

Chime Group Holdings Limited

Company Number 09702342

**Annual Report and Financial Statements
for the year ended 31 December 2017**

Chime Group Holdings Limited

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Chime Group Holdings Limited

COMPANY INFORMATION

Directors	Paul S Walsh John Hahn Andrew Tisdale Roderik Schlosser Steve Winters Lindsay Pattison Christopher Satterthwaite Adrian Coleman (appointed 28 February 2018) Matthew Vandrau (appointed 28 February 2018) Eric Hageman (resigned 30 November 2017)
Registered Office	62 Buckingham Gate London, SW1E 6AJ
Bankers	RBS / National Westminster Bank 250 Regent Street London, W1B 3BN HSBC Bank plc 8 Canada Square London, E14 5HQ
Auditors	KPMG LLP Chartered Accountants and Statutory Auditors 15 Canada Square London, E14 5GL

Chime Group Holdings Limited

STRATEGIC REPORT

1. STRATEGY

Who are we?

We are the Challenger network for Challenger clients.

Why do we exist?

To transform our clients' businesses by challenging convention

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

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

What do we believe in?

Our culture, Our people

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

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

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

How do we work?

Collaboration is the key

We are a sport, entertainment and communications network which places us in a unique position to create and affect brand experiences for our clients all over the world. We work together across all our capabilities and divisions, for clients such as Vitality for whom we deliver both sponsorship strategy and activation right through to fully integrated brand communications, to Transport for London for whom we conduct a huge amount of consumer research as well as delivering all brand communications.

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

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

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2. WHAT WE DO

The Group provides services within two core areas; communications (56% of what the Group does) and sports and entertainment (44% of what our Group does). Our client offering is broad and we have structured our growing number of agencies into five business groups.

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

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

Sport and Entertainment

CSM Sport & Entertainment ('CSM') is a group of internationally recognised agencies, working together to put clients and people at the heart of the world's greatest experiences in sport and entertainment. Working with brands, rights holders, governing bodies, governments, host cities and athletes across the globe, CSM specialises in strategic consultancy, rights sales, sponsorship activation, hospitality, branding and wayfinding, athlete management and communications across major sporting events.

Advertising and Marketing Services

VCCP is an advertising and marketing services group which operates in advertising, marketing services, direct marketing, digital communication, data consultancy, multimedia content and experiential, marketing consulting, retail and shopper marketing and media planning and buying.

Healthcare

OPEN Health is a healthcare communications and market access group. It comprises ten specialist businesses that bring a breadth of expertise focussed principally on pharmaceutical clients. OPEN Health's companies cover most aspects of the communications mix including advertising, public relations, medical communications, market access consulting, real world data collection, market research and patient engagement programmes.

Specialist Markets

The Chime Specialist Group ('CSG') is a marketing and consultancy group housing four different specialist agencies in financial and professional services, technology and sustainability consultancy. The agencies are uniquely equipped to be the trusted advisors to help clients navigate, harness and drive change through their full-service capabilities internationally. Across the marketing mix their work includes advertising, branding, public relations, media planning, customer advocacy, design, digital and social communications.

Insight and Engagement

The Insight and Engagement division brings together researchers, technologists and insight specialists who deliver actionable solutions to clients globally and in real time. The division has particular expertise in delivering in fast moving consumer goods ('FMCG'), financial services, utilities and retail markets with experience in performance improvement plans, mystery shopping programmes and advertising and brand tracking. The Insight and Engagement division includes leading specialist brands such as Watermelon - a specialist digital agency, Cherry Picked - a specialist recruitment agency for the research market, Facts International - a specialist fieldwork agency and full-service agencies Opinion Leader and CIE.

3. OUR STRATEGIC PRIORITIES AND TRENDS AND FACTORS AFFECTING OUR FUTURE DEVELOPMENT

The Group's strategy is to expand through both acquisition and organic growth. We are focused on three main strategic priorities based on the market trends affecting our business.

- i. **Building our international footprint, with the USA as a priority as the largest market for sports, advertising and marketing services; and**
- ii. **Developing our strong collaborative culture to ensure people and agencies work together globally for the benefit of our clients.**

Globalisation and the recognition of brands across cultures and languages continues, and this will drive awards of multi-region contracts from major clients. In addition, the need for co-ordination of campaigns has seen consolidation of such campaigns to single providers. This has required a new way of working to create efficient, effective teams delivering integrated campaigns from strategy through to creative output and across all channels, both within UK and global clients. Our international growth is also designed to meet that need. An example of this is that prior to our acquisitions in the USA, both VCCP and CSM were seen as UK/European players engaging in international work but neither had sufficient presence to act worldwide for a major client, which restricted our opportunities. Our rapid expansion in the USA via acquisition has met the challenge to unlock those global contract opportunities. Our current reorganisation of our multiple sports brands, bringing agencies under a single CSM structure, together with the close relationship between VCCP and MUH-TAY-ZIK | HOF-FER, will help support this effort.

- iii. **Developing services and the application of data, technology and content for our clients, with a particular focus on creating powerful and better customer experiences.**

50% of TV viewers access a mobile device during live entertainment. Communication is becoming more visually focussed through platforms such as Instagram, Snapchat and Facebook. Younger generations favour visual approaches to communication and actively seek out high volumes of content. Differentiation will be achieved by creative, engaging and personalised quality content with which the audience can collaborate and share. This drives the need for our business and staff to be tech savvy in addition to producing creative solutions to ensure we address the opportunities this provides. Our acquisitions and recruitment process take account of this to ensure we stay ahead of the competition, and we have seen greater focus and growth in our data capabilities from within media, direct and social communications.

Sport remains the world's largest social network. Sporting events are driving record levels of activity as fans share the experience and their reactions via their favoured networking sites. This presents a prime opportunity for brands to connect with global audiences through activities around such events as the FIFA World Cup; the Olympics, Formula 1 and the Champions League. We believe this trend will continue as fans continue to participate through mobile devices in two-way conversations around their favoured sport. A parallel can be found in music and entertainment. This presents opportunities for Chime as it combines a mix of sports, entertainment and communications expertise.

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4. KEY PERFORMANCE INDICATORS ('KPIs')

Financial KPIs

The Group manages its internal operational performance using the following KPIs:

KPIs	Headline		Statutory	
	2017 £'m	2016 £'m	2017 £'m	2016 £'m
Operating income	279.9	246.0	279.9	246.3
EBITDA	44.7	41.9	17.5	18.6
EBITDA margin	16.0%	17.0%	6.3%	7.6%
Free cash flow	39.3	31.4	12.1	7.8

EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation.

The headline numbers have been adjusted for the items described on pages 10 and 11.

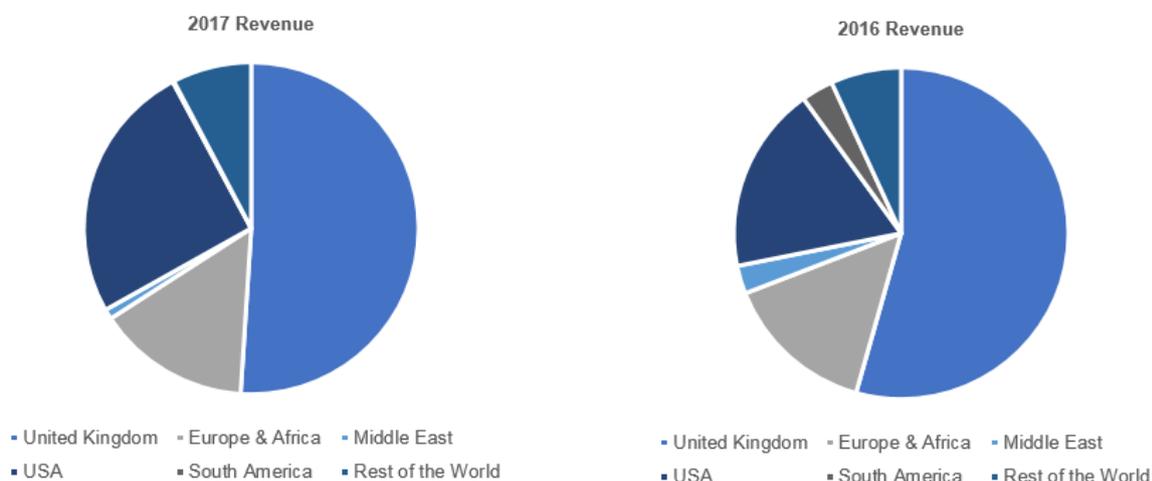
A detailed financial review can be found on page 10.

Non-Financial KPI

Our international performance

The Group is focussed on continuing to develop its international presence and broad range of sector coverage. We have experienced significant revenue growth of 55% in the USA as a direct result of our expansion through five acquisitions across CSM, VCCP and Open Health in 2016 and a further acquisition of GlideSlope LLC in April 2017.

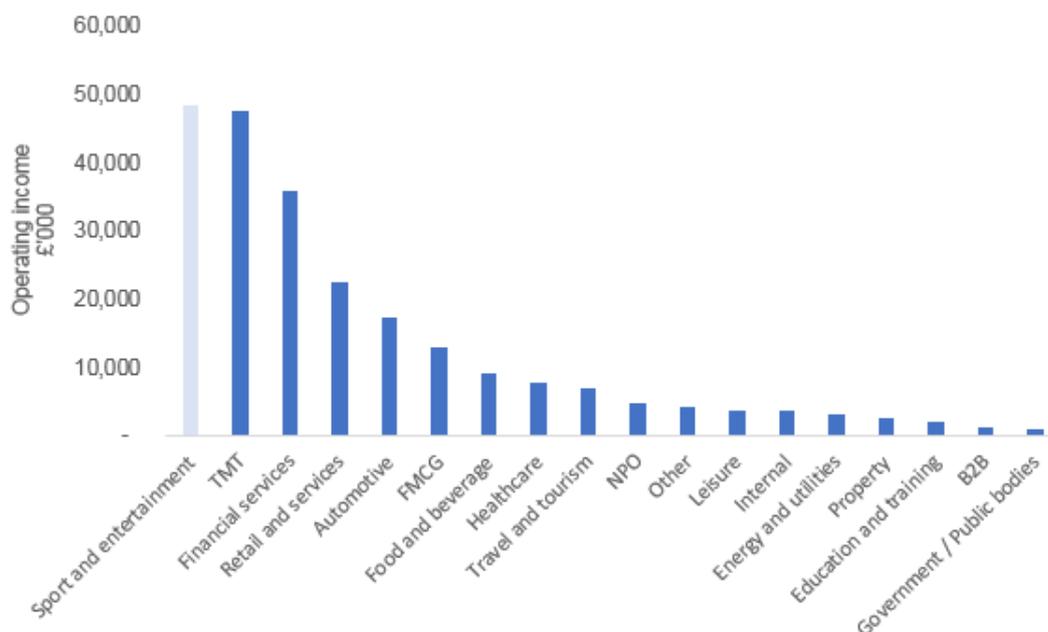
Our growth in the rest of the world has also experienced a 25% increase principally driven by organic growth in our communications businesses.



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Our sector performance

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



* Operating income derived from Sport and Entertainment includes work across a number of sectors.

Environment

We have an intensity-based Green House Gas ('GHG') reduction target, aiming to reduce carbon emissions per FTE by 5% year-on-year. We are in the process of calculating our 2017 carbon footprint, which for the second-year running will include our global operations. Our carbon footprint, together with information on broader climate change governance, management and initiatives across the Group, will be disclosed in our response to the UK Carbon Disclosure Project ('CDP') Climate Change questionnaire in July 2018. More detail on our environmental performance can be found on page 26.

Looking after our people

Our people are what makes Chime different and we take investing in our talent as a priority. At Chime we want people at all levels to be respected and to reach their full potential for their own benefit as much as the collective progress of the Group itself. Headcount has increased during the year from 2,185 at the end of 2016 to 2,488 at the end of 2017. In 2013, as a listed company, we undertook to collect, collate and report information on the gender diversity within our business. Our diversity report can be found on page 23.

Women on our Executive Forums	2017	2016
Board	1 of 7	1 of 8
Audit Committee	0 of 2	0 of 3
Remuneration Committee	0 of 3	0 of 3
All Staff (Full Time Employees)	1,172 of 2,488	1,102 of 2,185

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5. DOING THE RIGHT THING

For the environment

Our focus is on reducing the carbon footprint of our operations. We have been calculating our carbon footprint since 2012, and have set targets to reduce our GHG emissions, per full-time employee (FTE), by 5% each year. We will be reporting our footprint and broader environmental governance, management and reduction initiatives as part of our participation in CDP's climate change disclosure program in 2018. More information is provided on page 26.

For the communities we serve

We undertake pro bono projects in order to utilise our skills for the benefit of the communities in which we operate. The projects are undertaken at Chime Corporate level, for example as part of our Graduate Scheme, and also within our divisions and operating companies.

Please see page 27 for examples of our pro-bono work.

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6. FINANCIAL REVIEW

During 2017 the Group generated good growth in operating income and EBITDA. The business focussed on integrating the acquisitions made in previous years and in particular developing the North American presence. The Group made a number of client wins and in particular multi-nationals serviced by the Group's broader geographical reach.

The re-alignment of the business resulted in a number of one-off restructuring costs. In addition, the Group disposed of its investment in Bell Pottinger and exited its operations in Brazil following the conclusion of the 2016 Football World Cup.

The reconciliation below sets out the headline results of the Group and the related adjustments to the statutory income statement that the Directors consider necessary in order to provide an indication of the underlying (headline) trading performance.

