Chime Group Holdings Limited

Company Number 09702342

Annual Report and Financial Statements

for the year ended 31 December 2019

Chime Group Holdings Limited

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Chime Group Holdings Limited

CHAIRMAN'S STATEMENT

"2019 was another year of momentum and continued organic growth for Chime, with Operating Income and EBITDA increasing by 5.9% and 3.5% respectively on a like-for-like basis.

"We are well positioned as 'the Challenger network' and have continued to simplify the Group with a focus now on two divisions: CSM and Communications – enabling us to respond to the changing needs of our clients, all over the world.

"Our stated aim of increasing our international work for clients has continued apace, and VCCP has continued to build on its global expansion plan, winning new clients such as Invesco, McLaren Automotive and Samsung, as well as increasing its global remits across existing accounts such as Shell and Mondelez.

"In an extraordinary year, CSM and MLB made sporting history bringing the Boston Red Sox and New York Yankees to London, the first time games have been played in Europe. CSM was the most active UK agency at the Rugby World Cup, created a season-long challenge on the PGA TOUR and LPGA with Aon, and launched a grassroots programme aimed at setting an industry benchmark for diversification.

"VCCP's work has never been better – it has introduced 30 million new customers to the Cadbury brand worldwide while restoring the brand's soul and credibility. It's created a decade-long, consistent brand story for easyJet, which this year resulted in the brand overtaking British Airways to become the number one airline that consumers would most consider travelling with. Domino's, a client of the agency for three years, hit £1bn online sales this year, a record result which it stated was aided by its marketing efforts. VCCP also helped O2 achieve a record 12 consecutive quarters of growth at a time of record competition.

"With an increased focus on sustainability for boards and with ever-more investor scrutiny, we are also proud of the work our international sustainability consultancy, Corporate Citizenship, undertakes with leading brands all over the world who are looking to address critical social and environmental matters.

"2020 will be a challenging year, due to the deep impact COVID-19 will have on economies all over the world. Our sports business has been particularly hard hit, with global as well as local events cancelled or delayed until 2021. In the Communications business, some sectors are harder hit than others. As you would expect, we have taken steps to save costs, to protect our balance sheet and the talent we have in the business.

"It is our collaborative culture with each other and with our clients that sets us apart, and I firmly believe this is what will stand us in good stead as we navigate difficult times together. Thank you to all our colleagues and clients in advance."

Paul S Walsh

Chairman

STRATEGIC REPORT

1. WHAT WE DO

The Group provides services within two core areas: integrated communications (60.2% of operating income) and sport and entertainment (39.8%). Our client offering is broad and we have, in the last 12 months, simplified the structure of our growing number of agencies into two divisions.

Communications

VCCP

VCCP is a leading, integrated advertising and marketing services group that believes ‘that it only works if it all works’. Its services span Communications (advertising, direct marketing, digital communication, PR), Experience (design, build and management of digital and physical brand experience) and Distribution (media planning, buying and implementation across owned, earned and paid channels) with brand strategy and insight at the centre. VCCP Business (formerly the Chime Specialist Group) is the B2B offering of the group and represents 21.9% of VCCP’s revenue, with specialist and deep expertise in technology, financial services, health and sustainability.

Sports and Entertainment

CSM Sport & Entertainment (CSM)

CSM brings together leading industry experts to offer the full range of services across sport and entertainment marketing. Driven by a team of 1,000+ people in 25+ locations, our purpose is to pursue the extraordinary. Connecting with people through their passion points, we build brands, work with rights holders and create live experiences.

2. 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 to 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 uncollaborative 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 that is supportive and agile, and it 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 effect 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;
- **Major League Baseball** – we collectively worked across the Group to make sporting history, bringing the Boston Red Sox and New York Yankees to London, the first time games have been played in Europe; and
- **Unilever** where we collectively work for brands such as Dove, Rexona and Lynx.

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

For all of us at Chime, as this change and challenge have become more of a requirement, it's our collaborative, unprecious 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.

3. OUR STRATEGIC PRIORITIES

The Group's strategy is to expand through organic growth, and this is to be supported, where it makes sense to do so, by selective acquisition. Our strategic priorities are informed by the market trends we see in our sector. This includes changing consumer habits, proliferation of programmatic technologies and improved data targeting, which is propelling a significant shift in the shape of media spend across the globe. Global communications spend is estimated to be worth $204bn by 2022 and growing by 4% CAGR, with 46% of budgets currently being spent globally on digital.

The sponsorship market has also been growing steadily at 4% pa since 2011, and is forecast to increase at a similar rate. Sport represents more than 70% of sponsorship spend, with the USA the biggest market and Asia becoming increasingly important. New growth opportunities, such as eSports, continue to emerge.

Our three main strategic priorities are:

i. Growing our global business

We have continued to grow our global business, proud to be the Agency of Record for a number of global brands such as Canon, Shell, Cathay Pacific and Invesco.

To support this, we have continued to invest in our international offering, and have growing businesses in New York and Singapore – key regional hubs for us – and will be opening in Shanghai in 2020, adding to our 30 offices over the world.

ii. Developing digital and data services

We have seen greater focus on and growth in our digital and data capabilities from within media, direct and social communications.

VCCP iX, an experience design and engineering studio delivering digital platforms for its clients, has had a great year of growth, working with clients such as easyJet, developing the award-winning Look & Book app as well as O2, Domino's, Kia and Landsec.

CSM Engage (now in its third year) continues to innovate, disrupt, digitally transform and commercialise rights holders and brand partnerships. CSM Engage is undertaking great work with the likes of Leicester City, AIA, HSBC, Hisense, Millennium Hotel and MSC Cruises.

iii. Investing in our people

Our people and our culture are our biggest assets. Being able to attract and retain the very best talent is a key priority for us. Average headcount has increased during the year from 2,265 in 2018 to 2,421 in 2019.

