Zenith Services (Media) Limited (formerly ZenithOptimedia Services Ltd)

Annual Report and Financial Statements

31 December 2018

Registered Number: 02645326

Directors

A Sayliss
B Rowe (resigned 19 December 2018)
N Cummins (appointed 19 December 2018)
G Boyle (appointed 18 January 2019)

Secretaries

J Munis
N Raj (resigned 15 February 2019)

Auditor

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

Registered Office

1st Floor
2 Television Centre
101 Wood Lane
London
W12 7FR

Strategic Report

Principal activity and review of the business

The principal activity of Zenith Services (Media) Limited (the "Company") continues to be the engagement in media co-ordination, planning and buying in the advertising industry. The Company's clients are now serviced by the staff of a fellow group company and the costs are recharged to Zenith Services (Media) Limited.

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

	2018 £000	2017 £000	Change %
Revenue	-	557	(100%)
Operating profit	(183)	160	(214%)
Profit after tax	(169)	129	(231%)
Shareholder's funds	(42)	5,627	(101%)
Current assets as a % of current liabilities	99%	1,041%	(941%)

Revenue has decreased by 100% due to no client recharges occurring in 2018.

Profit after tax has decreased by 231% mainly linked to the decrease in revenue and write off of balance sheet items to income statement.

Shareholder's funds have decreased by 101% due to equity dividends paid in the year.

Current assets as a percentage of current liabilities has decreased by 941% as a result of the decreased activity during the year and timing difference of receivable and payable related transactions.

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

Principal risks and uncertainties

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

- Competitive risks

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

- Financial instrument risks

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

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

- Exposure to liquidity, cash flow and credit risk

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

Cash flow risk is the risk that inflows and outflows of cash and cash equivalents will not be sufficient to finance the day-to-day operations. 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.

Strategic Report (continued)

Principal risks and uncertainties (continued)

- Exposure to market risk

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

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

Brexit

Due to the uncertainty surrounding Brexit, it is not currently possible to fully evaluate all its potential implications on the Company's trade, customers and suppliers. However, the directors have performed an initial impact assessment and at the moment do not believe it will have a material impact on the company. The directors will continue to monitor this as the situation evolves.

On behalf of the board

ASaylis

A Sayliss
Director

21 June 2019

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2018.

Results and dividends

The Company recorded a loss after tax for the financial year of £169,000 (2017: profit of £129,000). Dividends of £5,500,000 were declared during the year (2017: nil).

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

Future developments

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

Directors

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

Directors' indemnity

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

Events after the balance sheet date

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

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.

Going concern

The Company is reporting net liabilities in the current year and it has received confirmation in the form of a letter of support from its immediate parent company, Publicis Media Limited that it will provide the necessary funds to enable it to meet its liabilities as they fall due, for at least twelve months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

On behalf of the board

A Sayliss
Director

21 June 2019

Directors' responsibilities statement

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

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

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

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

Independent auditor's report to the member of Zenith Services (Media) Limited

Opinion

We have audited the financial statements of Zenith Services (Media) Limited (the 'company') for the year ended 31 December 2018 which comprise the Income Statement, 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, 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 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

The Directors' view on the impact of Brexit is disclosed on page 3.

The terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

Conclusions relating to going concern

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

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

Independent auditor' s report to the member of Zenith Services (Media) Limited (continued)

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditor's report to the member of Zenith Services (Media) Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit report

This report is made solely to the company's member 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 member 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 member 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
Tower Bridge House
St Katharine's Way
London E1W 1DD

10 July 2019

Statement of comprehensive income

for the year ended 31 December 2018

	Notes	2018	2017
		£000	£000
Revenue		-	557
Administrative expenses		(183)	(397)
Operating (loss)/profit		(183)	160
(Loss)/profit on ordinary activities before taxation		(183)	160
Tax	6	14	(31)
(Loss)/profit for the financial year		(169)	129

The Company's revenue and operating profit all relate to continuing operations. All revenue is generated in the UK.

Statement of comprehensive income

for the year ended 31 December 2018

	Notes	2018 £000	2017 £000
(Loss)/profit for the financial year		(169)	129
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Net actuarial gain recognised in the pension and healthcare schemes	11	-	73
Other comprehensive income for year		-	73
Total comprehensive income for the year		(169)	202

Balance sheet

at 31 December 2018

	Notes	2018 £000	2017 £000
Current assets			
Work in progress		-	2
Trade and other receivables	7	5,664	6,243
		5,664	6,245
Current liabilities			
Trade and other payables	8	(5,500)	(399)
Corporation tax		(202)	(201)
		(5,702)	(600)
Net current (liabilities)/assets		(38)	5,645
Non-current liabilities			
Non-equity debt	9	(4)	(4)
Deferred tax liability	6	-	(14)
		(4)	(18)
Net (liabilities)/assets		(42)	5,627
Capital and reserves			
Called up share capital	10	75	75
Retained earnings		(117)	5,552
Total equity		(42)	5,627