	Headline		Adjustments		Statutory Income Statement	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Revenue	545,732	489,608	-	425	545,732	490,033
Cost of sales	(265,846)	(243,586)	-	(81)	(265,846)	(243,667)
Operating income	279,886	246,022	-	344	279,886	246,366
Operating expenses	(243,138)	(209,031)	(137,711)	(39,427)	(380,849)	(248,459)
Deemed remuneration			10,961	8,343		
Loss/(profit) on businesses being discontinued			-	1,393		
Amortisation of acquired intangibles and goodwill impairment			110,515	15,775		
Costs of acquisitions and restructuring			16,235	13,572		
Operating profit/(loss)	36,747	36,991	(137,711)	(39,083)	(100,963)	(2,093)
Share of results of associates	287	776	-	-	287	776
(Loss) on disposal of associate	-	-	(6,299)	-	(6,299)	-
Investment income	1,270	90	7,258	5	8,528	95
Finance costs	(16,699)	(15,945)	(4,985)	-	(21,684)	(16,850)
Profit/(loss) before tax	21,605	21,912	(141,737)	(39,983)	(120,131)	(18,072)
Tax	(273)	(6,080)	-	8,002	(273)	1,922
Profit/(loss) for the year from continuing operations	21,332	15,832	(141,737)	(31,981)	(120,404)	(16,150)
Discontinued operations						
Gain/(Loss) from discontinued operations	-	(1,553)	-	1,553	-	-
Profit/(loss) for the year	21,332	14,279	(141,737)	(30,428)	(120,404)	(16,150)

Details of the adjusting items are contained below.

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Balanced Analysis of Financial Position and Performance

Operating income for the year increased 13.8% to £279.9m (2016: £246.0m) as a result of the Group consolidating a full year's results of the six acquisitions made in 2016 and new business wins from existing and new clients. Headline EBITDA for the year was £44.7m (2016: £41.9m) and headline EBITDA margin reduced slightly to 16.0% (2016: 16.7%).

	Headline		Adjustments		Statutory Income Statement	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Operating profit	36,747	36,991	(137,710)	(39,083)	(100,963)	(2,093)
Depreciation	6,113	5,379	-	-	6,113	5,379
Amortisation (not already adjusted in headline results)	1,235	1,441	110,515	15,775	111,750	17,216
Foreign exchange	576	(1,931)	-	-	576	(1,931)
EBITDA	44,671	41,880	(27,195)	(23,308)	17,476	18,571

Adjustments

The headline numbers have been adjusted for the following:

- Deemed remuneration charges of £11.0m (2016: £8.3m) in respect of employment linked earn-out payments including LLP capital based payments;
- Amortisation and impairment charges of £110.5m (2016: £15.8m) in respect of acquired intangible assets recognised on acquisition including goodwill;
- One-off costs deemed to be exceptional in nature including those relating to business restructures, acquisition and aborted transactions costs totalling £16.2m (2016: £13.6m);
- The loss arising on the disposal of the Group's minority interest in Bell Pottinger of £6.3m (2016: £nil);
- Finance income associated with deemed consideration changes of £7.7m (2016: £nil); and
- The accelerated amortisation and of previously capitalised debt arrangements fees as a result of the re-finance of £4.2m (2016: £nil) and finance costs associated with deemed remuneration and deferred consideration of £1.2m (2016: £0.9m).

Management believes these costs, due to their nature or size, should be disclosed separately to give a more comparable view of the year.

During the year, the Group impaired the carrying value of goodwill by £93.0m (2016: £nil) relating to the CSM Sport and Entertainment Cash-Generating Unit ('CGU') and Chime Insight and Engagement CGU. Headroom for these CGUs had reduced significantly due to market conditions and an increase in the pre-tax discount rate. Further disclosure is included in note 11 of the accounts.

Restructuring costs incurred in 2017 predominantly relate to the restructuring in Chime head office. The majority of these costs related to people costs with the remainder being property and associated costs.

After the adjusting items, the Group reported an operating loss of £101.0m (2016: £2.1m).

Investing and financing activities

The Group reported a loss of £6.0m (2017: profit £0.8m) from its investments in associates. This includes a loss from the disposal of its investment in Bell Pottinger of £6.3m and income from associate investments of £0.3m (2016: £0.8m).

Investment income was £8.5m (2017: £0.1m) which includes a £7.7m (2016: £nil) finance income from deferred consideration charges, treated as an adjusting item as noted above, and £0.4m valuation gain on the Group's interest rate swap agreements.

Finance costs were £21.7m (2017: £16.9m) and include the write-off of £4.2m of previously deferred loan issue costs following the re-finance in the year.

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Finance costs of deemed remuneration were £0.8m (2017: £0.5m). In addition, a gain of £7.3m (2016: loss £0.4m) arose on deferred consideration including the impact of revaluing the employment linked element of previous acquisitions.

Tax

The Group's tax charge was £0.3m (2016: credit £1.9m) split between a current tax charge of £2.2m (2016: £3.9m) and a deferred tax credit of £1.9m (2016: £5.9m). Due to the level of non-deductible expenses, in particular the goodwill impairment, the Group's effective tax rate was 0.2% (2016: 10.6%).

Financial Position

The position of the Group at the year-end is set out in the consolidated balance sheet on pages 34 and 35 and in the related notes on pages 38 to 69. The Group is financed by a combination of debt and equity.

The Group held non-current assets, mainly relating to goodwill and acquired intangible assets totalling £408.3m (2016: £533.1m).

Current assets, mainly trade and other receivables and cash and cash equivalents, totalled £177.5m (2016: £157.0m).

Current liabilities, mainly trade and other payables, totalled £161.3m (2016: £140.0m).

The Group held non-current liabilities, mainly relating to bank loans, of £276.0m (2016: £272.5m).

During the year the Group re-financed its bank facilities, achieving an increase in available borrowing capacity, improved headroom on its financial covenants and an extension in the repayment profile of its borrowings. The Group now benefits from committed facilities of £289.5m (2016: £273.9m), comprising £255.0m (2016: £nil) until August 2024 and £34.5m (2016: £273.9m) until August 2023.

Under the terms of the new banking facilities the Group is required to meet one leverage financial covenant test on a quarterly basis. The Group complied with its covenant requirement during the year ended 31 December 2017 with management forecasts indicating continued covenant headroom for the foreseeable future.

Cash flow

The Group had cash and cash equivalents at 31 December 2017 of £24.5m (2016: £23.2m) and additional available facilities of £24.5m (2016: £25.0m).

The Group's headline EBITDA of £44.7m (2016: £41.9m) resulted in cash generated from operations of £30.1m (2016: £25.4m) after the effects of restructuring costs and working capital movements.

The Group paid £1.8m (2016: £6.1m) in tax during the year and a further £24.0m (2016: £12.2m) in interest, including refinancing fees.

The Group incurred £16.5m (2016: £69.2m) on investing activities which principally related to amounts in respect of in year and prior acquisitions of £13.1m (2016: £59.3m) and the purchase of property, plant and equipment of £4.9m (2016: £5.0m).

The Group generated £13.3m (2016: £52.1m) from financing activities. Related to the re-finance mentioned earlier, the Group generated £16.6m (2016: £31.2m) from increased borrowings which was partially offset by the purchase of non-controlling interests of £2.1m (2016: £11.2m).

Free cash flow (defined as headline EBITDA less net purchase of tangible and intangible assets) was £39.3m (2016: £31.4m), resulting in cash conversion (defined as free cash flow divided by headline EBITDA) of 87.9% (2016: 75.0%).

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7. GOING CONCERN BASIS

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

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

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

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

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

More detail on the Group's cash position and facilities at 31 December 2017 as well as maturities of the financial liabilities, can be found in note 31 to the financial statements. Details of potential contingent liabilities and potential cash outflows in relation to these liabilities can be found in note 28.

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8. PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

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

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

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

Principal Risk and Context	Possible Impact	Mitigation
OPERATIONAL RISKS		
Client Dependency	The Group receives a significant proportion of its revenues from a limited number of large clients and the loss of those clients would adversely impact the Group's prospects, business and financial condition.	<p>A relatively small number of clients contribute a significant percentage of the Group's consolidated revenues.</p> <p>The Group continues to maintain strong relationships with key clients and seeks to establish reputations in the industry that will attract and retain further key clients and talent.</p> <p>Due to the number of services provided by the Group and the drive for cross Group working, in many instances a shared client will be secured under a number of contracts. The loss of one contract does not necessarily mean the loss of that client.</p>
Retention of Key Personnel	<p>The Group is dependent on the talent, creative abilities and technical skills of its personnel, as well as their relationships with clients.</p> <p>If the Group were unable to attract and retain its key talent, or had inadequate talent management and succession planning for key management roles, the Group's performance would be adversely affected through client losses and profitability.</p>	The Group seeks to retain and develop personnel at all levels. The Group aims to identify key talent and emerging talent at an early opportunity and to implement incentive arrangements appropriate to seniority and experience. The Group and its divisions continue to provide training and personal development initiatives in order to further develop and retain a motivated workforce.
Information systems and security	<p>The failure of the Group's information systems or a breach of its security infrastructure may have a significant impact upon the operations of the Group.</p> <p>Loss of confidential information or failure to put in place established security arrangements could damage our relationships with clients and have a detrimental impact upon our reputation.</p>	<p>The Group is undertaking an on-going review and update of our risk management and business continuity plan.</p> <p>The Group's I.T. infrastructure is constantly reviewed and updated and the Group is moving toward ISO 27001 compliance.</p> <p>The Group has taken active steps over the last nine months to address the new requirements imposed by the General Data Protection Regulations</p>

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Principal Risk and Context	Possible Impact	Mitigation
		including the provision of mandatory training by all Group staff.
FINANCIAL RISKS		
Credit Risk	The Group's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts. A provision for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.	<p>The credit worthiness of our customers is assessed and monitored on an on-going basis. If necessary, credit insurance or payments in advance are sought.</p> <p>The Group has implemented a policy on reducing debtor days and this continues to be monitored closely at a Board level. Debtors are reviewed regularly as part of financial management reviews. Where deemed necessary, finance managers will review any proposal for further commitments to a client where payments are outstanding.</p>
Interest Rate Risk	The Group has significant levels of floating rate borrowings and is therefore exposed to the impact of interest rate fluctuations.	<p>The Group's policy on interest rate risk is designed to limit the Group's exposure to fluctuating interest rates.</p> <p>The Group has hedged £127.5m of Term Debt with a plain vanilla interest rate swap. The Group considers the percentage hedged (48% of Term Debt) to be an acceptable level, given the low interest rate environment.</p>
Liquidity Risk	The Group operates under a committed facility of of £289.5m (2016: £273.9m), comprising £255.0m (2016: £153.0) until August 2024 and £34.5m (2016: £70.9m) until August 2023.	Cash flow movements are monitored to ensure that sufficient financial resources are available. The Group has seen an increase in client pressure to extend credit terms and the resulting terms are being closely monitored.
Currency risk	The Group operates globally. Fluctuations in exchange rates between currencies, in which the Group operates, relative to pounds sterling, may cause fluctuations in its financial results. The main foreign currencies which impact the Group's operations are the Euro and US Dollar.	<p>Client commitments are, where possible, made in local currency to alleviate risk. Additionally, supply and delivery contracts are, where possible, agreed in the same currency to minimise foreign exchange losses on a particular project.</p> <p>Assessments of the impact of significant fluctuations in exchange rates of the main foreign currencies used by the Group are regularly performed and monitored centrally.</p>
ECONOMIC RISKS		
Political Change	The effects of political uncertainty and economic disruptions could influence both revenue and/or cash flow streams.	The Group, and in particular CSM, is involved in the delivery of major sporting and entertainment events. An assessment of each event is

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Principal Risk and Context	Possible Impact	Mitigation
	<p>The effects of political changes within territories in which we operate could affect the potential to win work (or the commercial viability of such work).</p>	<p>undertaken to ensure that potential exposure and liabilities are reduced by advance funding by the client and/or by appropriate insurance. For global events (such as the FIFA World Cup or Olympics) it is likely that events would be delayed and rescheduled rather than be cancelled.</p> <p>The Group monitors the political and economic factors involved in conducting business around the world.</p> <p>In Europe, the Brexit negotiations have the potential to impact our ability to win, resource and deliver services to our clients and to generate profits. This continues to be monitored.</p>

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



Adrian Coleman
Director



Matthew Vandrau
Director

Date: 10 May 2018

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DIRECTORS REPORT

The Directors present their annual report on the affairs of the Group, together with the consolidated and Company financial statements and auditor's report, for the year ended 31 December 2017.

Results

The Group's income statement is set out on page 32 and shows a loss before tax for the year ended 31 December 2017 of £120.1m (2016: £18.1m). No dividend has been declared during 2017 or 2016.

Directors' Indemnities

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

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

Identity of Private Equity Firm

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

WPP Group plc is the beneficial owner of 24.85% of Chime Group Holdings Limited.

Incorporated on 19 October 2015, Chime Group Holdings Limited was the vehicle used to acquire the entire share capital of Chime Communications plc in October 2015. Chime had been listed on the London Stock Exchange since 1994 and following the acquisition, was de-listed on 16 October 2015.

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

For the year ended 31 December 2017, the Directors consider the annual report and financial statements to comply with all aspects of the Guidelines for Disclosure and Transparency in Private Equity.

Chime Group Holdings Limited

Our Board of Directors

The Role of the Board

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

Composition of the Board

Director	First Appointed
Paul S Walsh, Non-Executive Chairman	29 January 2016
John Hahn*	22 October 2015
Andrew Tisdale*	24 July 2015
Roderik Schlosser*	22 October 2015
Steve Winters**	15 September 2016
Lindsay Pattison**	1 January 2016
Christopher Satterthwaite	22 October 2015
Eric Hageman	15 September 2016 (resigned 30 November 2017)
Adrian Coleman	28 February 2018
Matthew Vandrau	28 February 2018

*Representatives of Providence Equity Partners

**Representatives of WPP PLC

Chime Group Holdings Limited

Directors' Biographies

Paul S Walsh – Non-Executive Chairman

Paul is Chairman of Compass Group plc, Chairman of Avanti Communications Group plc, and a Non-executive Director of FedEx Corporation and RM2 International S.A.