4. KEY PERFORMANCE INDICATORS (KPIs)

Financial KPIs

The Group monitors its financial performance using the following KPIs:

	2019	2018[5]	Variance	Like-for-like[1]
Operating income[2]	£273.1m	£250.1m	£23.0m	5.9%
EBITDA[3]	£55.5m	£52.8m	£2.7m	3.5%
EBITDA margin	20.3%	21.1%	(0.8)%	(0.5)%
Free cash flow[4]	£42.4m	£25.8m	£16.6m	N/A

(1) Like-for-like performance adjusts the prior-year figures for foreign exchange movements and M&A activity.
(2) 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.
(3) Earnings Before Interest, Tax, Depreciation and Amortisation. EBITDA reflects the adoption of IFRS 16 in both years.
(4) EBITDA less Capex less working capital.
(5) The prior-year financials have been restated to show the results of the subsidiary disposed of in 2019 in discontinued operations.

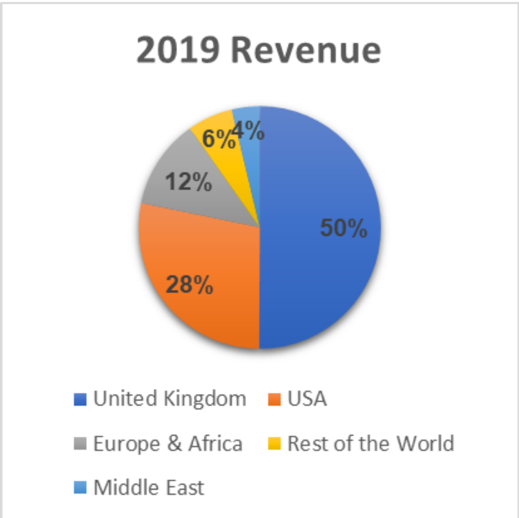
A detailed financial review, along with a reconciliation between the adjusted and statutory numbers, is contained on page 10.

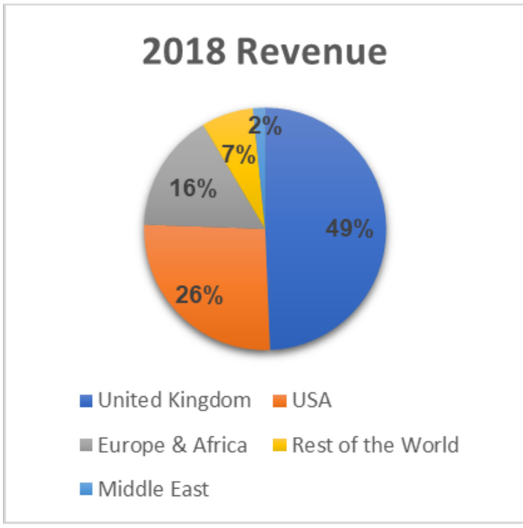
Non-Financial KPI

Our international performance

The Group is focused on continuing to develop its international presence and broad range of sector coverage.

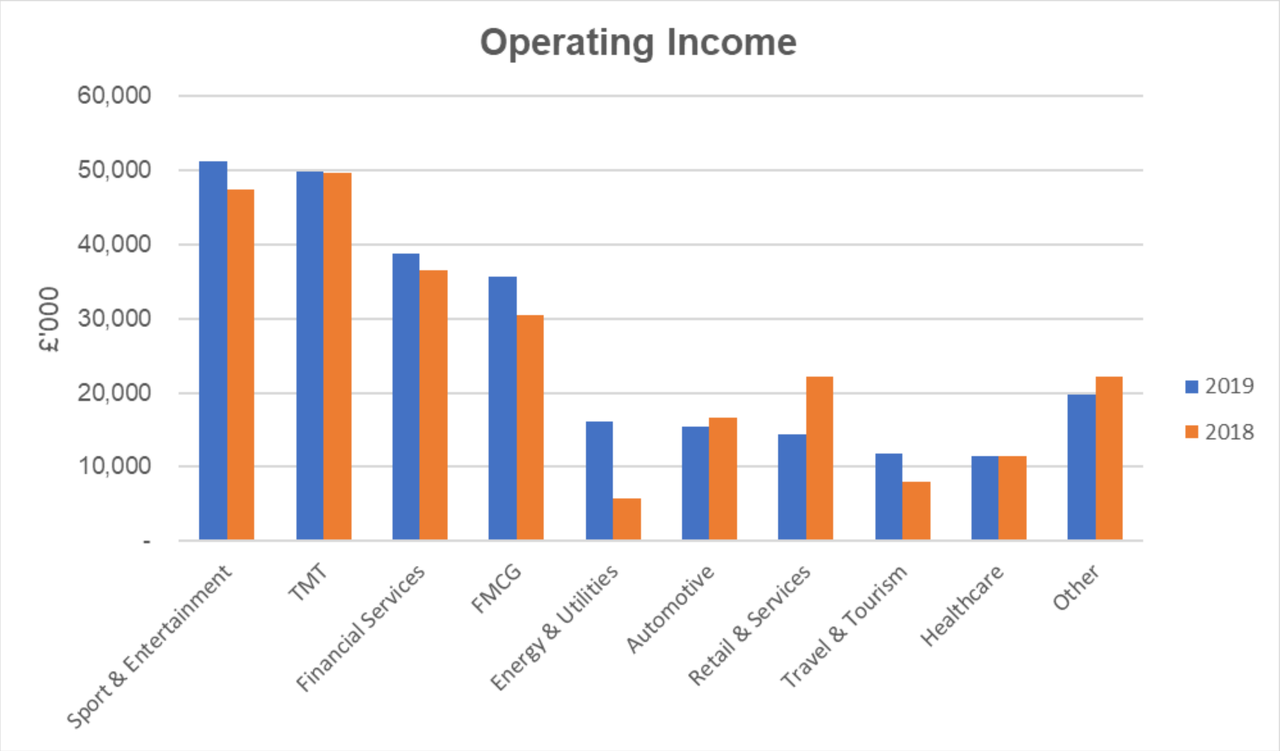
2019 saw an increase in the proportion of UK revenues, due to a number of international client wins which were delivered in that market. It was also pleasing to see that we grew revenues by 14.9% in the USA, on both the East and the West Coast, and we more than doubled revenues in the Middle East. Our new hub in Singapore is performing strongly after being established in 2018.