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

A Sayliss
Director

21 June 2019

Statement of changes in equity

for the year ended 31 December 2018

	Called up share capital £000	Retained earnings £000	Equity £000
At 1 January 2017	75	5,350	5,425
Profit for the financial year	-	129	129
Other comprehensive income	-	73	-73
Total comprehensive income for the year	-	202	202
At 31 December 2017	75	5,552	5,627
Loss for the financial year	-	(169)	(169)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(169)	(169)
Equity dividends paid	-	(5,500)	(5,500)
At 31 December 2018	75	(117)	(42)

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies

1.1. Basis of preparation

Statement of compliance

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

Basis of measurement

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

Application of new standards and interpretations mandatory as from 1 January 2018

The Company has adopted the following standards and interpretations, which are mandatory for financial periods beginning on or after 1 January 2018:

IFRS 15 - "Revenue from contracts with customers"

The Company has adopted IFRS 15 using the full retrospective transition method, and has thus restated its financial statements for the year ended 31 December 2017, in accordance with IAS 8. The restatements relating to the first application of IFRS 15 are presented in Note 2.

IFRS 15 introduces a prescriptive approach in which revenue is recognised when control of an asset and / or service is passed to the customer, and no longer on the basis of the transfer of risks and rewards.

- "Agent" vs. "Principal" considerations
  The concept of control changes the Principal versus Agent consideration and has led to an increase in revenue through the recognition of the billing of external costs incurred on behalf of customers, which are to be immediately reimbursed by the customer, and which are part of a comprehensive service provided to customers (performance obligation). These costs primarily relate to production activities and other miscellaneous expenses payable by the customer, in particular travel expenses. These changes have no impact on operating income as the operating revenue and expenses are increased by the same amount.

- Contract Balances (Contract Assets and Liabilities):

  Under IFRS15, revenue recognised when a performance obligation has been satisfied but not yet invoiced to the client is recognised within Assets on contracts rather than within Trade receivables. At 31 December 2017, no amount has been reclassified from Trade and other receivables to Assets on Contracts.

  Under IFRS15, consideration received or invoiced to a client in advance of the performance obligation being satisfied is reported within Liabilities on contracts. At 31 December 2017, no amount has been reclassified from Trade and other payables to Liabilities on contracts.

- Transaction prices allocated to remaining performance obligations
  The Company has decided to apply the practical expedient permitted on transition to IFRS15, not to disclose information about remaining performance obligations on contracts that have an original expected duration of one year or less where the Company has the right to payment for hours carried out to date. Amounts relating to remaining performance obligations on contracts other than those mentioned above are immaterial and are therefore not presented.

IFRS 9 "Financial Instruments"

IFRS 9 has changed the accounting of impairment losses on financial assets by introducing a prospective approach for expected losses on trade receivables. The adoption of IFRS9 has had no material impact on the Company.

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

1.1. Basis of preparation (continued)

Going concern

The Company is reporting net liabilities in the current year and it has received confirmation in the form of a letter of support from its immediate parent company, Publicis Media Limited that it will provide the necessary funds to enable it to meet its liabilities as they fall due, for at least twelve months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Disclosure exemptions applied

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

(i) The requirements of IFRS 2 'Share-based Payment' paragraphs 45(b) and 46 to 52 relating to certain disclosure requirements on share-based payments;

(ii) The requirement of IFRS 7 'Financial Instruments: Disclosures' relating to the disclosure of financial instruments and the nature and extent of risks arising from such instruments;

(iii) The applicable requirements of IAS 1 'Presentation of Financial Statements' relating to the disclosure of comparative information in respect of the number of shares outstanding at the beginning and end of the year (IAS 1.79(a)(iv)), the reconciliation of the carrying amount of property, plant and equipment (IAS 16.73(e)) and the reconciliation of the carrying amount of intangible assets (IAS 38(118)(e));

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

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

(vi) The requirement of IAS 1 'Presentation of Financial Statements' paragraphs 134 to 136 relating to the disclosure of capital management policies and objectives;

(vii) The requirements of IAS 7 'Statement of Cash Flows' and IAS 1 'Presentation of Financial Statements' paragraph 10(d) and 111 relating to the presentation of a Cash Flow Statement;

(viii) The requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31 relating to the disclosure of standards, amendments and interpretations in issue but not yet effective;

(ix) The requirements of IAS 24 'Related Party Disclosures' paragraph 17 and 18(A) relating to the disclosure of key management personnel compensation and the requirements relating to the disclosure of related party transactions entered into between the Company and other wholly-owned subsidiaries of the group; and

(x) The requirements of IAS 36 'Impairment of Assets' paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) relating to certain disclosure requirements of impairment testing.