Paul is a former Chief Executive of Diageo plc and now acts as an adviser to the Chairman and Chief Executive. He was Chief Executive Officer of the Pillsbury Company, Chairman of Ontex Group N.V. and a Director of GrandMet; a non-executive Director of Unilever PLC, Centrica plc and United Spirits Limited and until April 2017, a non-executive director of HSBC Holdings plc. Paul is a Member of the Business Advisory Group for Britain, Business Ambassador on the UK Government's Business Ambassador network and a Member of the Council of the Scotch Whisky Association.

John Hahn – Providence Equity Partners

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

Prior to joining Providence in 2000, Mr. Hahn was a managing Director at Morgan Stanley. Prior to Morgan Stanley, Mr. Hahn worked with Price Waterhouse and Federal Data Corporation.

Andrew Tisdale – Providence Equity Partners

Andrew is a Managing Director of Providence Equity based in London. He is a Director of Ambassador Theatre Group, Clarion Events, HSE24 and M7 and previously served on the board of ONO in Spain. Mr. Tisdale also served on the advisory board of the MBC Group, the largest TV broadcaster in MENA from 2013 to 2015. He currently serves on the Board of Advisors for Yale School of Drama. Prior to joining Providence in 2008, he was global co-head of the media and communications group and a member of Morgan Stanley's management committee for investment banking. During his 18 year tenure at Morgan Stanley, he held various roles within investment banking, including co-head of the media and communications group for North and South America and, subsequently, the same role for Europe, the Middle East and Africa. He also led Morgan Stanley's investment banking activities in Brazil. Andrew is chairman of the Remuneration Committee.

Roderik Schlosser – Providence Equity Partners

Roderik is a Managing Director of Providence Equity based in London. He is currently a Director of M7. Prior to joining Providence in 2006, he was an analyst in the telecommunications corporate finance group at Deutsche Bank. Roderik is chairman of the Audit Committee.

Steve Winters – WPP

Steve is Deputy Group Finance Director of WPP plc. He has over twenty years' of experience in financial reporting at WPP and held the role of Group Chief Accountant from 2001-2016. Prior to joining WPP, Steve worked for Coopers & Lybrand (now PwC) where he qualified as a Chartered Accountant in 1994.

Lindsay Pattison – WPP

Lindsay was appointed GroupM's first-ever global Chief Transformation Officer in May 2017 and a few months later to the same role for WPP (November 2017). At GroupM, Lindsay is leading change programs to support group and agency structures, talent and leadership development, and culture and diversity. At WPP, Lindsay oversees 50 global client teams and helps the Company deliver on its core strategic priority of horizontality.

Previously, Lindsay was Maxus' Global CEO since October 2014 with responsibility for 3,000 colleagues across 55 markets and client media investment worth more than £11.2bn. In another stint in dual roles, she previously served as Global Chief Strategy Officer and U.K. CEO for Maxus during a period of sevenfold growth. Her experience also includes roles at Young and Rubicam and PHD Media, as well as a senior client-side role with Sony Ericsson.

Chime Group Holdings Limited

Lindsay is a passionate advocate for business leaders taking meaningful action to improve gender equality. In 2016, she launched 'Walk the Talk', an initiative to help senior Maxus women overcome the practical, cultural and psychological barriers to achieving their potential. GroupM and WPP have adopted this program globally.

Lindsay has joined the Confederation of British Industry's (CBI's) Taskforce on the Value of Business as the communication specialist. Lindsay was named one of Cranfield's FTSE Board Report's 100 Women to Watch in 2015 and 2016; in 2017, she was listed for the third time in Britain's top 500 Most Influential People by Debrett's; and Ad Age recognized her as one of their 2015 Women to Watch. Lindsay is an ex-President of Women in Advertising & Communications London (WACL) and served two terms on the WEF Global Agenda Council on the Future of Media.

Christopher Satterthwaite – Non-executive Director

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

Chris stepped down as CEO in February 2018 but remains a non-executive Director.

Eric Hageman – Chief Financial Officer (resigned 30 November 2017)

Eric joined Chime in August 2016 from Telecity Group Plc where he was CFO and responsible for the successful sale to Equinix Inc. Prior to this, Eric held a number of senior executive positions at Royal KPN NV including Group CFO and CEO of KPN Belgium. Before KPN, Eric worked in London in M&A and Corporate Finance roles at Deutsche Bank and ABN Amro.

Eric holds an MBA from the London Business School and an MSc in Business Economics from Maastricht University.

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

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

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

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

Chime Group Holdings Limited

Who does what – Division of Responsibilities

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

The Non-Executive Chairman is responsible for:

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

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

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

The Non-Executive Directors are responsible for:

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

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Audit Committee

Members

Roderik Schlosser (Chairman)
Steve Winters
Eric Hageman (resigned 30 November 2017)

Role

The role of the Audit Committee is to ensure that the Company's processes and control measures are fit for purpose; that both the internal and external audit plans are appropriate and carried out diligently; to oversee responses to trends identified and oversee the response to risks and issues emanating from regulatory reporting requirements.

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

Remuneration Committee

Members

Andrew Tisdale (Chairman)
Paul S Walsh
Adrian Coleman (appointed 28 February 2018)
Matthew Vandrau (appointed 28 February 2018)
Christopher Satterthwaite (resigned from the Remuneration Committee on 28 February 2018)

Role

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

Executive Management Team

The Executive Management Team of the Group is comprised of the co-Chief Executive Officers, the Chief Operating Officer, Group Marketing Director, Group Finance Director, and Head of M&A and Group Treasury who collectively discharge the delegated decision making and responsibilities of the Executive Directors and are responsible for maintenance of, and compliance to, Group operating standards. The Executive Management Team meets on a bi-weekly basis to monitor and review the performance of each of the five constituent divisions of the Group through established management reporting.

Our colleagues

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

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

We recruit our staff via a number of conduits such as utilising our own contacts in addition to social networking sites. This has enhanced our dialogue with the available talent pool. Where we utilise agents, we do so only after they have a good understanding of our needs, culture and processes. We work closely with new staff to induct them quickly but comprehensively into the workplace and team spaces.

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

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

Equal Opportunity

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

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

Gender Diversity

Policy statement

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

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

Gender reporting

Women on our executive forums:

	31 December 2017	31 December 2016
Board Directors	1 of 7	1 of 8
Non-Executive Directors	1 of 6	1 of 6
Audit Committee	0 of 2	0 of 3
Remuneration Committee	0 of 3	0 of 3

Of our 2,488 staff at 31 December 2017, 47% were female (2016: 50%). In our Graduate Scheme our current intake of graduates is 69% (2016: 80%) female. Of our 2016/7 intake 79% (2016: 82%) were female.

Our on-going commitment

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

Gender Pay Gap Reporting

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

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

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Employment of Disabled Persons

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

Young People

We are aware of the barriers many young people face when looking for meaningful and creative employment opportunities. Our Graduate Scheme in the UK has been running for more than 10 years and has regularly resulted in Group agencies employing over 80% of the intake. In addition, we have offered a number of apprenticeship places in various parts of the business in 2017.

Innovate Board – Chime's Youth Board

Innovate is a group of young members of staff tasked with innovation and addressing business issues. Membership is open to all staff under the age of 30. During 2017 the Board ran initiatives on a Group-wide incubator on the application of artificial intelligence. The Board members are given access to all agencies and all levels within the Group and each project team is mentored by one of our board in order to facilitate board access and to nurture progress.

Staff engagement

Our staff are regularly updated on the aims, progress and issues within their own agencies and the Group as a whole. Our Group Intranet provides a platform for the sharing of news, details of agency work and stores a library of resources to support them in their tasks day-to-day.

Health and safety

We have a Group Health and Safety Policy and the Directors of each business, led by the respective Managing Director, are responsible to the Group for implementing the policy. Our Health and Safety Policy and procedures are reviewed regularly via our risk management process.

We take our duty of care to our staff seriously and have retained consultants, RHSS Ltd, who provide not only guidance on identification and assessment of hazards but are also available for practical support such as carrying out risk assessments for events and other activities.

We are a people business and, due to the nature of our work, the majority of our staff are office based. However, our ICON business includes operations with a relatively small amount of manufacturing activity. As we have grown to include creating and managing live events we now have a proportion of staff working on location which brings an additional level and a variance in our health and safety risk profile. These operations are managed via the procedures within each business. Our aim is to maximise the wellbeing of our people and those we interact with. As such, the risk and historical incidence of accidents is low.

This is an on-going process and the risk assessment of new developments or increases in activities with a higher level of risk is embedded into our review process.

Whistleblowing

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

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Ethics and Responsible Trading

Corporate responsibility

The Board acknowledges that being socially responsible is an important factor in not only the work we do for our clients but also is an important factor in the management of our own business and during 2018 we will undertake a review of our Corporate Responsibility priorities.

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

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

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

Ethics and Integrity

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

As such we have a published set of core defining principles ('S.C.O.R.E.') which set out our broad approach to our business. This is brought alive by our Staff Code of Conduct and our Responsible Business Code.

Staff Code of Conduct

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

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

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

The Code remains under review in order that it may be adapted as market forces and legal requirements demand or as additional risks are identified. Whilst it is broad, it is designed, along with our guiding values, to be embedded within our diverse range of operating cultures. Our risk management processes include testing of these areas and ensures that the Code is communicated and its guidance is adopted by all.

Our divisional management teams, in promoting the Code within their own operational culture, will adapt, add to, but not dilute the Code in order to ensure that it remains fit for purpose and relevant within the applicable business.

Operating Standards

The Group coordinates the operations of our five divisions and in doing so sets the standards which must be met and maintained by all our agencies. Each agency has adopted processes and procedures which adhere to the Group standards but within their own distinct culture. Agencies are permitted to build upon but not dilute the standards set by the Group.

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

Conflicts of Interest

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

Anti-corruption

Maintaining appropriate and clear procedures within the Group's operations to prevent corruption is paramount. We must ensure that our staff and our other stakeholders know how we approach such issues.

We shall continue to use the UK Bribery Act 2010 and the US Foreign Corrupt Practices Act as a minimum benchmark for compliance with those laws and on behalf of our clients and partners.

In 2016 we reset our anti-corruption measures and initiated a training programme which is now mandatory for all staff. Further training and information is provided to staff who either require specific knowledge due to their role or due to their field and location of operations.

Modern slavery

We do not tolerate any form of modern slavery or human trafficking in any part of our business. Our current Values, Code of Conduct and Our Responsible Business Code are aligned with and support the United Nations' Guiding Principles on Business and Human Rights. All operating companies are required to adhere to these Codes and the implementation is determined at operating company level and is each agency's responsibility. Under the Modern Slavery Act 2015, the Group is required to prepare an annual slavery and human trafficking statement. The Group's statement for the year ended 31 December 2016 was published on our website in June 2017 and the Group will be publishing an updated annual report shortly.

ENVIRONMENTAL MATTERS

We acknowledge that our customers, staff and other stakeholders have an interest in our impact on the environment and as such, we have committed to monitor and improve our environmental performance where possible. The Group has strived to continually reduce its carbon footprint on a normalised basis since 2006. We deliver services to clients based on image, ideas, research, content and event execution. We regularly incorporate our environmental performance in business credentials presentations (including new business pitches) to clients as we believe this is an important consideration when evaluating our approach to responsible and ethical trading.

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

We have considered becoming ISO accredited in order to manage our environmental and social impacts and have decided that ISO 14001 (the international standard for environmental management systems) is inappropriate for the Group as we are a mainly office based organisation and, as property leaseholders, we are primarily reliant on our landlords who retain control over issues relating to property infrastructure impacts. We do include environmental criteria in our assessment of our real estate issues.

We have continued to maintain the high standards we set ourselves during our time as a public company when we were listed on FTSE4Good. We are participants in the UK CDP Climate Change Program and will assess our readiness for re-accreditation to the Carbon Trust Standard in 2018, with an aim to recertify in 2019. We are proud of our Business in the Community Big Tick Awards (in 2011 and 2013) for our environmental performance and continue operating within the standards which brought that recognition.

The information provided here is to inform our shareholders of our approach, successes and future targets. We shall continue to update and report on a regular basis.

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Our carbon footprint

We have been calculating our UK carbon footprint since 2012, and our 2016 carbon footprint, reported last year, included a sample of our international operations. We are calculating our 2017 carbon footprint in line with previous years, using the UK Government Environmental Reporting Guidelines and the latest UK Government Conversion Factors for Company Reporting to estimate GHG emissions for the period under review. The boundary of our carbon footprint includes Global and UK operations over which we have direct operational control.

The Group will be participating in CDP's Climate Change program in 2018. Our carbon footprint, together with details of our climate change governance, management and strategy, will be disclosed in detail in our CDP response in July 2018, and a separate summary of results will be published on our website shortly thereafter.

Social, Community and Human Rights Issues

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

In acting responsibly, we acknowledge that our operations can have a positive influence on the communities in which we work, whether it is during an event or through promoting a particular product. Our core values and our Responsible Business Code reflect our starting point when faced with such issues.

We also encourage and promote our agencies to use their services and talent as a force for good. We promote and facilitate volunteering by individual members of staff or groups in order that they may support worthwhile causes. Agencies undertake work on a pro-bono basis for clients that otherwise would not obtain such support. The charity (pro-bono) project is a core element of our Chime Graduate Scheme and an important factor in attracting talent to our graduate programme. The Group often works with charities either on a group-wide or agency basis to help support their efforts in a given activity.

Examples of our pro-bono work in 2017 include:

Graduate Charity project - icandance

The Chime Graduate Scheme Annual Charity Project brings together the graduates of each Group agency to apply their distinctive skills in support of a local charity. Last year, the Chime graduate cohort provided pro-bono support for icandance, a North London charity that offers dance and performance opportunities to children and young people with disabilities.