Our sector performance

2019 saw us grow operating income in all our key sectors: in Sport and Entertainment and maintaining our strong sector performance in Telecommunications, Media & Technology (TMT) – working for global and challenger clients alike. We also saw significant growth with FMCG and energy and utilities clients in 2019.



Sport and entertainment includes governing sports bodies, sporting events and sports clubs.

5. FINANCIAL REVIEW

2019 was a good year for the Group, generating 9.2% growth in operating income to £273.1m (2018: £250.1m). EBITDA margins (pre-IFRS 16 adoption) reduced slightly to 16.3% (2018: 16.8%), reflecting the impact of several higher-margin sponsorship contracts expiring in 2018. On an organic currency-neutral basis, adjusting for M&A and changes in foreign exchange rates, operating income grew 5.9%. Revenue, which includes pass-through costs for client productions, was £536.3m (2018: £510.8m).

During the year the Group successfully integrated Method Communications, a North American Technology PR business that was acquired at the end of 2018 as part of VCCP Business. On an operational level, a global ERP system was implemented in CSM during the latter part of 2018, which has been further developed and rolled out within CSM during 2019. The Group has also further simplified its corporate structure into a Communications division and Sports Marketing division.

The commentary which follows, focuses on the Group's adjusted results, which the Directors consider to provide an indication of the underlying trading performance. A reconciliation of the Adjusted to Statutory results is given below:

	Adjusted results 2019 £'000	**Adjusted results 2018(1) £'000**	**Adjustments 2019 £'000**	**Adjustments 2018(1) £'000**	**Statutory results 2019 £'000**	**Statutory results 2018(1) £'000**
Operating income	**273,096**	250,094	**-**	-	**273,096**	250,094
Operating expenses	**(228,480)**	(209,036)	**10,898**	10,780	**(217,582)**	(198,256)
EBITDA(3)	**44,616**	41,058	**10,898**	10,780	**55,514**	51,838
Depreciation(3)	**(4,467)**	(4,989)	**(9,574)**	(8,727)	**(14,041)**	(13,716)
Amortisation	**(1,392)**	(1,784)	**(17,485)**	(18,019)	**(18,877)**	(19,803)
Foreign exchange	**-**	-	**16**	573	**16**	573
Deemed remuneration	**-**	-	**(5,431)**	(6,787)	**(5,431)**	(6,787)
Exceptional items	**-**	-	**(3,265)**	(2,683)	**(3,265)**	(2,683)
M&A related costs	**-**	-	**(229)**	(1,535)	**(229)**	(1,535)
Discontinued agencies	**-**	-	**-**	(2,018)	**-**	(2,018)
Disposal of fixed assets	**-**	-	**(390)**	(249)	**(390)**	(249)
Operating profit(2)	**38,757**	34,285	**(25,460)**	(28,665)	**13,297**	5,620
EBITDA	**44,616**	41,058	**10,898**	10,780	**55,514**	51,838
Working capital	**3,679**	(7,648)	**(10,898)**	(10,780)	**(7,219)**	(18,428)
Capital expenditure	**(5,928)**	(7,656)	-	-	**(5,928)**	(7,656)
Free cash flow	**42,367**	25,754	-	-	**42,367**	25,754

(1) The prior-year financials have been restated to show the results of the subsidiary disposed of in 2019 in discontinued operations.

(2) From continuing operations.

(3) Adjustment to EBITDA and depreciation in 2019 to reverse the impact of adopting IFRS 16.

Adjustments

The following amounts are excluded from the Statutory results in arriving at the Adjusted results:

- depreciation of £9.6m in respect of leased assets on adoption of IFRS 16;
- amortisation charges of £17.5m (2018: £18.0m) in respect of intangible assets recognised on acquisition;
- foreign exchange gain of £0.0m (2018: gain £0.6m);
- deemed remuneration charges of £5.4m (2018: £6.8m) in respect of employment-linked earn-out payments;
- costs deemed to be exceptional in nature, including those relating to business restructures and non-recurring items, of £3.3m (2018: £2.7m);
- costs associated with M&A activities of £0.2m (2018: £1.5m); and
- loss on disposal of fixed assets of £0.4m (2018: £0.2m).

In the prior year there were also amounts related to discontinued agencies of £2.0m.

Operating costs

While the Group has a relatively stable customer base for the industry, there is inherent uncertainty in absolute level of future operating income. In order to manage this, the Group has a keen focus on the cost base, to ensure EBITDA margins are maintained.

Adjusted operating expenses, excluding depreciation, increased 9.8% to £228.5m (2018: £208.0m). The increase is a result of organic growth and the full year effect of prior-year M&A activity.

Personnel costs of £183.1m (2018: £171.5m) represented 67.0% of operating income (2018: 68.6%). Property costs of £18.0m (2018: £17.2m) represented 6.6% of operating income (2018: 6.9%). Other costs, including travel and entertainment, marketing, IT and professional fees, were £27.4m (2018: £19.4m) and represented 10.0% of operating income (2018: 7.7%).

Finance costs

Finance costs were £18.2m (2018: £18.5m), comprising interest on borrowings of £15.6m (2018: £15.5m), finance cost of deemed remuneration and deferred consideration of £0.4m (2018: £0.5m), and finance cost of lease assets of £2.2m due to adoption of IFRS 16 (2018: 2.6m).

The average interest rate on borrowings during the year was 5.7% (2018: 5.6%).

Tax

The Group's tax credit was £1.4m (2018: £2.0m charge) split between a current tax charge of £3.0m (2018: £3.2m) and a deferred tax credit of £4.4m (2018: £1.3m). Due to the level of non-deductible expenses (including deemed remuneration charges and amortisation) and other items on which deferred tax asset could not be recognised, the Group's effective tax rate was (33.9)% (2018: 14.9%).

Net debt and liquidity

The Group has a strong balance sheet, significant headroom on its financial covenants and a debt facility which is secured for a further five years.

