)

Principal actuarial assumptions applied are as follows:

	Defined benefit plans		Additional pension arrangements		Retirement healthcare benefits	
	2021	2020	2021	2020	2021	2020
Rate of salary increases	N/A	N/A	N/A	N/A	N/A	N/A
Rate of increase in pensions in payment	3.00%	3.20%	3.30%	2.95%	-	-
Discount rate	1.70%	1.75%	1.65%	1.60%	1.60%	1.60%
Expected return om plan assets at 31 December						
Equities	1.70%	1.75%	1.65%	1.60%	-	-
Corporate bonds	1.70%	1.75%	1.65%	1.60%	-	-
Government bonds	1.70%	1.75%	1.65%	1.60%	-	-
Cash	1.70%	1.75%	1.65%	1.60%	-	-
Overall expected return on plan assets at 31 December	1.70%	1.75%	1.65%	1.60%	-	-
Inflation assumption (CPI)	2.75%	2.20%	2.75%	2.25%	-	-
Rate of increase in healthcare costs	-	-	-	-	5.50%*	6.00%*

* Rate of increase in healthcare costs are initially 5.50% (2020: 6%) and falling to 4% in 2024 (2020: 4%)

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

A 0.5 percentage point change in discount rate would have the following effects:

	Defined benefit plans		Additional pension arrangements		Retirement healthcare benefits	
	Increase 0.5% £000	Decrease 0.5% £000	Increase 0.5% £000	Decrease 0.5% £000	Increase 0.5% £000	Decrease 0.5% £000
Effect on defined benefit obligation	(2,848)	3,075	(104)	115	-	-

Notes to the financial statements
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20. Pension and other post-retirement benefits (continued)

Defined benefit pension scheme (continued)

A 0.5 percentage point change in assumed price inflation rate trends would have the following effects:

	Defined benefit plans		Additional pension arrangements		Retirement healthcare benefits	
	Increase 0.5% £000	Decrease 0.5% £000	Increase 0.5% £000	Decrease 0.5% £000	Increase 0.5% £000	Decrease 0.5% £000
Effect on defined benefit obligation	171	(169)	9	(8)	-	-

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

21. Share-based payments

The total expense recognised for share-based payments in respect of employee services received during the year to 31 December 2021 is £361,000 (2020: £276,000). 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 2021 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:

- employment must continue throughout the three-year vesting period;
- 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.

Notes to the financial statements
for the year ended 31 December 2021

21. Share-based payments (continued)

Free share plans (senior employees) (continued)

Long Term Incentive Plan (LTIP) 2021

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

- A continued presence condition during the three-year vesting period;
- Conditions for achieving the Groupe's revenue growth and profitability targets for the year 2021,
- Conditions based on progress main on the CSR (corporate social responsibility) policy, in the area of both Diversity, Equality and Inclusion and in the area of combating climate change, for which indicative interim points have been set. At the end of 2021, the percentage of women in key management positions as well as the percentage of change of integration of renewable energies in the Groupe will be assessed against targets set.

The shares ultimately awarded in accordance with the level of attainment of these performance targets will be deliverable at the end of a three-year period, i.e. in March 2024 (or September 2024, depending on the date on which said shares were awarded).

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.

22. 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

	2021 £'000	2020 £'000
Financial assets at fair value through profit and loss		
Derivative instruments – Assets	401	351
Financial assets at fair value through profit and loss		
Derivative instruments – Liabilities	(369)	(598)

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22. Financial instruments (continued)

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.

Changes in the value of financial instruments at fair value

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

	2021	2020
	£'000	£'000
Financial assets at fair value through profit and loss		
Derivative instruments – Assets	(133)	(216)
Financial assets at fair value through profit and loss		
Derivative instruments – Liabilities	93	204

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23. 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 2021 the Company had the following transactions with other subsidiaries of Publicis Groupe S.A. that are not 100% owned.

	Payables		Receivables		Services		Billings	
	2021	2020	2021	2020	2021	2020	2021	2020
	£’000	£’000	£’000	£’000	£’000	£’000	£’000	£’000
AOR	-	(5)	-	-	-	-	-	-
MMS Communication South Africa (Pty) Ltd	-	-	-	5	-	1	-	-
MMS Communications Vietnam Company Ltd	-	-	-	-	26	-	-	-
MSL France	-	-	-	-	105	-	-	-
PT. Star Reachers Indonesia	(9)	-	-	-	9	-	-	-
Publicis Bulgaria	-	(146)	-	-	-	604	-	-
Publicis Conseil S.A.(France)	-	-	-	-	-	14	-	(71)
PUBLICIS CONSULTANTS I FRANCE	(18)	(18)	3	-	175	81	-	-
Publicis Groupe Media Bucharest	(145)	(27)	-	-	3,317	1.165	-	(19)
Publicis Media Denmark A/S	(143)	(325)	-	33	1,299	630	-	(35)
Services Marketing Diversifiés	-	-	-	4	-	-	-	-
Translate Plus Limited	-	(5)	-	-	-	-	-	-

24. 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.

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25. Post balance sheet events

Since the year ended 31 December 2021, the United Kingdom, the European Union, the United States of America and other Western nations have imposed economic sanctions on Russia and Russian interests worldwide in response to Russian forces entering Ukraine on 24 February 2022. The directors have considered the impact of the Company's ultimate parent undertaking Publicis Groupe S.A. subsequent announcement on 15 March 2022 that it has ceased all trading activities in Russia with immediate effect and the wider global impact of the economic sanctions imposed on the Company's activities and operations. Whilst it is too early to assess the full financial impact on the Company, a decline in activity may give rise to future impairment of assets and may create additional liabilities which cannot be quantified at this stage. As such, the directors have treated this as a non-adjusting post balance sheet event.