A central challenge for icandance was how to effectively communicate their great work to different audiences. The charity spoke of the desire to increase their exposure within the local community and secure a long-term corporate partnership.

Following a consultation with the charity, the graduates identified specific areas of opportunity where they could share their skills and knowledge to help icandance realise their ambitions. The opportunity areas centred on improving the charity's use of social media as a PR tool and providing the materials necessary to approach a corporate for a partnership. Deliverables included training workshops, a new corporate partnership template and a PR toolkit offering best practice guidelines for effective PR.

On the work of the Graduates, icandance Founder, Juliet Diener, said "the work Chime did with us was incredibly enriching. It gave us an opportunity to look at how we do things and how we as an organisation can present ourselves to the wider public. The graduates were enthusiastic, energetic, excellent at meeting deadlines and passionate about icandance. Our relationships have continued and we still continue to implement the strategies they created as we continue to grow and progress."

Corporate Citizenship – ShelterBox

Corporate Citizenship has an annual pro bono scheme in which all members of the Company participate. ShelterBox is an international disaster relief charity that provides emergency shelter and tools for those affected by human and natural disasters who worked with Corporate Citizenship in 2017. A key challenge for the charity was how to tailor its offer to corporates in order to secure a partnership. Using our in-house expertise in the area of corporate partnerships and

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Community Investment, Corporate Citizenship undertook detailed research into appropriate sectors and companies that would provide strategic partnership opportunities for ShelterBox. As a result of the project, ShelterBox is now in a much stronger position to secure a corporate partnership using a targeted approach in the three relevant sectors identified by Corporate Citizenship.

VCCP – Time Machine – Breast Cancer Now

Every day, around 139 people in the UK hear the words ‘it’s breast cancer’, and every month the disease cuts short the lives of nearly 1,000 people. Over the last twelve months, VCCP have been working closely in collaboration with Breast Cancer Now to support the Bigger Bounce charity event – an evening of dining, entertainment and raising money in aid of breast cancer research. In just one night, this event raises about a tenth of Breast Cancer Now’s total annual fund.

As a partnership, VCCP this year were asked to create a two minute film to help drive home and encourage donations for Breast Cancer Now’s 2050 vision that anyone who is diagnosed with breast cancer recovers and lives well.

The film tells the story of a young girl building a time machine in her bedroom with burning determination. At the end, it is revealed that her reason for building the machine is for her mother who has breast cancer.

The production for Time Machine spanned across a six month period – of which, all time and production resource was 100% donated to Breast Cancer Now. As a result, the event raised just over £1.0m for breast cancer research. The charity loved the film so much, they decided to run a 90” cut-down on TV during the Christmas period (with all media gifted by ITV) and continue to use it in their marketing efforts today. In addition to creating this film, VCCP also produced the programmes, ticket packs, raffle tickets and venue posters for the evening – all playing a significant role in the overall success of the event.

Political Donations

The Group’s policy is not to make direct donations to support political parties. However, the nature of the Group’s work is such that to support its commercial activities, certain companies may need to attend or sponsor events which are organised by political parties or other political organisations, for which a charge is made.

In addition, the Group may invite clients and prospective clients to attend events whom fall within the meaning of the Companies Act 2006 provisions. The Companies Act 2006 defines ‘political party’, ‘political organisations’, ‘political donation’ and ‘political expenditure’ widely and as a result, it is possible that political organisations may include bodies concerned with matters such as policy review and law reform, or the representation of the business community or sections of it, or the representation of other communities or special interest groups.

During the year (and in 2016) and adopting this wider definition, the Group did not make any donations deemed to be political donations.

Human Rights

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

We respect human rights as set out in the United Nations’ Universal Declaration of Human Rights, as well as the core conventions of the International Labour Organization. We also support the United Nations’ Guiding Principles on Business and Human Rights.

Auditor

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

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

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

Chime Group Holdings Limited

During 2017, Deloitte LLP resigned as statutory auditors due to a tender process initiated by the Group. KPMG LLP was appointed as statutory auditors in September 2017.

Directors Responsibility Statement

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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

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

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



Adrian Coleman
Director



Matthew Vandrau
Director

Date: 10 May 2018

Chime Group Holdings Limited

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

Opinion

We have audited the financial statements of Chime Group Holdings Limited ("the Company") for the year ended 31 December 2017 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated and Company balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and related notes, including the significant accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2017 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and Directors' report

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

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

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 29, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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



Jonathan Downer (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

10 May 2018

Chime Group Holdings Limited

Consolidated income statement
Year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Revenue	3	545,732	490,033
Cost of sales		<u>(265,846)</u>	<u>(243,667)</u>
Operating income		279,886	246,366
Operating expenses	4	<u>(380,849)</u>	<u>(248,459)</u>
Operating loss		(100,963)	(2,093)
Share of results of associates	16	287	776
(Loss) on disposal of associate	16	(6,299)	-
Investment income	7	8,528	95
Finance costs	8	<u>(21,684)</u>	<u>(16,850)</u>
Loss before tax		(120,131)	(18,072)
Tax (charge)/credit	9	<u>(273)</u>	<u>1,922</u>
Loss for the year		<u>(120,404)</u>	<u>(16,150)</u>
Attributable to:			
Equity holders of the parent		(121,598)	(17,411)
Non-controlling interests		<u>1,194</u>	<u>1,261</u>
		<u>(120,404)</u>	<u>(16,150)</u>

The accompanying notes are an integral part of the financial statements

Chime Group Holdings Limited

Consolidated income statement
Year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Items that may be classified subsequently to profit and loss			
Loss for the year		(120,404)	(16,150)
Loss on revaluation of available for sale investments	17	(278)	(194)
Exchange differences on translation of foreign operations		<u>(6,071)</u>	<u>9,416</u>
Total comprehensive expense for the year		<u>(126,753)</u>	<u>(6,928)</u>
Attributable to:			
Equity holders of the parent		(127,830)	(8,397)
Non-controlling interest		<u>1,077</u>	<u>1,469</u>
		<u>(126,753)</u>	<u>(6,928)</u>

The accompanying notes are an integral part of the financial statements

Chime Group Holdings Limited

Consolidated balance sheet At 31 December 2017

	Note	2017 £'000	2016 £'000
Non-current assets			
Goodwill	11	312,977	408,311
Other intangible assets	13	79,729	100,315
Property, plant and equipment	14	11,525	13,681
Investments in associates	16	1,797	8,076
Other investments	17	2,270	2,726
		<u>408,298</u>	<u>533,109</u>
Current assets			
Work in progress		8,374	3,614
Trade and other receivables	18	144,573	130,228
Cash and cash equivalents	19	24,527	23,185
		<u>177,474</u>	<u>157,027</u>
Total assets		<u>585,772</u>	<u>690,136</u>
Current liabilities			
Trade and other payables	20	(142,728)	(128,426)
Current tax liability		(600)	(129)
Other borrowings	22	(533)	(19)
Obligations under finance Leases	23	(80)	(43)
Provisions	24	(17,375)	(11,424)
		<u>(161,316)</u>	<u>(140,041)</u>
Total net current assets		<u>16,158</u>	<u>16,986</u>
Non-current liabilities			
Deferred tax liabilities	10	(5,429)	(7,282)
Other payables		-	(113)
Bank loans	21	(265,000)	(248,844)
Other borrowings		-	(79)
Obligations under finance Leases	23	(77)	(114)
Provisions	24	(5,503)	(16,117)
		<u>(276,009)</u>	<u>(272,549)</u>
Total liabilities		<u>(437,325)</u>	<u>(412,590)</u>
Total net assets		<u>148,447</u>	<u>277,546</u>

Chime Group Holdings Limited

Consolidated balance sheet (continued)
At 31 December 2017

	Note	2017 £'000	2016 £'000
Equity			
Share capital	25	81,153	81,153
Share premium account	26	215,055	215,055
Foreign currency translation reserve		3,070	9,024
Accumulated losses		(158,887)	(35,117)
Equity attributable to equity holders of the Parent		140,391	270,115
Non-controlling interests		8,056	7,431
Total equity		148,447	277,546

The financial statements were approved by the board of Directors and authorised for issue on *10 May* 2018. They were signed on its behalf by:



Adrian Coleman
Director



Matthew Vandrau
Director

Registered Company number: 09702342

The accompanying notes are an integral part of the financial statements

Chime Group Holdings Limited

Consolidated statement of changes in equity
Year ended 31 December 2017

	Share capital £'000	Share premium £'000	Translation reserves £'000	Accumulated losses £'000	Total £'000	Non- controlling interests £'000	Total £'000
Balance at 1 January 2016	72,660	192,548	(183)	(6,263)	258,762	1,602	260,364
Total comprehensive income/(loss)	-	-	9,207	(17,604)	(8,397)	1,469	(6,928)
Issue of shares	8,493	22,507	-	-	31,000	-	31,000
Acquisition and incorporation of subsidiaries	-	-	-	-	-	380	380
Disposal of non-controlling interests	-	-	-	-	-	5,724	5,724
Purchase of non- controlling interests	-	-	-	(11,325)	(11,325)	(646)	(11,971)
Dividends to non-controlling interests	-	-	-	-	-	(690)	(690)
Recycle purchase of non-controlling interest on disposal	-	-	-	156	156	(489)	(333)
Non-controlling interest deemed remuneration reserve	-	-	-	(81)	(81)	81	-
Balance at 1 January 2017	81,153	215,055	9,024	(35,117)	270,115	7,431	277,546
Total comprehensive (loss)/income	-	-	(5,954)	(121,876)	(127,830)	1,077	(126,753)
Tax adjustment relating to prior period	-	-	-	146	146	-	146
Disposal of non-controlling interests	-	-	-	-	-	987	987
Purchase of non-controlling interests	-	-	-	(2,040)	(2,040)	(1,000)	(3,040)
Dividends to non-controlling interests	-	-	-	-	-	(439)	(439)
Balance at 31 December 2017	81,153	215,055	3,070	(158,887)	140,391	8,056	148,447

The accompanying notes are an integral part of the financial statements

Chime Group Holdings Limited

Consolidated income statement
Year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Net cash from operating activities	27	4,281	7,151
Investing activities			
Interest received		858	63
Dividends received from investments and associates		268	462
Proceeds on disposal of other intangible assets		15	-
Proceeds on disposal of property, plant and equipment		754	275
Acquisition of subsidiaries (net of cash acquired)		(13,073)	(59,348)
Purchases of other intangible assets		(386)	(5,798)
Purchases of property, plant and equipment		(4,943)	(4,949)
Disposal of non-controlling interests		-	69
Deferred consideration received		-	15
Net cash outflow from investing activities		(16,507)	(69,211)
Financing activities			
Dividends paid to non-controlling interests		(439)	(690)
Increase in borrowings		16,591	31,200
Repayment of loan notes		(775)	(888)
Repayment of obligations under finance leases		14	(49)
Proceeds on issue of ordinary share capital		-	31,000
Disposal of non-controlling interests		-	2,735
Purchase of non-controlling interests		(2,051)	(11,226)
Net cash inflow from financing activities		13,340	52,082
Net increase/(decrease) in cash and cash equivalents		1,114	(9,978)
Cash and cash equivalents at beginning of year		23,185	30,905
Effect of foreign exchange rate changes		228	2,258
Cash and cash equivalents at end of year		24,527	23,185

Cash and cash equivalents comprise cash at bank, less overdrafts

Net debt comprises:

Cash and cash equivalents	19	24,527	23,185
Loan notes outstanding	20	(227)	(1,002)
Bank loans	21	(265,000)	(248,844)
Other borrowings	22	(533)	(98)
Obligations under finance leases	23	(157)	(157)
Overall net debt		(241,390)	(226,916)

The accompanying notes are an integral part of the financial statements

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements Year ended 31 December 2017

1. General information

Chime Group Holdings Limited (the 'Group') is a company incorporated in United Kingdom on 24 July 2015 under the Companies Act 2006. The address of the registered office is 62 Buckingham Gate, London SW1E 6AJ. The nature of the Group's operations consists principally of sports marketing, public relations, advertising, market research, direct marketing, and design and event management consultancy. Details are provided in the Strategic report, pages 4 to 16.

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

	Closing rate at 31 December 2017	Average Rate 2017	Closing rate at 31 December 2016	Average Rate 2016
US Dollar	1.352	1.288	1.234	1.355
Euro	1.127	1.141	1.169	1.224

2. Significant accounting policies

Basis of accounting

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

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

Critical accounting judgements

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

Deemed remuneration

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

Revenue and cost recognition on long-term contracts

Revenue and costs are recognised on long term contracts, by reference to the stage of completion of activity under that contract at the balance sheet date. Management has considered the stage of completion of each contract and made a number of assumptions in order to estimate the relevant revenues and costs to recognise under these contracts. Management is satisfied that the amounts recognised in 2017 are appropriate and consistent with the terms of the contracts and the stage of work completed.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2017

2. Significant accounting policies (continued)

Key sources of estimation uncertainty

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

Valuation and asset lives of separately identifiable intangible assets

In order to determine the value of the separately identifiable assets of a business combination, management is required to make estimates when determining fair values. This includes the use of discounted cash flows, revenue and profit before tax multiples. Asset lives are estimated based on the nature of the intangible asset acquired and range between 5 and 15 years.

Allocation of goodwill and other intangible assets

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

Contingent consideration

Contingent consideration relating to acquisitions has been included based on the fair value of management's estimate of the most likely outcome (note 24).

Vacant property provisions

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

Going Concern

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

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

On 11 August 2017, the Group re-financed its bank facilities, achieving (i) an increase in available borrowing capacity (ii) improved headroom on its financial covenants and (iii) an extension in the repayment profile of its borrowings. The Group now benefits from committed facilities of £289.5m (2016: £273.9m), comprising £255.0m (2016: nil) until August 2024 and £34.5m (2016: £273.9m) until August 2023.