		2019 **£'000**	**2018** **£'000**
Cash and cash equivalents	20	46,448	74,324
Loan notes outstanding	21	(78)	(100)
Bank loans	22	(223,750)	(255,000)
Other borrowings	23	(75)	(56)
Obligations under finance leases	24	-	(74)
Net debt		**(177,455)**	**(180,906)**

Year-end liquidity, measured as cash plus undrawn committed facilities, remained strong at £73.4m (2018: £108.3m). The Group's leverage ratio, measured as net debt divided by Adjusted EBITDA, reduced to 4.0 (2018: 4.4).

Under the terms of the banking facilities agreement, 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 2019, with management forecasts indicating continued covenant headroom for the foreseeable future, see note 2 page 47.

Balance sheet

The Group held non-current assets, mainly relating to goodwill and acquired intangible assets, totalling £364.4m (2018: £373.6m).

Current assets, mainly trade and other receivables and cash and cash equivalents, totalled £188.1m (2018: £218.7m).

Current liabilities, mainly trade and other payables, totalled £148.8m (2018: £146.2.5m).

The Group held non-current liabilities, mainly relating to bank loans, of £266.0m (2018: £294.1m).

Cash flow

The Group's Adjusted EBITDA of £44.6m (2018: £42.1m) resulted in cash generated from operations of £45.5m (2018: £25.0m) after the effects of working capital movements.

The Group paid £14.7m in interest during the year (2018: £16.0m), and a further £3.6m (2018: £3.3m) in tax.

The Group incurred £23.2m on investing activities (2018: £54.3m income, including £81.6m on the disposal of subsidiaries, principally OPEN Health). The Group invested £9.6m (2018: £15.6m) in respect of earn-outs on past acquisitions and £4.5m (2018: £nil) on the purchase of minority interests. The Group also invested £5.9m (2018: £7.7m) in tangible and intangible fixed assets, and made an upfront property payment of £1.8m.

The Group's surplus cash flow and cash balances were used to repay £38.3m of the Term Loan, which was partially offset by a £7m drawndown on the revolving credit facility.

Changes in equity

In addition to the loss for the year, the Group incurred a gain on revaluation of foreign exchanges hedges of £0.6m (2018: £0.1m loss), exchange losses on translation of foreign operations of £3.6m (2018: £2.9m gain) and paid dividends to minority shareholders of £0.2m (2018: £0.1m).

Financial risk management

The Group's financial risk management objectives are designed to mitigate the financial risks set out on pages 17 and 18. The Group seeks to maintain an appropriate level of liquidity to ensure the business can meet the day-to-day working capital needs. In addition, the Group maintains a suitable level of headroom in respect of its leverage covenant, the only financial covenant in the debt agreement. Both liquidity and leverage covenant compliance are monitored on a monthly basis through medium-term projections.

The Group used part of its surplus cash to repay £38.3m of its debt during the year, and remains in a health liquidity and balance sheet position.

6. GOING CONCERN BASIS

The uncertainty as to the future impact on the Group of the COVID-19 outbreak has been considered as part of the Group's adoption of the going concern basis. The Group has undertaken a reforecast of its financial results the details of which are contained in note 2. This reforecast shows a 21% reduction in Operating Income in 2020 compared to that originally budgeted which the Group is managing by an adjustment to the cost base. Due to the uncertainty of the overall impact of COVID-19, the Group has performed a sensitivity analysis on its revised base case to assess the impact of a more severe downside scenario. The reduction in Operating Income that would arise in this situation would be mitigated, albeit not fully, through further adjustments to the cost base, such that the Group would continue to have adequate liquidity for at least 12 months from the date of approval of these financial statements. Whilst the revised base case analysis projects a minimum liquidity position of over £40m for the forecast period, the drop in Operating Income and resulting impact on adjusted EBITDA resulted in the Group expecting to exceed its Senior Facilities Agreement leverage covenant. To address this the Group has obtained formal consent from lenders to increase the leverage covenant to levels which the Group expects to remain within during at least 12 months from the date of approval of these financial statements.

More generally, 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 Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the a minimum period of 12 months from the date of these accounts. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

More details on the Group's cash position and facilities at 31 December 2019, as well as maturities of the financial liabilities, can be found in note 31. Details of potential contingent liabilities and potential cash outflows in relation to these liabilities can be found in note 28.

7. 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. It is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only 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		
Coronavirus (COVID-19)	The spread of the COVID-19 virus had an impact on the Group's prospects, business and financial condition, as a result of restrictive measures implemented by state authorities to contain the virus, and the likely economic impact upon clients and disruption to supply chains resulting from the spread of the virus and/or public concern resulting in a downturn in consumer spending.	**Processes and controls:** A COVID 19 cross group team, chaired by the Group's COO, meets daily to review risk and take appropriate actions, co-ordinate appropriate processes and controls as well as communications internally and externally. **People:** The safety and wellbeing of the Group's staff, are paramount, and the Group is closely monitoring the spread of the virus and has adopted advice from relevant authorities in terms of working practices as well as working closely with our landlords. Regular wellbeing surveys and support is available to all our colleagues. **Clients & Suppliers:** The Group is working closely with clients regarding the impact upon our work with them, in particular associated with large-scale events, and is assisting clients in planning for delay and/or suspension. The Group has considered and will continue to monitor the impact upon its supply chain, and has taken steps to identify alternative sources of supplies and their cost implications. **IT Resilience and Security**: the Group had moved to the Cloud, and so its workforce can work remotely with clients all over the world. Additional cyber security training has been implemented as a priority.

Principal risk and context	Possible impact	Mitigation
Brexit	Uncertainty as to the future of the trading relationship of the UK with the European Union has the potential to adversely impact the Group's prospects, business and financial condition, particularly in relation to projects in the EU executed from the UK.	The Group continues to closely monitor possible impacts, focusing on client contracts, the availability of supplies and our supplier relationships and possible impacts on our people. The Group continues to review and consider the wider economic impact resulting from the failure by the UK to agree a trade deal with the EU, and has identified steps to mitigate the risk of an economic slowdown in 2020 through the management of costs.
Client dependency	The reliance by the Group on a limited number of large clients for a significant proportion of its revenues continues to be a risk. The strategy of securing large-scale global mandates from key clients and the focus on agencies collaborating in the delivery of services to those clients, will mean that client dependency continues to be an area that is closely monitored by the Board.	The Group continues to maintain strong relationships with key clients, and seeks to establish reputations in the industry that will attract and retain further clients and talent. 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.
Retention of key personnel	The Group is dependent on the talent, creative abilities and technical skills of its personnel, as well as their relationships with clients. 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.	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. This is achieved by a focus on ensuring the Group remains a competitive employer, through benchmarking within the industry sectors the Group operates in, and by monitoring retention rates. The Group and its divisions continue to provide training and personal development initiatives in order to further develop and retain a motivated workforce.