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

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

1.1. Basis of preparation (continued)

Use of estimates and judgments

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

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

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

- the provisions for liabilities and charges, particularly for defined benefit pension liabilities and post-employment medical care.

Detailed disclosures concerning these matters are provided in Notes 1.2, and 11.

Revenue recognition

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

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

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 and the transaction price is allocated on the basis of the employees assigned to these services.

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.

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.

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Revenue recognition (continued)

Revenue recognition

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

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

"Agent" vs. "Principal" Considerations:

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

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

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

Contract modifications:

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

Effect of foreign currency

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

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Income tax

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

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

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

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

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 profit and loss account using the effective interest method.

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.

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 has a defined contributions scheme.

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 profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occurs the charge in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the income statement. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Pensions (continued)

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

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

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

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

Trade and other payables

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

Liabilities on contracts

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

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

Equity and reserves

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

Retained earnings include all current and prior period retained profits.

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

1.2. Accounting principles (continued)

Adoption of new and revised standards

The following standards and interpretations have been adopted in the financial statements as they are mandatory for the year ended 31 December 2018:

	EU effective date Periods beginning on or after
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Clarifications of IFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2018
Transfers of Investment Property (Amendments to IAS 40)	1 January 2018
Annual Improvements to IRFS (2014-2016): Amendment to IFRS 1 and IAS 28)	1 January 2018

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

Notes to the financial statements

for the year ended 31 December 2018

2. Revenue

The activities of the Company during the year were principally the engagement in media co-ordination, planning and buying in the advertising industry. The member 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:

	2018	2017
	£000	£000
United Kingdom	-	557

3. Auditor's remuneration

Auditor's remuneration is borne by another group company. A charge of £1,508 (2017: £1,635) was paid by ZenithOptimedia Limited in relation to auditor's remuneration for Zenith Services (Media) Limited.

4. Staff costs

The Company's clients are serviced by the staff of the fellow group company and the costs are recharged to Zenith Services (Media) Limited.

5. Directors' remuneration

The directors of the Company are also directors of a number of subsidiaries of the ultimate parent undertaking. The directors do not believe that it is practicable to apportion the remuneration between remuneration as directors of the Company and their remuneration as directors of the fellow subsidiary companies. The directors' remuneration is therefore disclosed in the accounts of the fellow subsidiaries that make the remuneration payments.

6. Taxation

(a) Analysis of charge for year

	2018	2017
	£000	£000
Current tax:		
Corporation tax	-	31
Total current tax	-	31
Deferred tax:		
Adjustments in respect of previous periods	(14)	-
Tax on profit on ordinary activities (see note 6(b))	(14)	31

Notes to the financial statements

for the year ended 31 December 2018

6. Taxation (continued)

(b) Factors affecting tax charge for the year

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are reconciled below:

	2018 £000	2017 £000
(Loss)/profit on ordinary activities before tax	(183)	160
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	(35)	31
Expenses not deductible for tax purposes	-	1
Other adjustments	-	(1)
Tax (over)/under provided in prior years	(14)	-
Tax credits and other deductions	35	-
Total tax (see note 6(a))	(14)	31

(c) Deferred taxation

	Retirement benefit obligation £000	Total £000
As at January 2017	-	-
Charged to profit	(14)	(14)
As at December 2017	(14)	(14)
(Credited)/charged to profit	14	14
As at December 2018	-	-

Analysis of deferred tax balances for financial reporting purposes:

	2018 £000	2017 £000
Deferred tax liabilities	-	14

At the balance sheet date, the Company has unused tax losses of £nil (2017: £nil) available for offset against future profits. There are no deferred tax assets recognised for the unused tax losses.

(d) Factors that may affect future tax charges

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

Notes to the financial statements

for the year ended 31 December 2018

7. Trade and other receivables

	2018 £000	2017 £000
Amounts owed by group undertakings	5,664	5,948
Prepayments and accrued income	-	295
	5,664	6,243

8. Trade and other payables

	2018 £000	2017 £000
Amounts owed to group undertakings	5,500	155
Accruals and deferred income	-	233
Other payables	-	11
	5,500	399

9. Non-equity debt

	2018 £000	2017 £000
3,948 non-equity "B" ordinary shares of £1 each	4	4

Holders of the non-equity "B" ordinary shares hold no voting rights in the Company. Holders of the non-equity "B" ordinary shares rank after distributions have been made to equity "A" ordinary shareholders and are entitled to the amount paid up on such shares upon the winding up of the Company. Holders of the non-equity "B" ordinary shares have the right to receive a dividend at the rate of 5% of the dividend paid to equity "A" shareholders when the gross amount paid in respect of the financial year other periods exceeds £100,000,000.