This facility is subject to banking covenants. The Company and certain other companies in the Group, has given an unlimited cross-guarantee in favour of its bankers.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2017

2. Significant accounting policies (continued)

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

Basis of consolidation

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

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

Investments in associates

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

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

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

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

Other investments

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

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2017

2. Significant accounting policies (continued)

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

Goodwill

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

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

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

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

When a business is acquired from former shareholders who become employees of the Group, should their earn out payments be dependent on continuing employment then all payments are treated as remuneration for post-acquisition services.

The charge to the income statement is included in deemed remuneration and the fair value of the liability is included as deemed remuneration in the balance sheet, classified as current or non-current liabilities as appropriate.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and comprises the gross amounts billed to clients in respect of fees earned, expenses recharged and commission-based income. Revenue is recognised in the income statement when the economic benefits arising from an arrangement are probable.

Revenue is largely derived from retainer fees and services performed subject to specific agreement. Revenue is recognised when the service is performed in accordance with the contractual arrangement through an assessment of the time incurred to date compared to the total hours required to complete the contract, and an assessment of the value delivered to the client compared to the total value of the contract. If the outcome of these can be assessed with reasonable certainty, revenue and related costs are recognised in the income statement. Losses are recognised as soon as they are foreseen.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2017

2. Significant accounting policies (continued)

Revenue recognition (continued)

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

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

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

Long-term contracts

Where the outcome of a long-term contract for services or goods can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date.

The stage of completion is determined through an assessment of the proportion of services that have been delivered compared to the total services required to complete the contract, except where this would not be representative of the stage of completion.

Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred, unless they relate to commission based fees where the fees are not recognised at the time the costs are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Leasing

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

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

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

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

Foreign currencies

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

On consolidation, the assets and liabilities of the Group's overseas operations are translated into the presentational currency of the Group at the exchange rates prevailing on the balance sheet date. Income and

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2017

2. Significant accounting policies (continued)

Foreign currencies (continued)

expenses are translated at the average exchange rates for the year unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation reserve differences are recognised as income or as expenses in the period in which the operation is disposed of.

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

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

Finance costs

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

Operating profit

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

Retirement benefit costs

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2017

2. Significant accounting policies (continued)

Other intangible assets

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

Computer software	4 years
Customer relationships	5 to 10 years
Trade names	14 to 15 years
Client contracts	3 years

Property, plant and equipment

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

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

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

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

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

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

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

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

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2017

2. Significant accounting policies (continued)

Impairment of property, plant and equipment and intangible assets excluding goodwill (continued)

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

Work in progress

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

Provisions

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

Financial instruments

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

Cash and cash equivalents

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

Trade receivables

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

Available for sale investments

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

Investments are classified either as available for sale, and are measured at subsequent reporting dates at fair value, or at historical cost, where no fair value is readily determinable. Gains and losses on available for sale financial assets arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the year.

Bank borrowings

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

Trade payables

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

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2017

2. Significant accounting policies (continued)

Equity instruments

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

Derivative Financial Instruments

The Group uses derivative financial instruments to reduce its exposure to interest rate movements. Interest rate swaps are used to hedge against fluctuations in future cash flows on the Group's debt funding due to movements in interest rates. The Group does not hold or issue derivative financial instruments for financial trading purposes. Derivatives that do not qualify for hedge accounting are accounted for at fair value through the income statement. Derivative financial instruments are initially recognised at fair value at the contract date and continue to be stated at fair value at the balance sheet date with gains and losses on revaluation being recognised immediately in the income statement.

Standards and interpretations

No new standards or amendments to standards had any impact on the Group's financial position and performance nor the disclosures in these financial statements for the year ended 31 December 2017.

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

Annual Improvements to IFRSs: 2014-16 Cycle	Annual Improvements to IFRSs: 2014-16 Cycle
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
IFRS 15 (effective date 1 January 2018)	Revenue from Contracts with Customers
IFRS 16 (effective date 1 January 2019)	Leases
IFRS 9 (effective date 1 January 2018)	Financial Instruments

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

Impact of the adoption of IFRS 9, IFRS 15 and IFRS 16

IFRS 15 Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The Group has performed initial impact assessments across the businesses and identified that certain commission and player management contracts are likely to be most affected. During the course of the year the Company shall be quantifying the financial impact on the consolidated financial statements. The Group plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). As a result, the Group will not apply the requirements of IFRS 15 to the comparative period.

IFRS 9 Financial Instruments is effective from 1 January 2018 and whilst we have not completed a detailed review of the effect of the new standard on the measurement and disclosures of financial instruments, we will be required to apply an 'expected credit loss' impairment model to financial assets measured at amortised cost or FVOCI (except for investments in equity instruments, and to contract assets). This will mainly impact our overall

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2017

impairment assessment of trade receivables, however we do not expect that this will have a material impact in future periods.

2. Significant accounting policies (continued)

IFRS 16 Leases replaces existing leases guidance and is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16. The Group has not yet completed a detailed assessment of the new standard or the transition approach, however we expect that this will have a significant impact on its consolidated financial statements. Under the new standard, the Group will recognise new assets and liabilities for its operating leases, including its commercial property leases and leases on certain items of office furniture and equipment, as well as a depreciation charge for right-of-use assets and interest expense on lease liabilities.

No significant impact is expected for the Group's finance leases given these are immaterial at 31 December 2017.

3. Analysis of Revenue

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

	2017 £'000	2016 £'000
United Kingdom	278,424	266,345
Europe & Africa	80,951	72,247
Middle East	5,326	13,451
USA	138,592	89,402
South America	724	15,144
Rest of the World	41,715	33,444
	<u>545,732</u>	<u>490,033</u>

4. Operating expenses

Operating loss has been arrived at after charging:

	2017 £'000	2016 £'000
Depreciation of owned property, plant and equipment (note 14)	6,086	5,341
Depreciation of assets held under finance leases	27	38
Amortisation of other intangible assets - Trade names (note 13)	1,495	1,484
Amortisation of other intangible assets - Customer relationships (note 13)	16,121	14,291
Amortisation of other intangible assets – Contracts (note 13)	920	613
Amortisation of other intangible assets - Computer Software (note 13)	315	828
Impairment of goodwill (note 11)	93,038	-
Rentals under operating leases	11,061	10,480
Impairment loss on trade receivables (note 18)	504	500
Profit on disposal of property, plant & equipment	(74)	(136)
Staff costs (note 6)	201,658	170,987
Net foreign exchange loss/(gains)	576	(1,931)
Other administration costs	49,122	45,964
Total operating expenses	<u>380,849</u>	<u>248,459</u>

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2017

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

	2017 £'000	2016 £'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	155	142
- the audit of the Company's subsidiaries pursuant to legislation	275	368
Total audit fees	430	510
Taxation compliance services	-	30
Other tax and advisory services	-	54
Other services	608	-
Total non-audit fees	608	84
Total fees paid to Company's auditors	1,038	594

6. Staff costs

The average monthly number of employees for the year (including executive Directors) was 2,488 (2016: 2,185).

	2017 £'000	2016 £'000
Wages and salaries	171,936	146,635
Social security costs	14,355	12,416
Pensions costs	4,406	3,593
Deemed Remuneration	10,961	8,343
	201,658	170,987

The Group operates a defined contribution pension scheme for the benefit of the majority of its employees. This is an independently administered fund, the assets of which are held separately from those of the Company. At 31 December 2017, contributions of £0.4m (2016: £0.4m) due in respect of the current reporting period had not been paid over to the schemes.

Directors' remuneration

	2017 £'000	2016 £'000
Short-term employee benefits	2,569	1,930
Pension costs	165	242
	2,734	2,172

The highest paid Director received short-term benefits of £1.4m (2016: £0.9m), and pension contributions of £0.1m (2016: £0.1m) for the year.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2017

7. Investment income

	2017 £'000	2016 £'000
Interest on bank deposits	438	63
Fair value gain on interest rate swap	420	-
Dividends received	-	32
Finance income of deferred consideration changes	7,670	-
	<u>8,528</u>	<u>95</u>

At 31 December 2017, the fair value of the interest rate swap was a liability of £0.9m (2016: £1.3m). The fair value gain has been recognised in other interest receivable. Hedge accounting has not been applied (See Note 32).

8. Finance costs

	2017 £'000	2016 £'000
Interest on bank overdrafts and loans	(20,416)	(14,590)
Fair value loss on interest rate swap	-	(1,276)
Other interest payable	(28)	(79)
	<u>(20,444)</u>	<u>(15,945)</u>
Finance cost of deemed remuneration	(828)	(472)
Finance cost of deferred consideration	(412)	(433)
	<u>(21,684)</u>	<u>(16,850)</u>

9. Tax

	2017 £'000	2016 £'000
Current tax:		
UK corporation tax at 19.25% (2016: 20.00%)	1,819	3,292
Foreign tax	1,470	1,706
Adjustments in respect of prior years	(1,124)	(1,051)
	<u>2,165</u>	<u>3,947</u>
Deferred tax:		
Current year origination and reversal of temporary differences	(2,536)	(5,504)
Adjustments in respect of prior years	644	(365)
	<u>273</u>	<u>(1,922)</u>
Tax charge/(credit) for the year	<u>273</u>	<u>(1,922)</u>

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2017

9. Tax (continued)

UK Corporation tax is calculated at 19.25% (2016: 20.00%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The charge for the year can be reconciled to the loss per the income statement as follows:

	2017		2016	
	£'000	%	£'000	%
Loss before tax	(120,131)		(18,072)	
Tax at the UK corporation tax rate of 19.25% (2016: 20.00%)	(23,136)	19.2%	(3,614)	20.0%
Tax effect of expenses that are not deductible in determining taxable profits	1,951	(1.6)%	2,655	(14.7)%
Remuneration expense on business combinations	1,611	(1.3)%	714	-4.0%
Impairment of goodwill	18,309	(15.2)%	-	-
Deferred tax assets not recognised	3,208	(2.7)%	1,195	-6.6%
Effect of difference tax rates of subsidiaries operating in other jurisdictions	(501)	0.4%	(997)	5.5%
Impact of rate changes	(689)	0.6%	(460)	2.5%
Adjustments in respect of prior years	(480)	0.4%	(1,415)	7.8%
Tax expense and effective tax rate for the year	273	(0.2)%	(1,922)	10.6%

10. Deferred tax

	£'000	
At 31 December 2015	(12,377)	
Acquisition of subsidiaries	(1,377)	
Credit to the income statement	5,869	
Exchange adjustments	6,035	
At 31 December 2016	(7,282)	
Acquisition of subsidiaries	98	
Credit to the income statement	1,892	
Exchange adjustments	(137)	
At 31 December 2017	(5,429)	
	2017	2016
Analysis of deferred tax liability	£'000	£'000
Depreciation in excess of capital allowances	1,023	995
Short-term temporary differences	2,028	2,641
Losses	-	198
Intangibles	(8,480)	(11,115)
	(5,429)	(7,282)

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued)
Year ended 31 December 2017

10. Deferred tax (continued)

Deferred tax assets of £0.1m (2016: £5.2m) overseas have not been recognised in deferred taxation due to insufficient certainty that there will be appropriate profits available in the future to utilise them.

In the UK, the main rate of UK corporation tax is 20% with effect from 1 April 2015. This gives an effective rate for the current period of 19.25%. The 20% rate will be maintained until 31 March 2017, after which the rate will fall to 19% before falling further to 17% after 31 March 2020. Both rate changes were substantively enacted by 31 December 2017, and so they are reflected in the tax charge/ (credit) for the year.

	Depreciation in excess of capital allowances £'000	Losses £'000	Short term timing differences £'000	Intangibles £'000	Total £'000
Balance at 31 December 2015	909	392	880	(14,558)	(12,377)
Acquisitions	(52)	13	167	(1,503)	(1,375)
Charge to profit and loss account	149	(237)	1,386	4,573	5,871
Exchange differences	(9)	30	205	373	599
Balance at 31 December 2016	997	198	2,638	(11,115)	(7,282)
Acquisitions	-	-	98	-	98
Charge to profit and loss account	9	(198)	(581)	2,664	1,894
Exchange differences	17	-	(127)	(29)	(139)
Balance at 31 December 2017	1,023	-	2,028	(8,480)	(5,429)

No deferred tax liability is recognised on temporary differences of £0.1m (2016: £0.4m) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences, and it is probable that they will not reverse in the foreseeable future. The temporary differences at 31 December 2017 represent only the unremitted earnings of those overseas subsidiaries where remittance to the UK of those earnings may result in a tax liability, principally as a result of dividend withholding taxes levied by the overseas jurisdictions in which these subsidiaries operate.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2017

11. Goodwill

	£'000
At 31 December 2015	372,148
Recognised on acquisition of subsidiaries	33,252
Foreign exchange differences	2,911
	<hr/>
At 31 December 2016	408,311
Recognised on acquisition of subsidiaries (note 12)	1,966
Impairment	(93,038)
Foreign exchange differences	(4,262)
	<hr/>
At 31 December 2017	312,977

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ('CGUs') that are expected to benefit from that business combination.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Following the impairment review for the year ended 31 December 2017, an impairment loss of £70.0m (2016: £nil) and £23.0m (2016: £nil) in respect of goodwill relating to the Sport and Entertainment ('CSM') CGU and Chime Insight and Engagement ('CIE') CGU, respectively was recognised. The impairment arose due to market conditions and an increase in the weighted average cost of capital.

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

	2017	2016
	£'000	£'000
Sport and Entertainment	98,948	169,604
VCCP	119,559	121,162
OPEN Health	56,151	56,151

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates and growth rates during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and has taken into consideration the risks specific to each CGU. The Group prepared cash flow forecasts based on the 2018 budget approved by the Directors and applied a number of assumptions to arrive at a five year forecast. The budgets were prepared by local management taking into account revenues from existing clients and the resources required to service these clients. They also used their industry knowledge with regards to the marketplace and pricing when formulating the budget.