Principal risk and context	Possible impact	Mitigation
Information systems and security	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. 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.	In 2019 the Group achieved ISO 27001 status in respect of its IT operations in all divisions. The Group has continued to reduce its reliance on own-server networks during the course of the year, and has continued to integrate the systems used across the Group, ensuring that a consistent approach is taken with regard to security. In addition, the Group continues to take active steps to maintain and ensure continued compliance with GDPR, and has a programme of review and training in place to ensure this continues to be a focus for 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 is made for known and, based on previous experience, expected bad debts.	The creditworthiness of our customers is assessed and monitored on an ongoing basis. If necessary, credit insurance or payments in advance are sought. Trade 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.
Interest rate risk	The Group's borrowings incur a floating rate of interest and therefore are exposed to the impact of interest rate fluctuations.	The Group reviews the potential impact of reasonably foreseeable movements in interest rates. Should the potential impact exceed the Group's tolerance level, then an appropriate element of the floating interest rate is fixed.
Liquidity risk	The Group has a committed facility of £251.2m (2018: £289.5m), £216.8m (2018: £255.0) of which matures in August 2024 and a further £34.5m (2018: £34.5m) in August 2023.	The Group measures liquidity as undrawn committed debt facilities plus cash contained within its cash pools. The Group's treasury policy includes a minimum level of liquidity, which the Group seeks to maintain. The Group's current liquidity levels are significantly in excess of the minimum level.

Principal risk and context	Possible impact	Mitigation
Currency risk	The Group operates globally. Fluctuations in exchange rates between currencies in which the Group operates, relative to UK sterling, may cause fluctuations in its financial results. The main foreign currencies which impact the Group's operations are euros and the US dollar. The Group's policy is not to hedge financial reporting translation risk.	Client and supplier contracts are, where possible, denominated 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. Where material client contracts exist not in the currency of the agency entity providing the service, foreign exchange forward contracts are considered and if appropriate put in place. 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.

8. STAKEHOLDER REVIEW

In addition to our shareholders to whom this annual report and accounts is principally addressed, the Group recognises that there are other stakeholders critical to our future success. While the stakeholders of any company are potentially diverse, we focus below on our principal ones being our people, our clients and the environment.

Under Section 172 of the UK Companies Act 2006 (Section 172), directors must act in the way that they consider, in good faith, would be most likely to promote the success of their company. In doing so, our Directors must have regard to stakeholders and the other matters set out in Section 172. Below is our Section 172 statement, which describes how the Directors have had regard to these matters when performing their duty.

Stakeholder	How we engaged in 2019	Considerations and outcomes
Employees	The Our Colleagues section commencing on page 21 gives full details of our interaction with our people during 2019. At an individual level, the interactions are managed at an agency and line manager level including annual reviews, agency meetings and staff surveys. We also seek to connect our colleagues more widely across the Group through a series of divisional or Group-wide events and forums.	Staff surveys are the principal way of seeking employee views and taking actions to address the areas most important to our colleagues. During 2019 there was an increased focus on flexible working, which has been rolled out at an agency level in response to demand in this area.

Stakeholder	How we engaged in 2019	Considerations and outcomes
Clients	Client relationships are key to the Group's success. Many of the Group's largest clients have been with us for several years, underpinned by consistently strong work and client delivery. We regularly seek feedback from clients on the work we perform, and adapt and evolve our service offering to constantly stay ahead of the game.	2019 continued to see the evolving trend of increased digital focus of our clients. We expanded our offering in this area through CSM Engage and VCCP iX.
Environment	The environment, on both a local and a global level, is important to the Group and our employees. Page 26 sets out some of the initiatives through which the Group supports our colleagues to make a difference at a personal level or though work with clients. Page 27 sets out the steps the Group has taken on broader environmental matters.	The Group continues to support organisations, on a pro bono basis, that are making a positive difference to people. In addition, initiatives continue to minimise the Group's carbon footprint.

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

David Crowther

Director

Date: 18 August 2020

Matthew Vandrau

Director

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 2019.

Results

The Group's income statement is set out on page 33 and shows a loss for the year ended 31 December 2019 of £8.0m (2018: £0.2m profit). No dividend has been declared during 2019 or 2018.

Directors

The Directors who served throughout the year and to the date of the signed accounts were:

Paul S Walsh

John Hahn

Andrew Tisdale

Roderik Schlösser

Steve Winters (resigned 28 June 2019)

Lindsay Pattison (resigned 28 June 2019)

Christopher Satterthwaite (resigned 29 February 2020)

Adrian Coleman (resigned 30 September 2019)

Matthew Vandrau

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 or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

The Company has purchased and maintains directors' & 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.

Chime Group Holdings Limited

Identity of private equity firm

On 31 December 2019, Chime Group Holdings Limited was wholly 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 buyout transactions and growth capital investments. Providence Equity Partners made its investment in the Group through PM VII S.a.r.l.

On 28 June 2019 WPP Group plc disposed of its 24.85% holding in Chime Group Holdings Limited, when Chime Group Holdings Limited became wholly owned by Providence Equity Partners.

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 delisted on 16 October 2015.

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

For the year ended 31 December 2019, the Directors consider the annual report and financial statements to comply with all aspects of the Guidelines for Disclosure and Transparency in Private Equity.

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.

Chime Group Holdings Limited

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 Schlösser*	22 October 2015
Steve Winters**	15 September 2016
Lindsay Pattison**	1 January 2016
Christopher Satterthwaite	22 October 2015
Adrian Coleman***	28 February 2018
Matthew Vandrau	28 February 2018

*Representatives of Providence Equity Partners

**Representatives of WPP plc (resigned 28 June 2019)

***Resigned 30 September 2019

Directors' Biographies

Paul S Walsh – Non-Executive Chairman

Paul is Chairman of Compass Group plc and McLaren Group, and is also a non-executive Director of FedEx Corporation and McDonald's Corporation.