10. Authorised and issued share capital

	2018 £000	2017 £000
Allotted, called up and fully paid		
75,000 equity "A" ordinary shares of £1 each	75	75

Notes to the financial statements

for the year ended 31 December 2018

11. Pension and other post-retirement benefits

These disclosures relate to the ZenithOptimedia section of the Saatchi & Saatchi Group Pension Scheme ("Saatchi GPS"), a sectionalised defined benefit scheme.

Zenith Services (Media) Limited is the only remaining employer in the Section as at 31 December 2018 with ZenithOptimedia Group Limited having discharged its liability in the Saatchi GPS during 2005 via a "Section 75 debt payment".

AVC benefits that are matched by insurance policies have been excluded from both the assets and the liabilities – this is consistent with last year.

Defined benefit scheme

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

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

The valuation used has been based on the most recent actuarial valuation at 31 March 2017 and was updated by Aon Hewitt Limited into take account the requirements of IAS 19 in order to assess the liabilities of the scheme at 31 December 2018 and 31 December 2017. 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 Group is exposed through its pension funds in the United Kingdom are as follows:

- *Volatility of financial assets*
  The financial assets51 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 2018

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

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

Year ended 31 December 2018

	Defined benefits pensions £000	Company Total £000
Scheme assets at fair value		
Cash	58	58
Bonds	7,903	7,903
Fair value of scheme assets	7,961	7,961
Present value of funded obligations	(6,862)	(6,862)
Defined benefit pension plan surplus	1,099	1,099
Deficit due to asset restriction	(1,099)	(1,099)
Net position	-	-

Year ended 31 December 2017

	Defined benefits pensions £000	Company Total £000
Scheme assets at fair value		
Cash	51	51
Bonds	8,095	8,095
Fair value of scheme assets	8,146	8,146
Present value of funded obligations	(7,329)	(7,329)
Defined benefit pension plan surplus	817	817
Deficit due to asset restriction	(817)	(817)
Net position	-	-

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 7.3% of the liabilities are attributable to former employees and 92.7% 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.

Notes to the financial statements

for the year ended 31 December 2018

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

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

	Defined benefit pensions	
Amounts recognised in the income statement	**2018**	**2017**
	£000	**£000**
Net interest expense	-	-

	Defined benefit pensions	
Amounts recognised in other comprehensive income	**2018**	**2017**
	£000	**£000**
Actual return on scheme assets	(125)	392
Less: expected return on scheme assets	(192)	(172)
	(317)	220
Other actuarial gains and losses	329	218
Adjustments in respect of minimum funding requirement (IFRIC 14)	-	-
Changes in irrecoverable surplus	(12)	(365)
	-	73

The total contributions to the defined benefit plans in 2018 are expected to be £nil (2018: £nil).

Principal actuarial assumptions at the balance sheet date:

	Defined benefit pensions	
	2018	**2017**
Rate of salary increases	N/A	N/A
Rate of increase in pensions in payment	3.20%	3.20%
Discount rate	2.80%	2.40%
Expected return on plan assets at 31 December		
Equities	2.80%	2.40%
Corporate bonds	2.80%	2.40%
Government bonds	2.80%	2.40%
Real Estate	2.80%	2.40%
Cash	2.80%	2.40%
Overall expected return on plan assets at 31 December	2.80%	2.40%
Inflation assumption (CPI)	2.10%	2.10%

Notes to the financial statements

for the year ended 31 December 2018

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

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below have 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 assumed healthcare cost trend rates would have the following effects:

	Defined benefit pensions	
	Increase 0.5%	**Decrease 0.5%**
	£000	**£000**
Effect on the aggregate of the service cost and interest cost	-	-
Effect on defined benefit obligation	-	-

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.

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

	Defined benefit pensions	
	2018 £000	**2017 £000**
As at 1 January	7,329	7,692
Interest cost	172	162
Actuarial Losses / (Gains)	(329)	(218)
Benefits paid	(310)	(307)
As at 31 December	6,862	7,329

The defined benefit obligation comprises £6,862,000 (2017: £7,392,000) arising from plans that are wholly or partly funded.

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

	Defined benefit pensions	
	2018 £000	**2017 £000**
As at 1 January	8,146	8,133
Actual return	125	392
Contributions by employer	-	(72)
Benefits paid	(310)	(307)
As at 31 December	7,961	8,146

Notes to the financial statements

for the year ended 31 December 2018

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

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

	Defined benefit pensions	
	2018	**2017**
	£000	**£000**
Present value of defined benefit obligation	(6,862)	(7,329)
Fair value of plan assets	7,961	8,146
	1,099	817

13. 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.

14. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Publicis Media 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.