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

The pre-tax rate used to discount the forecast cash flows from all CGU's is 12.2% (2016: 11.9%).

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2017

11. Goodwill (continued)

The Group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value. If discount rates were increased by 1% and profit before tax reduced by 16% in each period, goodwill allocated to two CGUs would be impaired by £7.2m. There would be no impairments to the other CGUs.

12. Acquisition of subsidiaries

On 6 April 2017, the Group acquired 100% of GlideSlope LLC ('GlideSlope') for initial consideration of \$2.9m (£2.3m). No additional consideration is expected to be paid in 2018. GlideSlope was acquired by the Group's CSM division.

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

	Book value £'000	Adjustments £'000	Fair value £'000
Property plant and equipment	68	(62)	6
Debtors and other current assets	373	-	373
Cash at bank	352	-	352
Creditors and other liabilities	(387)	-	(387)
	<hr/>	<hr/>	<hr/>
Net assets	406	(62)	344
Goodwill			1,966
			<hr/>
Fair value of consideration			2,310
Cash consideration			2,310
Cash acquired			(352)
			<hr/>
Cash outflow arising on acquisition			1,958
			<hr/>

No adjustments were made to recognise any intangible assets on the basis that a value could not be attributed to existing contracts or customer relationships.

The adjustment to property plant and equipment is to align GlideSlope's depreciation policy with that of the Group.

Acquisition related costs amounting to £0.2m have been expensed during the period and are included in operating expenses.

Goodwill represents the specialist skills held by GlideSlope which is expected to be deductible for income tax purposes.

GlideSlope contributed revenue of £1.2m and an operating loss of £0.2m to the results of the Group since acquisition.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued)
Year ended 31 December 2017

13. Other intangible assets

	Trade names £'000	Customer relationships £'000	Contracts £'000	Computer software £'000	Total £'000
Cost					
At January 2016	21,846	73,108	-	1,574	96,528
Acquisition of subsidiaries	-	14,587	-	37	14,624
Additions	-	-	3,849	1,948	5,797
Disposal	-	-	-	(20)	(20)
Exchange differences	675	4,314	-	29	5,018
31 December 2016	22,521	92,009	3,849	3,568	121,947
Additions	-	-	-	386	386
Disposals	-	-	-	(75)	(75)
Exchange differences	(301)	(2,676)	144	(9)	(2,842)
At 31 December 2017	22,220	89,333	3,993	3,870	119,416
Accumulated amortisation					
At 1 January 2016	304	2,680	-	836	3,820
Charge for the year	1,484	14,291	613	828	17,216
Disposal	-	-	-	(20)	(20)
Exchange differences	30	538	29	19	616
31 December 2016	1,818	17,509	642	1,663	21,632
Charge for the year	1,495	16,121	920	315	18,851
Disposals	-	-	-	(59)	(59)
Exchange differences	(35)	(731)	36	(7)	(737)
At 31 December 2017	3,278	32,899	1,598	1,912	39,687
Net book amount					
31 December 2017	18,942	56,434	2,395	1,958	79,729
31 December 2016	20,703	74,500	3,207	1,905	100,315
31 December 2015	21,542	70,429	-	738	92,709

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued)
Year ended 31 December 2017

14. Property, plant and equipment

	Short term leasehold improvements	Motor vehicles	Fixtures, fittings and computers	Total
	£'000	£'000	£'000	£'000
Cost	4,186	161	6,114	10,461
At 1 January 2016	-	-	-	-
Acquisition of subsidiaries	533	1,336	1,411	3,280
Additions	956	874	3,119	4,949
Disposals	(188)	(426)	(1,804)	(2,418)
Exchange differences	262	715	1,008	1,985
At 31 December 2016	5,749	2,660	9,848	18,257
Additions	1,002	449	3,493	4,944
Disposals	(1,918)	(353)	(5,394)	(7,665)
Exchange differences	(181)	(481)	(516)	(1,178)
At 31 December 2017	4,652	2,275	7,431	14,358
Accumulated depreciation				
At 1 January 2016	(325)	39	296	10
Charge for the year	1,453	215	3,711	5,379
Disposals	(126)	(408)	(1,746)	(2,280)
Exchange differences	163	533	771	1,467
At 31 December 2016	1,165	379	3,032	4,576
Charge for the year	1,659	520	3,934	6,113
Disposals	(1,775)	(232)	(4,985)	(6,992)
Exchange differences	(105)	(360)	(399)	(864)
At 31 December 2017	944	307	1,582	2,833
Net book amount				
31 December 2017	3,708	1,968	5,849	11,525
31 December 2016	4,584	2,281	6,816	13,681
31 December 2015	4,510	122	5,818	10,451

The carrying amount of the Group's fixtures, fittings and computers includes an amount of £0.2m (2016: £0.1m) in respect of assets held under finance leases.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2017

15. Subsidiaries and associates

In accordance with section 409 of the Companies Act 2006, a full list of subsidiaries and associates and the effective percentage of equity owned included in these consolidated financial statements at 31 December 2017 are disclosed in appendix 1.

16. Investments in associates

	£'000
At 1 January 2016	7,409
On acquisition of subsidiaries	322
Profit for the year	776
Dividends received	(430)
	<hr/>
At 31 December 2016	8,077
Disposal	(6,299)
Profit for the year	287
Dividends received	(268)
	<hr/>
At 31 December 2017	1,797

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

17. Other Investments

	Available for sale £'000	Historic cost £'000	Total £'000
At 31 December 2015	732	-	732
Additions	-	2,188	2,188
Revaluation	(194)	-	(194)
	<hr/>	<hr/>	<hr/>
At 31 December 2016	538	2,188	2,726
Adjustments	-	(178)	(178)
Revaluation	(278)	-	(278)
	<hr/>	<hr/>	<hr/>
At 31 December 2017	260	2,010	2,270

The available for sale investments are comprised of 1,684,750 TLA Worldwide shares. The quoted market price fell during the year from £0.320 at 31 December 2016 to £0.155 at 31 December 2017, resulting in a £0.3m (2016: £0.2m) loss recognised in the statement of comprehensive income.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2017

18. Trade and other receivables

	2017 £'000	2016 £'000
Amounts receivable from provision of services	97,667	88,705
Other receivables	7,577	7,386
Prepayments	20,677	19,638
Accrued income	18,652	14,499
	144,573	130,228

The ageing of the current trade receivables based on due date is as follows:

	2017 £'000	2016 £'000
Current / Less than 30 days	71,219	68,522
Between 30 and 60 days	16,213	10,968
Between 60 and 90 days	5,273	4,376
Over 180 days	6,310	6,717
	99,015	90,583
Provision for irrecoverable trade receivables	(1,348)	(1,877)
	97,667	88,705

The Group's trade receivables are stated after allowances of £1.3m (2016: £1.9m) for bad and doubtful debts. This allowance has been determined by considering specific doubtful balances, an analysis of which is as follows:

Doubtful debt provision

Movement in the provision for trade receivables:

	£'000
At 1 January 2017	(1,877)
(Increase) in provision during the year	(504)
Trade receivables written off	905
Foreign exchange	128
At 31 December 2017	(1,348)

The provision for doubtful trade receivables relates to debts that are past due and impaired.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. Trade and other receivables are predominantly non-interest bearing. Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large, unrelated and largely billed in advance. Due to this, the Directors believe there is no further credit risk provision required in excess of the allowance for bad and doubtful debts.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2017

19. Cash and cash equivalents

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

	2017 £'000	2016 £'000
Consolidated statement of financial position	24,527	23,185
Consolidated statement of cash flows	24,527	23,185

At 31 December 2017, the Group held £1.0m (2016: £nil) of cash on behalf of the Estera Trust for payments made by participants into the Management Incentive Plan. This is deemed to be restricted cash.

20. Trade and other payables

	2017 £'000	2016 £'000
Trade creditors	28,970	29,967
Other creditors	5,718	5,725
Work in progress	36,289	18,872
Accruals	31,620	37,119
Deferred income	30,878	28,788
Other taxation and social security	9,026	6,953
Loan notes	227	1,002
	142,728	128,539
Included in current liabilities	142,728	128,426
Included in non-current liabilities	-	113
	142,728	128,539

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

Loan Notes

Loan notes totalling £0.2m (2016: £1.0m) are outstanding representing payment of deemed remuneration due on the purchase of WARL Group Limited. The loan notes are unsecured, and repayable on demand. The loan notes carry interest at a rate per annum equivalent to the Bank of England's base rate, and are redeemable at the option of the noteholders on 60 days written notice expiring on quarterly periods.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2017

21. Bank overdrafts and loans

	2017 £'000	2016 £'000
Bank loans and overdrafts	265,000	248,844
The borrowings are repayable as follows:		
Between three and five years	-	95,844
After five years	265,000	153,000
Total	265,000	248,844

Cash deposits and bank loans are held at either variable rates of interest or at rates fixed for periods of no longer than six months. The facilities are provided by a syndicate of banks including AIG, Barclays, BNP, CVC, Hayfin, HSBC, ING, Medbank, Mizuho, Natixis, RBC and RBS.

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

- i. The Group had a committed facility (Facility A) of £nil (2016: £50.0m). The facility was rolled into Facility B in August 2017.
- ii. A committed facility (Facility B) of £255.0m (2016: £153.0m). The term of the facility is until 11 August 2024.
- iii. A committed facility (Capex Facility) of £9.5m (2016: £45.9m). The term of the facility is until 11 August 2023.
- iv. A committed facility (RCF Facility) of £25.0m (2016: £25.0m). The term of the facility is until 11 August 2023. £3.0m has been carved out for ancillary facilities which include a rolling overdraft facility of £2.5m and a Bonds Guarantees facility of £0.5m.
- v. The committed facilities incurred interest at a margin of 4.25% above LIBOR (Capex Facility and RCF) and 4.75% above LIBOR (Facility B). There is a ratchet clause applicable to margins as follows:

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

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

At 31 December 2017, the Group had drawn down £265.0m (2016: £248.8m) of the available borrowing facility £289.5m (2016: £273.9m) leaving £24.0m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The Group had utilised £0.5m (2016: £nil) of the overdraft facility at year-end. The weighted average interest rate applied in the year is 5.046% (2016: 5.174%). The fair values of bank overdrafts and loans are determined by considering the maturity dates.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued)
Year ended 31 December 2017

22. Other borrowings

	2017 £'000	2016 £'000
The borrowings are repayable as follows:		
Within one year	533	19
Between one and two years	-	21
Between three and five years	-	58
Total	533	98

23. Obligations under finance leases

	2017		2016	
	Minimum lease payments £'000	Present value of lease payments £'000	Minimum lease payments £'000	Present value of lease payments £'000
<i>Amounts payable under finance leases</i>				
Within one year	122	80	59	43
Between one and five years	142	77	129	114
Present value of finance lease obligations	264	157	188	157

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

The lease terms are up to 4 years. The finance leases bear interest at rates between 5% and 15%. The fair value of the Group's lease obligations approximates to their carrying amount (see note 14). The Group's obligations under finance leases are secured by the lessors' charges over the leased assets.

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2017

24. Provisions

	Deferred Consideration £'000	Deemed Remuneration £'000	Vacant Property £'000	Other provisions £'000	Total £'000
At 31 December 2015	15,219	14,192	254	-	29,665
Acquisition of subsidiaries	10,250	-	-	-	10,250
Increase/(decrease) in provision	1,919	8,343	(254)	-	10,008
Discounting charge	434	472	-	-	906
Payments	(9,718)	(13,505)	-	-	(23,223)
Foreign exchange movements	625	490	-	-	1,115
Transfer from other receivables	-	(1,180)	-	-	(1,180)
At 31 December 2016	18,729	8,812	-	-	27,541
Acquisition of subsidiaries	355	-	-	-	355
Increase/(decrease) in provision	(7,676)	10,961	2,600	732	6,617
Discounting charge	417	837	-	-	1,254
Payments	(1,926)	(9,203)	-	-	(11,129)
Foreign exchange movements	(967)	(793)	-	-	(1,760)
At 31 December 2017	8,932	10,614	2,600	732	22,878
Included in current liabilities	7,351	6,693	2,600	732	17,376
Included in non-current liabilities	1,581	3,921	-	-	5,502
	8,932	10,614	2,600	732	22,878

Deferred Consideration

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

Deemed remuneration

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

Vacant property

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

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2017

25. Share capital

	Number of shares	£'000
Issued, allotted and fully paid at 31 December 2015	72,659,707	72,660
Issue of 8,493,151 shares at £1 each	8,493,151	8,493
	<hr/>	<hr/>
Issued, allotted and fully paid at 31 December 2016 and 2017	81,152,858	81,153
	<hr/>	<hr/>

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

26. Share premium and other reserves

Share premium

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

Foreign translation reserve

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

27. Notes to the cash flow statement

	2017 £'000	2016 £'000
Operating loss	(100,963)	(2,093)
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	6,113	5,379
Amortisation of intangible fixed assets	18,851	17,216
Impairment of goodwill	93,038	-
(Profit) on disposal of property, plant and equipment	(74)	(136)
Deemed remuneration	10,961	8,343
Translation differences	(1,916)	(1,848)
Changes to deferred consideration	-	1,919
Increase/(decrease) in provisions	3,332	(254)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	29,342	28,526
(Increase)/decrease in work in progress	(5,787)	24,614
(Increase)/decrease in receivables	(18,183)	3,795
Increase/(decrease) in payables	24,720	(31,501)
	<hr/>	<hr/>
Cash generated from operations	30,092	25,434
Income taxes paid	(1,777)	(6,083)
Interest paid	(24,034)	(12,200)
	<hr/>	<hr/>
Net cash from operating activities	4,281	7,151
	<hr/>	<hr/>

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2017

28. Contingent liabilities and commitments

Deferred and contingent consideration

In addition to the £8.9m (2016: £18.7m) deferred consideration provision (note 24), there was a maximum undiscounted financial commitment of £9.6m (2016: £12.2m) in respect of unprovided deferred consideration payable in respect of acquisitions of subsidiary undertakings. The calculation of the deferred consideration liability requires estimates to be made regarding the future financial performance of these businesses for the earn-out period. The unprovided deferred consideration would become payable over periods from 2018 to 2021 and would be payable in cash/loan notes.