Paul is a former Chief Executive of Diageo plc. Prior to that he was Chief Executive Officer of the Pillsbury Company, and has served as Chairman of Ontex Group N.V., as a Director of GrandMet, and also as a non-executive Director of Unilever plc and Centrica plc. Paul is chairman of the Remuneration Committee.

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. John is also a director of Globeducate (Spain) and MásMóvil (Spain). He was previously a director of Digiturk (Turkey), eircom (Ireland), Casema (the Netherlands), Kabel Deutschland (Germany), Recoletos (Spain), Ono (Spain), Com Hem (Sweden), Volia (Ukraine) and UMI (India).

Chime Group Holdings Limited

Andrew Tisdale – Providence Equity Partners

Andrew Tisdale is a managing director of Providence Equity, based in London. He is currently a director of Ambassador Theatre Group, CloserStill Media and HSE24 and previously served on the boards of Clarion Events, M7 and ONO.

Roderik Schlösser – Providence Equity Partners

Roderik Schlösser is a managing director of Providence Equity, based in London. Mr. Schlösser is currently a director of Superstruct Entertainment. Roderik is chairman of the Audit Committee.

Steve Winters – WPP (resigned 28 June 2019)

Steve Winters is Deputy Group Finance Director of WPP plc, a position he has held since 2016. Steve joined WPP in 1996 and held the role of Group Chief Accountant from 2001-2016. Steve is a Chartered Accountant.

Prior to his resignation, Steve was chairman of the Audit Committee.

Lindsay Pattison – WPP (resigned 28 June 2019)

Lindsay Pattison is Chief Client Officer of WPP, reporting to CEO Mark Read. In this role she is responsible for WPP's 50+ Global Client Teams, organic growth and integrated new business. The CCO role follows Lindsay's role as Chief Transformation Officer for GroupM and Global CEO of Maxus, a WPP media agency.

Christopher Satterthwaite – Non-Executive Director (resigned 29 February 2020)

Christopher Satterthwaite was Chief Executive Officer of Chime Communications Limited (previously plc) from 2003 until February 2018 when he became a non-executive director. Chris is chairman of AIM listed Access Intelligence and Spacehive, the crowd-funding website for projects of civic renewal.

Chime Group Holdings Limited

Adrian Coleman – Group Co-Chief Executive Officer (resigned 30 September 2019)

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 continued to lead the advertising and marketing services division before being appointed Co-Chief Executive Officer of Chime. Adrian has stepped down as a director of Chime Group Holdings Limited but continues to lead the VCCP group which he represents on Chime's Executive Management Team.

Matthew Vandrau – Group Co-Chief Executive Officer

Matt graduated with a Bachelor of Commerce degree from Wits University in Johannesburg. Matt played professional cricket for Transvaal and Derbyshire for seven years before co-founding Frontiers Group in 2000. As Managing Director, Matt 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 Matt 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. Matt was appointed CEO of CSM at the beginning of 2017 before being appointed Co-Chief Executive Officer of Chime.

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.

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.

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.

Audit Committee

Members

Roderik Schlösser (Chairman)
Steve Winters (resigned 28 June 2019)
Andrew Tisdale

Role

The role of the Audit Committee is to monitor and review the Company's internal control processes; to ensure that both the internal and external audit plans are appropriate and carried out diligently; to develop and implement policies in response to matters identified through the controls process, and to 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

Paul S Walsh (Chairman)
Andrew Tisdale
Roderik Schlösser
Matt Vandrau (Co-CEO)
Adrian Coleman (Co-CEO)

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.

The Executive Management Team

Members

Matt Vandrau (Co-CEO)
Adrian Coleman (Co-CEO)
Joanne Parker (COO)
Stephanie Brimacombe (Group Managing Director)
David Crowther (Group Finance Director)

Role

The Executive Management Team collectively discharge the delegated decision-making and responsibilities of the Executive Directors and are responsible for maintenance of, and compliance with, Group operating standards. The Executive Management Team meet on a bi-weekly basis to monitor and review the performance of each of the three business groups through established management reporting.

Our Colleagues

We are a people-based business. 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.

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

We are aware that companies must embrace their responsibility to ensure that their staff reflect 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.

Inclusivity

We want to challenge the stereotypes and legacies of our industry to make our impact on equality, diversity and inclusivity felt, and ultimately allow us to better tell stories for our clients that appeal to all.

Our ambition is to populate culture, which we can do only if our culture thrives and is reflective of the society we live in.

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. The Vice Chairman of VCCP, Julian Douglas, is a leading member of the IPA Diversity committee, sits on the Facebook Diversity council, and more recently co-launched an industry-wide initiative to celebrate talent in adland that is a driving force towards diversity and inclusion, named The iList.

In 2019 we also launched ChimeQ, the Group's LGBQT+ community. As communication experts we know our work needs to be representative and inclusive, as do our processes, hiring and culture. We need all our people to feel supported. And, we need straight allies to be vocal about their support, and take a stand.

Gender parity

Of our 2,421 staff at 31 December 2019, 45% were female (2018: 49%).

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

From 2017, certain UK companies meeting size criteria on revenue or number of employees are required to report on the pay gap between men and women. In April 2019, in line with the legislation, three of our businesses (VCCP Group LLP, CSM Sport & Entertainment LLP and FIL Market Research Limited) reported on their gender pay gap; copies of their reports can 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, our network for inspiring and mentoring female talent across the Group.

Employment of disabled persons

All Group agencies give full and fair consideration to all applications for employment made by disabled people, 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.

Inclusivity for all young people

We are aware of the barriers many young people face when looking for meaningful and creative employment opportunities.

Our ambition is to populate culture, which we can do only if our culture thrives and is reflective of the society we live in. Our Graduate Scheme in the UK has been running for more than ten years and has regularly resulted in Group agencies employing over 80% of the intake, and from 2019 we opened this scheme up to school leavers as well.

In addition, we have offered a number of apprenticeship places in various parts of the business since 2017. CSM launched its Grassroots scheme in 2019, which replaces the traditional graduate scheme with an apprenticeship programme, broadening our talent and selection pool. We partner with local schools and councils to make sports marketing more accessible to a wider range of people.

We have also established some exciting partnerships, which will help us make progress faster, such as with the Taylor Bennett Foundation and Brixton Finishing School, to widen our talent pool through new hires, and a mentoring programme, as well as participation in Advertising Unlocked.

Innovate – Chime's Youth Board

Innovate is our Youth Board, who are tasked with innovation and addressing business issues as they see them and challenging us to think differently. Membership is open to all staff under the age of 30. The Youth Board members are given access to all agencies and all levels within the Group, and everyone is mentored by a Director in the business in order to nurture individual progress. We have run Innovate for six years and more than 70 young people have benefited from this programme to date.

Health & Safety

Each division has specific policies and procedures to ensure a safe working environment that reflects their particular business activities; this is the responsibility of the directors of each operating entity within the Group. Health & Safety matters are managed at a divisional level and reviewed by the Group through our risk management process.

We take our duty of care to our staff seriously, and have retained a variety of consultants to provide guidance on the identification and assessment of hazards, alongside practical support such as carrying out risk assessments for events and other activities.

Due to the nature of our work, the majority of our staff are office-based. However, our CSM Live business includes operations with 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 & Safety risk profile. Our aim is to maximise the wellbeing of our people and those we interact with.

Through the controls and management processes our operating entities have adopted, the risk and historical incidence of accidents are low.

This is an ongoing process; the 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. The Group has established through a third-party supplier, 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 the Group. The helpline is promoted on all policy documents and via our intranet.

Corporate responsibility

The Board acknowledges that being socially responsible is an important factor not only in the work we do for our clients, but also in the management of our own business.

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, 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, not only provides 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 are essential to the maintenance of our own reputation.

Our divisions and agencies have set out the core values by which they work, reflecting the diverse nature of our business and operations. These values are underpinned by our Responsible Business Code and our Staff Code of Conduct, which are shared across the Group.

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 companies. 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. While it is broad, it is designed, along with our guiding values, to be embedded within our diverse range of operating cultures.

Responsible Business Code

The Group co-ordinates the operations of our three business groups, 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.

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.

Supporting sustainable business

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, as well as being mindful of our impact on the environment.

In acting responsibly, we acknowledge that our operations can have a positive influence on the communities in which we work as well as in broader society. Our core values and our Responsible Business Code reflect our starting point when faced with such issues.

Chime Group Holdings Limited

We encourage and promote our agencies to use their services and talent as a force for good, including pro bono work. Work we are particularly proud of includes:

VCCP and Cadbury – A glass half full in everyone

The company John Cadbury founded was born to help the community – but it had lost its way. VCCP wanted to bring that spirit of generosity back to life for Cadbury and all its consumers. So rather than create just another advertising campaign, we built a campaign around an insight that over 225,000 older people in the UK go for a week without speaking to anyone.

So we worked with it to donate the words from its iconic Dairy Milk bars – leaving the front of the nation's most popular chocolate bar blank, apart from the 'glass and a half of milk' icon. The back of the pack explained that Age UK received 30p from every bar sold and encouraged the public to donate their words, too. To date, Cadbury has raised £400,000 for Age UK and more than 900,000 people have donated their words to lonely older people.

Teamspirit – For The Better Award

In partnership with the Finance Innovation Lab, which incubates ideas working towards a better kind of financial system, part of VCCP Business, Teamspirit's For The Better Award provides £10,000 of the agency's award-winning communication expertise to not-for-profit or charitable organisations committed to improving financial health. Inaugural winners in 2019 included Vestpod, a community-based portal dedicated to changing women's relationship with money, and Avon Mutual, the first-ever customer-owned high street bank dedicated to the West of England.

CSM North America – Changing the Game in Sports Business

One of the things we take the most pride in, is being a part of the annual Game Changers Conference by *Sports Business Journal.* In 2019, we celebrated the fourth year of the **Mentoring Challenge**, with a reception Monday night in our New York City office, bringing together women in sports business who are early in their careers, with female executives from the ranks of some of the best and brightest in the industry. It has been a pleasure watching these new stars across our industry thrive together and see what they do and where they go, and we are even blessed to have several of them in our midst every day.

We also promote and facilitate volunteering by individual members of staff or groups, including through our Give As You Earn scheme, so that they can help the causes that are important to them.

Conflicts of interest

The Group has processes to identify and manage potential conflicts of interests that 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 have adopted clear guidelines to ensure our staff and our other stakeholders know how we approach such issues, and mandatory training is provided to all staff across the Group on anti-corruption and bribery measures.

Modern slavery

We do not tolerate any form of modern slavery or human trafficking in any part of our business. Our Responsible Business Code sets out our approach to doing business, and we seek to ensure this is adopted and applied within our supply chain. All operating companies are required to adhere to the Code, and its implementation by suppliers is determined at operating company level. The Group is required to prepare an annual slavery and human trafficking statement. The Group's statement for the year ended 31 December 2018 was published on our website in March 2019 and the Group has recently published its report for the year ended 31 December 2019.

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.

Environmental matters

We acknowledge that our customers, staff and other stakeholders have an interest in our impact on the environment and, therefore, we have committed to monitor and improve our environmental performance where possible.

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 Group has strived to continually reduce its carbon footprint on a normalised basis since 2006. We are participants in the UK CDP Climate Change programme, and have been calculating our UK carbon footprint since 2012.

Chime Group Holdings Limited

In 2019, the Group calculated its 2018 carbon footprint 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. In addition, the Group is preparing for the new reporting requirements under the UK Government's Streamlined Energy and Carbon Reporting (SECR) Regulations which will apply to the Group from 2020.

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.

Political donations

The Group's policy is not to make direct donations to support political parties. During the year the Group did not make any donations deemed to be political donations.

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 Section 418 of the Companies Act 2006.

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*.