Deemed remuneration

In addition to the £10.6m (2016: £14.2m) deemed remuneration provision, (note 24) £17.3m (2016: £39.3m) will be expensed over the period of service based on the current fair value. In addition, an undiscounted amount of £91.1m (2016: £60.1m) would be charged under the earn-out agreements should maximum performance targets be met. The calculation of the deemed remuneration liability requires estimates to be made regarding the future financial performance of these businesses for the period of service. The unprovided deemed remuneration would become payable over periods from 2018 to 2022 and would be payable in cash/loan notes.

29. Operating lease arrangements

The Group as lessee

The Group has entered into commercial property leases, and leases on certain items of office furniture and equipment. Future minimum rentals payable under non-cancellable operating leases at 31 December 2017 and 31 December 2016, are as follows:

	2017	2016
	£'000	£'000
Within one year	14,974	12,219
Between one and five years	32,615	34,350
Greater than five years	10,181	13,151
	<u>57,770</u>	<u>59,720</u>

Leases are negotiated for an average term of 10 years and rentals are fixed for an average of 5 years at the prevailing market rate, unless a rent review prevails that rate.

The Group as lessor

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

	2017	2016
	£'000	£'000
Within one year	-	-
Between one and two years	37	-
	<u>37</u>	<u>-</u>

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2017

30. Related party transactions

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

Trading transactions

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

	2017			
	Sale of services £'000	Purchase of services £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Associates				
The Agency of Someone Limited	196	520	16	10
StratAgile Limited	-	646	-	89
Naked Eye Limited	22	30	-	-
Rare Corporate Design Limited	-	-	-	-
The Brand Marketing Team Limited	-	-	-	-
Bell Pottinger Private Limited (disposed on 22 August 2017)	266	-	-	-
Enigma Code Limited	6	21	-	25
Shareholders				
PM VII Sarl	-	-	-	-
WPP plc	175	-	33	-
	2016			
	Sale of services £'000	Purchase of services £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Associates				
The Agency of Someone Limited	1	170	1	20
StratAgile Limited	-	249	-	83
Naked Eye Limited	62	12	1	-
Rare Corporate Design Limited	-	5	-	-
The Brand Marketing Team Limited	-	22	-	-
Bell Pottinger Private Limited	251	5	202	-
Enigma Code Limited	-	-	-	-
Shareholders				
PM VII Sarl	-	-	-	-
WPP plc	-	-	-	-

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

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2017

30. Related party transactions (continued)

Remuneration of key management personnel

The key management personnel of the Group comprise the Board members and the Executive Directors. The Board members received no remuneration during the year. The remuneration of the Executive Directors is set out in note 6, for each of the categories specified in IAS24 Related Party Disclosures.

31. Financial Instruments

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

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

Interest rate risk

The Group holds variable rate financial debt. The interest rates paid by the Group on financial debt are disclosed in note 21. The Group assesses its borrowing requirements by monitoring short and medium-term cash flow forecasts and interest rate risks are assessed through sensitivity analysis.

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

An interest rate swap was taken out on 2 November 2017 to hedge £17.5m of the Group's total debt at a fixed interest rate of 0.985%, in addition to the interest rate swap taken out on 22 January 2016 to hedge £110.0m of the Group's total debt at a fixed interest rate of 1.1%. The two swaps hedge a total of £127.5m of the Group's total debt of £265.5m (2016: £248.8m), by fixing the variable rate of interest payable at a blended rate of 1.08%. At 31 December 2017, the fair value of the interest rate swap was a liability of £0.9m (2016: £1.3m). The interest rate swap covering £110.0m of debt matures 21 October 2018, and the interest rate swap covering £17.5m of debt matures 12 August 2019. Hedge accounting has not been adopted, and the fair value movement has been accounted for in investment income (note 7).

If interest rates had been 1% higher or lower during the year the impact on profit before tax would have been an increase or decrease of £1.5m (2016: £1.3m) after the mitigating impact of the interest rate swap on £127.5m (2016: £110.0m) of the debt. The impact on shareholders' equity would have been a decrease/increase of £1.5m (2016: £1.3m).

Liquidity risk

The Group has a committed facility of £289.5m (2016: £273.9m) with a syndicate of banks. £34.5m matures in August 2023 and £255.0m matures in August 2024. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows. At 31 December 2017, the Group had borrowings net of cash, of £240.9m (2016: £225.7m) and the undrawn committed facility was therefore £24.0m (2016: £25.1m).

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2017

31. Financial Instruments (continued)

The Group does on occasion agree to bill clients in a currency other than the local currency; it also makes some purchases overseas where the supplier bills in their local currency. The Group does not hedge the translation exposure on the fees due. The Group converts any fees received in foreign currency on receipt of funds. In some instances where it is viewed appropriate, the proceeds from the client are kept in currency so as to minimise the foreign exchange exposure on the transaction if there are third party costs to be paid out of the funds in that currency. The following table demonstrates the sensitivity to reasonably possible changes in the US Dollar and Euro exchange rates, with all other variables held constant, of the Group's equity:

	2017		2016	
	10% £'000	-10% £'000	10% £'000	-10% £'000
Strengthening/(weakening) of sterling				
US Dollar	1,266	(1,392)	1,811	(1,992)
Euro	(953)	1,048	(622)	685

Capital management risk

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

Market price risk

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

Credit risk:

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

	2017 £'000	2016 £'000
Trade receivables	97,667	88,705

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

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

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2017

31. Financial Instruments (continued)

Fair values of financial assets and financial liabilities

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

The following table provides a comparison of the book values and the fair value of the Group's financial liabilities and assets as at 31 December 2017:

	2017		2016	
	Book Value £'000	Fair Value £'000	Book Value £'000	Fair Value £'000
Financial liabilities				
Bank loans	(265,000)	(265,000)	(248,844)	(248,844)
Obligations under finance Leases	(157)	(157)	(157)	(157)
Other Borrowing	(533)	(533)	(98)	(98)
Trade and other payables	(142,728)	(142,728)	(128,539)	(128,539)
Deferred consideration	(8,932)	(8,932)	(18,729)	(18,729)
Deemed remuneration	(10,614)	(10,614)	(8,812)	(8,812)
	(427,964)	(427,964)	(405,179)	(405,179)
Financial assets				
Available for sale investments	260	260	539	539
Cash and bank balances	24,527	24,527	23,185	23,185
Trade and other receivables	144,573	144,573	130,228	130,228
	169,360	169,360	153,952	153,952

There were no transfers between fair value levels during 2017.

Fair value measurements recognised in the statement of financial position

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

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

Chime Group Holdings Limited

Notes to the Consolidated Financial Statements (continued) Year ended 31 December 2017

31. Financial Instruments (continued)

	Fair value 2017 £'000	Fair value 2016 £'000	Fair value hierarchy
Contingent consideration in a business combination (note 28)	(9,589)	(12,210)	Level 3
Interest rate swap	(863)	(1,275)	Level 2
Available for sale investments	260	539	Level 1

Valuation techniques used to derive Level 1 fair values

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

Valuation techniques used to derive Level 2 fair values

Level 2 derivatives are comprised of interest rate swaps. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves.

Valuation techniques used to derive Level 3 fair values

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

32. Ultimate parent Company and parent Company of larger Group

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

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

33. Post balance sheet events

There were no post balance sheet events since 31 December 2017.

Chime Group Holdings Limited

Company Balance Sheet
At 31 December 2017

	Notes	2017 £'000	2016 £'000
Non-current assets			
Investment in subsidiaries	2	295,840	295,840
		<u>295,840</u>	<u>295,840</u>
Current assets			
Intercompany receivables	3	368	368
		<u>368</u>	<u>368</u>
Total assets		<u>296,208</u>	<u>296,208</u>
Equity			
Share capital	4	81,153	81,153
Share premium account		215,055	215,055
Total equity		<u>296,208</u>	<u>296,208</u>

The financial statements were approved by the board of Directors and authorised for issue on *10 May* 2018 and were signed on its behalf by:



Adrian Coleman
Director



Matthew Vandrau
Director

Registered Company number: 09702342

The accompanying notes are an integral part of the financial statements

Chime Group Holdings Limited

Consolidated income statement
Year ended 31 December 2017

	Share capital £'000	Share premium £'000	Total £'000
At 31 December 2015	72,660	192,548	265,208
Issue of shares (Note 4)	8,493	22,507	31,000
At 31 December 2016 and 2017	81,153	215,055	296,208

The accompanying notes are an integral part of the financial statements

Chime Group Holdings Limited

Notes to the Company Financial Statements Year ended 31 December 2017

1. Accounting policies

Basis of preparation

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

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

Under section s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement.

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

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Investments

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

Going concern

The financial statements have been prepared on the going concern basis, details of which can be found in the Director's report on page 29.

2. Investments in subsidiaries

	£'000
At 31 December 2015	264,840
Additions	31,000
At 31 December 2016 and 2017	295,840

See appendix 1 for details of subsidiary undertakings.

Chime Group Holdings Limited

Notes to the Company Financial Statements Year ended 31 December 2017

3. Debtors

	2017 £'000	2016 £'000
Amounts owed by Group undertakings	368	368
	368	368

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

4. Statements of share capital, share premium and reserves

	Number of shares	£'000
Issued, allotted and fully paid at 31 December 2015	72,659,707	72,660
Issue of 8,493,151 shares at £1 each	8,493,151	8,493
	81,152,858	81,153

5. Subsidiaries, associates and joint ventures

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

Appendix 1 Subsidiaries and Associates

Appendix 1 Subsidiaries and Associates

The Group's subsidiaries and associated undertakings in 2017 are listed below:

Subsidiary undertaking	Audit Exemption	Nature of business	% Shareholding and voting rights	Country of registration of incorporation
14 Curzon Street 1 Limited	*	Holding company	100%	United Kingdom
14 Curzon Street 2 Limited	*	Holding company	100%	United Kingdom
1A Communications Services Limited		Dormant	100%	United Kingdom
1B Communications Limited		Dormant	100%	United Kingdom
ABC Sports Management Limited		Dormant	100%	United Kingdom
Accretio Limited		Healthcare communications	60%	United Kingdom
Acefieldwork Limited		Dormant	100%	United Kingdom
AdConnections Holdings Limited	*	Holding company	100%	United Kingdom
AdConnections Limited	*	Media buying	100%	United Kingdom
Athletes 1 Limited		Dormant	100%	United Kingdom
Athletes 1 Sports Limited		Dormant	100%	United Kingdom
Baxter Hulme PR and Marketing Limited		Dormant	100%	United Kingdom
Brand & Issues Limited		Dormant	100%	United Kingdom
Brand Democracy Limited		Dormant	100%	United Kingdom
Brass Tacks Publishing Group Limited		Dormant	100%	United Kingdom
Brass Tacks Publishing Portfolio Limited		Dormant	100%	United Kingdom
Bullnose Limited		Dormant	100%	United Kingdom
C2S Acquisitions LLC		Sports marketing consultancy	100%	USA
Cardwhite Limited		Dormant	100%	United Kingdom
Caucusworld Limited		Dormant	75%	United Kingdom
Cherry Picked Research Limited		Dormant	100%	United Kingdom
Chime Atlantic Limited	*	Treasury	100%	United Kingdom
Chime Communications Limited	*	Head office activities	100%	United Kingdom
Chime Finance Limited	*	Head office activities	100%	United Kingdom
Chime Group Limited		Head office activities	100%	United Kingdom
Chime Holdco Limited	+	Head office activities	100%	United Kingdom
Chime Insight and Engagement Limited		Dormant	100%	United Kingdom
Chime Interactive Bureau Limited		Dormant	100%	United Kingdom
Chime Interactive Limited		Dormant	100%	United Kingdom
Chime Interactive LLC		Dormant	100%	USA
Chime Limited	*	Holding Company	100%	United Kingdom
Chime Midco Limited	*	Head office activities	100%	United Kingdom
Chime On Line Limited		Dormant	100%	United Kingdom
Chime Research and Engagement Group Limited		Dormant	100%	United Kingdom
Chime USA Inc		Holding company	100%	USA
Choice Healthcare Solutions Limited		Healthcare communications	100%	United Kingdom
Choice Healthcare Solutions US Inc		Healthcare communications	100%	USA

Appendix 1 Subsidiaries and Associates

Subsidiary undertaking	Audit Exemption	Nature of business	% Shareholding and voting rights	Country of registration of incorporation
Corporate Citizenship Limited	*	Corporate & social responsibility consultancy	100%	United Kingdom
Corporate Citizenship Southeast Asia Pte Limited		Corporate & social responsibility consultancy	100%	Singapore
Corporate Citizenship Chile Spa		Corporate & social responsibility consultancy	51%	Chile
CSM Active Limited		Sports marketing consultancy	100%	United Kingdom
CSM Advisory Group LLC		Sports marketing consultancy	100%	USA
CSM Agency Limited		Dormant	100%	United Kingdom
CSM Division Limited		Dormant	100%	United Kingdom
CSM Eurasia Sport and Entertainment BV		Dormant	100%	Netherlands
CSM Events Limited		Dormant	100%	United Kingdom
CSM iLUKA Brasil Organizacao De Eventos Ltd		Sports marketing consultancy	100%	Brazil
CSM Live LLC		Sports marketing consultancy	100%	USA
CSM Marketing LLC		Sports marketing consultancy	100%	USA
CSM Motorsports Inc		Sports marketing and sponsorship	100%	USA
CSM Motorsports Limited	*	Sports marketing and sponsorship	100%	United Kingdom
CSM Netherlands BV		Holding company	100%	Netherlands
CSM North America USA LLC		Holding company	100%	USA
CSM Perimeter Signage Limited		Dormant	100%	United Kingdom
CSM Properties Inc		Sports marketing consultancy	100%	USA
CSM Scotland Limited		Dormant	100%	United Kingdom
CSM Soccer Inc		Sports marketing and sponsorship	80%	USA
CSM Sport and Entertainment Australia Pty Ltd		Athletes management and sports marketing	100%	Australia
CSM Sport and Entertainment Espana S.L.		Sports marketing consultancy	81%	Spain
CSM Sport and Entertainment Events Limited		Dormant	100%	United Kingdom
CSM Sport and Entertainment France Limited	*	Athletes management and sports consultancy	100%	United Kingdom
CSM Sport and Entertainment Holdings Limited	*	Holding Company	100%	United Kingdom
CSM Sport and Entertainment International Limited	*	Holding Company	100%	United Kingdom
CSM Sport and Entertainment LLC		Sports marketing consultancy	100%	Qatar Financial Centre

Appendix 1 Subsidiaries and Associates

Subsidiary undertaking	Audit Exemption	Nature of business	% Shareholding and voting rights	Country of registration of incorporation
CSM Sport and Entertainment Middle East FZ-LLC		Sports marketing consultancy	100%	Dubai
CSM Sport and Entertainment New Zealand Limited		Athletes management and sports consultancy	51%	New Zealand
CSM Sport and Entertainment South Africa (Pty) Limited		Athletes management and sports marketing	100%	South Africa
CSM Sports and Entertainment (Singapore) Pte Limited		Sports marketing consultancy	100%	Singapore
CSM Sports and Entertainment LLC		Sports marketing consultancy	100%	Oman
CSM Strategic Limited		Dormant	100%	United Kingdom
Curb Group Limited	*	Sports marketing consultancy	100%	United Kingdom
Curb Media Limited		Sports marketing consultancy	100%	United Kingdom
Deutsche Chime GmbH		Holding company	100%	Germany
Digital Experiences Limited		Dormant	100%	United Kingdom
Digital Strategy Limited		Dormant	100%	United Kingdom
DOCC Limited		Dormant	100%	United Kingdom
Earth Works Digital Limited		Digital healthcare initiatives	100%	United Kingdom
Essentially Athlete Management Limited		Dormant	100%	United Kingdom
Essentially Group Limited		Dormant	100%	Jersey
Essentially Sports Marketing Limited		Dormant	100%	United Kingdom
Ex Nihilo Limited		Dormant	100%	United Kingdom
Executive Drive Events LLC		Sports marketing and sponsorship	100%	USA
Exhibit - ICON SAS		Dormant	80%	France
Facts International Limited	*	Research	100%	United Kingdom
Fast Track Agency Limited		Dormant	100%	United Kingdom
Fast Track Agency Scotland Limited		Dormant	100%	United Kingdom
Fast Track Hong Kong Limited		Sports marketing consultancy	100%	Hong Kong
Fast Track Middle East FZ LLC		Sports marketing consultancy	100%	Abu Dhabi
Fast Track Sailing Limited		Dormant	100%	United Kingdom
FIL Market Research Limited	*	Research	100%	United Kingdom
First Financial Advertising Limited		Dormant	100%	United Kingdom
First Financial Public Relations Limited		Dormant	100%	United Kingdom
FITBA Limited		Dormant	100%	United Kingdom
Full Access Limited		Dormant	100%	United Kingdom
Gasoline Limited		Dormant	100%	United Kingdom
Girardot Partners Limited		Dormant	100%	United Kingdom
Global Environment Forum Limited		Dormant	100%	United Kingdom
Good Broadcast Limited		Dormant	100%	United Kingdom
Good Influence Limited (formerly My New Home Limited)		Dormant	100%	United Kingdom
Good Relations Consultants Limited		Dormant	100%	United Kingdom
Good Relations Group Limited		Dormant	100%	United Kingdom
Good Relations Group USA Inc		Public relations	100%	USA

Appendix 1 Subsidiaries and Associates

Subsidiary undertaking	Audit Exemption	Nature of business	% Shareholding and voting rights	Country of registration of incorporation
Good Relations Group USA LLC		Dormant	100%	USA
Good Relations Healthcare Limited		Dormant	100%	United Kingdom
Good Relations Life Limited		Dormant	100%	United Kingdom
Good Relations Limited	*	Public relations	100%	United Kingdom
Good Relations Property Limited	*	Property marketing	100%	United Kingdom
Good Relations Studio Limited		Dormant	100%	United Kingdom
GR-1 Limited		Dormant	100%	United Kingdom
Graphiti Limited		Dormant	100%	United Kingdom
Gulliford Consulting Limited		Dormant	100%	United Kingdom
Harvard Consult Limited		Dormant	100%	United Kingdom
Harvard Interactive Limited		Dormant	100%	United Kingdom
Harvard Marketing Services Limited		Dormant	100%	United Kingdom
Harvard Public Relations Inc		Dormant	100%	USA
Harvard Public Relations Limited		Public relations	80%	United Kingdom
Harvey Walsh Limited		Healthcare data analytics	100%	United Kingdom
Hayhurst Conington Cripps Limited		Dormant	100%	United Kingdom
HCC De Facto Financial Limited		Dormant	100%	United Kingdom
HCC De Facto Trustees Limited		Dormant	100%	United Kingdom
Heresy IMS Group Limited	*	Holding Company	100%	United Kingdom
HHCL Group Limited		Dormant	100%	United Kingdom
Hooper Galton Limited		Dormant	100%	United Kingdom
ICON Beta Limited		Dormant	100%	United Kingdom
ICON Display Limited		Dormant	100%	United Kingdom
ICON Display Limited		Dormant	100%	BVI
ICON LLC		Sports marketing consultancy	100%	Russia
ICON Marketing em Display Ltda		Sports marketing consultancy	91%	Brazil
Icon Middle East LLC		Sports marketing consultancy	100%	Qatar
Icon Prolab Events Organising LLC		Sports marketing consultancy	50%	Abu Dhabi
iLUKA Limited		Dormant	100%	United Kingdom
iLUKA LLC		Sports marketing and sponsorship consultancy	100%	Russia
iLUKA South Korea Co. Limited		Sports marketing consultancy	100%	South Korea
In Real Life Limited		Dormant	100%	United Kingdom
Inevidence Limited	*	Public relations	100%	United Kingdom
Insight Public Relations Limited	*	Public relations	100%	United Kingdom
International Financial Services Consulting Limited		Dormant	100%	United Kingdom
JHE Production Group Inc		Sports marketing consultancy	60%	USA
JMI Motorsport Limited	*	Sports marketing and sponsorship	100%	United Kingdom
Just Marketing International Limited		Dormant	100%	United Kingdom
Landmark Consultants Limited		Dormant	100%	United Kingdom
Leaddog Marketing Group Inc.		Sports marketing and sponsorship	100%	USA

Appendix 1 Subsidiaries and Associates

Subsidiary undertaking	Audit Exemption	Nature of business	% Shareholding and voting rights	Country of registration of incorporation
LEC Communications Limited		Holding company	100%	United Kingdom
Lighthouse Communications Limited		Dormant	100%	United Kingdom
Liberum Independent Medical Education Limited	*	Healthcare communications	100%	United Kingdom
Maidstone Road Holdings Limited		Dormant	100%	United Kingdom
Marketing Activity Limited		Dormant	100%	United Kingdom
MC2013 Limited		Dormant	100%	United Kingdom
Mu-Tay-Zik-Hof-Fer LLC		Advertising and marketing	100%	USA
MESHH Limited		Dormant	100%	United Kingdom
OH Investors Limited		Healthcare communications	51%	United Kingdom
OHC London Holdings Limited		Holding company	100%	United Kingdom
OHC US Holdings Limited		Dormant	100%	United Kingdom
Open Health Communications FZ-LLC (formerly Choice Medical Communications FZ-LLC)		Healthcare communications	100%	Dubai
Open Health Inc.		Healthcare communications	100%	USA
OPEN LEC Limited		Holding company	100%	United Kingdom
Open VP Holdings Limited		Dormant	100%	United Kingdom
Opinion Leader Research Limited	*	Market research	100%	United Kingdom
Ozone Marketing Communications Limited		Dormant	100%	United Kingdom
Pelham Bell Pottinger (Trustees) Limited		Dormant	100%	United Kingdom
Pelham Public Relations Limited		Dormant	100%	United Kingdom
It's the Dug Out Limited		Dormant	100%	United Kingdom
People Marketing Sport and Entertainment (Shanghai) Co Ltd		Sports marketing consultancy	100%	China
People Marketing Sport and Entertainment Hong Kong Limited		Holding company	100%	Hong Kong
People Marketing UK Limited	*	Dormant	100%	United Kingdom
PH Associates Limited		Healthcare communications	100%	United Kingdom
PMPLegacy Limited		Dormant	100%	United Kingdom
Property & Business Services Limited		Dormant	100%	United Kingdom
Property and Office Services Limited		Dormant	100%	United Kingdom
Pure Digital Media Limited		Dormant	100%	United Kingdom
Pure Media Group Limited	*	Media buying	100%	United Kingdom
Pure Search Marketing Limited		Dormant	100%	United Kingdom
Reynolds Mackenzie Limited		Healthcare communications	100%	United Kingdom
Roose and Partners Advertising Limited		Dormant	100%	United Kingdom
Roose Holdings Limited		Dormant	100%	United Kingdom
Roose Trustees (UK) Limited		Dormant	100%	United Kingdom
Russell Partnership Limited		Dormant	100%	United Kingdom
Sebastian Coe Limited		Dormant	100%	United Kingdom
Shieldmirror Limited		Dormant	100%	United Kingdom
Snap London Limited (formerly Big Eyes Communications Limited)	*	Advertising and marketing	100%	United Kingdom
SPS Etech Limited		Dormant	100%	United Kingdom
Stuart Higgins Limited		Dormant	100%	United Kingdom
Succinct Communications Limited		Healthcare educations	100%	United Kingdom

Appendix 1 Subsidiaries and Associates

Subsidiary undertaking	Audit Exemption	Nature of business	% Shareholding and voting rights	Country of registration of incorporation
Teamspirit Brand Limited		Dormant	100%	United Kingdom
Teamspirit Corporate and Business Limited		Financial services advertising and marketing	100%	United Kingdom
Teamspirit Corporate and Business Trustees Limited		Dormant	100%	United Kingdom
Teamspirit Limited	*	Financial services advertising and marketing	100%	United Kingdom
Tempo Graphic Design Limited		Dormant	100%	United Kingdom
The Blaze Agency Pty Limited		Athletes management and sports consultancy	100%	Australia
The Complete Leisure Group Limited		Sports marketing consultancy	99%	United Kingdom
The Corporate Citizenship Inc.		Corporate & social responsibility	100%	USA
The HHCL Brasserie Limited		Dormant	100%	United Kingdom
The Quentin Bell Organisation Limited		Dormant	100%	United Kingdom
The Smart Company.net Limited		Dormant	100%	United Kingdom
Torphines Limited		Dormant	100%	United Kingdom
Tree (London) Limited		Dormant	100%	United Kingdom
TTA Group Limited		Dormant	100%	United Kingdom
TTA Property Limited		Dormant	100%	United Kingdom
TTA Public Relations Limited		Dormant	100%	United Kingdom
VCCP Blue Limited		Dormant	100%	United Kingdom
VCCP Bratislava		Dormant	100%	Slovakia
VCCP GmbH		Advertising and marketing	100%	Germany
VCCP Health Limited		Advertising and marketing	95%	United Kingdom
VCCP Holdings Limited	*	Holding company	100%	United Kingdom
VCCP Kin Limited		Advertising and marketing	90%	United Kingdom
VCCP Limited		Dormant	100%	United Kingdom
VCCP Me Limited		Dormant	100%	United Kingdom
VCCP Overseas Limited	*	Holding Company	100%	United Kingdom
VCCP Pty Ltd		Advertising and marketing	100%	Australia
VCCP s.r.o.		Advertising and marketing	100%	Czech Republic
VCCP Search Limited		Dormant	100%	United Kingdom
VCCP Spain SL		Advertising and marketing	100%	Spain
VCCP USA, LLC		Advertising and marketing	100%	USA
WARL Group Limited		Advertising and marketing	100%	United Kingdom
WARL Internal Communications Limited		Dormant	100%	United Kingdom
Watermelon Research Limited	*	Digital Research	100%	United Kingdom
Wilson Bridges & Trace Limited		Dormant	100%	United Kingdom

Appendix 1 Subsidiaries and Associates

+ Direct subsidiary/associate of Chime Group Holdings Limited

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

Limited Liability Partnerships	Nature of business	% Shareholding and voting rights	Country of registration of incorporation
CSM Sport and Entertainment LLP	Sports marketing consultancy	100%	United Kingdom
Open Healthcare Communications LLP	Healthcare communications	91%	United Kingdom
VCCP Group LLP	Advertising and marketing	100%	United Kingdom
Associates			
ICON Display South Africa Pty Ltd	Sports marketing consultancy	30%	South Africa
Naked Eye Research Limited	Research	26%	United Kingdom
StratAgile Limited	Data analytics	40%	Singapore
The Agency of Someone Limited	Branding and design	40%	United Kingdom
The Brand Marketing Team Limited	Consumer marketing	40%	United Kingdom
X & Y Communications Limited	Public relations	29%	United Kingdom
Enigma Code Limited	Sports marketing consultancy	20%	United Kingdom