Chime Group Holdings Limited

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's 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

David Crowther

Director

Date: 18 August 2020

Matthew Vandrau

Director

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 2019 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, Company Balance Sheet and Company Statement of Changes in Equity, and related notes, including the 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 2019 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 (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; 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.

Material uncertainty related to going concern

We draw attention to Note 2 to the consolidated financial statements which indicates that there remains a risk of breach of the revised EBITDA financial covenants under the severe but plausible downside sensitivities. These events and conditions, along with the other matters explained in note 2, constitute a material uncertainty that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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

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 pages 35-36, 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

Jonathan Downer (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

19 August 2020

Chime Group Holdings Limited

Consolidated Income Statement

Year ended 31 December 2019

	Note	2019 £'000	2018[1] £'000
Continuing Operations			
Revenue	3	536,259	510,818
Cost of sales		(263,163)	(260,724)
Operating income		**273,096**	**250,094**
Operating expenses	4	(259,799)	(244,474)
Operating profit		**13,297**	**5,620**
Share of results of associates	17	426	282
Impairment of investment	18	-	(1,956)
Investment income	7	479	1,378
Finance costs	8	(18,172)	(18,516)
Loss before tax		**(3,970)**	**(13,192)**
Tax credit/(charge)	9	1,399	(1,967)
Loss from continuing operations		**(2,571)**	**(15,159)**
Discontinued Operations			
(Loss)/Profit from discontinued operation, net of tax	12/13	(5,398)	15,354
(Loss)/profit for the year		**(7,969)**	**195**
Attributable to:			
Equity holders of the parent		(8,318)	(418)
Non-controlling interests		349	613
		(7,969)	**195**

(1) The prior-year financials have been restated to show the results of the subsidiary disposed of in 2019 in discontinued operations.

The accompanying notes are an integral part of the financial statements.

Chime Group Holdings Limited

Consolidated Statement of Comprehensive Income
Year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Items that may be classified subsequently to profit and loss			
(Loss)/profit for the year		(7,969)	195
Loss on revaluation of available for sale investments	18	(33)	(227)
Fair value of foreign exchange hedges	19/21	586	(117)
Exchange differences on translation of foreign operations		(3,634)	2,894
Total comprehensive expense for the year		**(11,050)**	**2,745**
Attributable to:			
Equity holders of the parent		(11,399)	2,132
Non-controlling interest		349	613
		(11,050)	**2,745**

The accompanying notes are an integral part of the financial statements.

Chime Group Holdings Limited

Consolidated Balance Sheet
At 31 December 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Goodwill	11	264,136	263,391
Other intangible assets	14	40,677	56,314
Property, plant and equipment	15	49,918	51,828
Investments in associates	17	2,268	1,922
Other investments	18	160	194
Deferred tax assets	10	7,191	-
		364,350	**373,649**
Current assets			
Work in progress		9,126	10,770
Trade and other receivables	19	122,430	129,637
Current tax asset		2,013	3,992
Cash and cash equivalents	20	46,448	74,324
Assets classified as held for sale	12	8,056	-
		188,073	**218,723**
Total assets		**552,423**	**592,372**
Current liabilities			
Trade and other payables	21	(120,084)	(122,910)
Current tax liability		(1,833)	(3,596)
Other borrowings	23	(7,953)	(8,935)
Provisions	25	(5,480)	(10,726)
Liabilities classified as held for sale	12	(13,471)	-
		(148,821)	**(146,167)**
Total net current assets		**39,252**	**72,556**
Non-current liabilities			
Deferred tax liabilities	10	(5,570)	(2,741)
Bank loans	22	(223,750)	(255,000)
Other borrowings	23	(32,597)	(33,527)
Provisions	25	(4,064)	(2,782)
		(265,981)	**(294,050)**
Total liabilities		**(414,802)**	**(440,217)**
Total net assets		**137,621**	**152,155**

Chime Group Holdings Limited

Consolidated Balance Sheet (continued)
At 31 December 2019

	Note	2019 £'000	2018 £'000
Equity			
Share capital	26	81,153	81,153
Share premium account	27	215,055	215,055
Hedge reserve		469	(117)
Foreign currency translation reserve		2,330	5,964
Accumulated losses		(166,804)	(158,453)
Equity attributable to equity holders of the parent		**132,203**	**143,602**
Non-controlling interests		5,418	8,553
Total equity		**137,621**	**152,155**

The financial statements were approved by the Board of Directors and authorised for issue on 18 August 2020. They were signed on its behalf by:

David Crowther
Director

Matthew Vandrau
Director

Registered Company number: 09780352

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 2019

	Share capital	Share premium	Hedge reserve	Translation reserves	Retained losses	Total	Non-controlling interests	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2018	81,153	215,055	-	3,070	(158,887)	**140,391**	8,056	**148,447**
Total comprehensive income	-	-	(117)	2,894	(645)	**2,132**	613	**2,745**
Adoption of new accounting standards	-	-	-	-	1,079	**1,079**	-	**1,079**
Dividends to non-controlling interests	-	-	-	-	-	**-**	(116)	**(116)**
Balance at 1 January 2019	**81,153**	**215,055**	**(117)**	**5,964**	**(158,453)**	**143,602**	**8,553**	**152,155**
Total comprehensive income	-	-	586	(3,634)	(8,351)	**(11,399)**	349	**(11,050)**
Dividends to non-controlling interests	-	-	-	-	-	**-**	(210)	**(210)**
Purchase of NCI							(3,274)	**(3,274)**
Balance at 31 December 2019	**81,153**	**215,055**	**469**	**2,330**	**(166,804)**	**132,203**	**5,418**	**137,621**

The accompanying notes are an integral part of the financial statements.

Chime Group Holdings Limited

Consolidated Cash Flow Statement
Year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Net cash from operating activities	29	**27,234**	**5,685**
Investing activities			
Interest received		323	459
Dividends received from investments and associates		80	157
Purchases of other intangible assets		(1,343)	(4,418)
Purchases of property, plant and equipment		(4,585)	(3,238)
Upfront property payments		(1,801)	-
(Outflow)/Proceeds from disposal of subsidiaries		(319)	81,631
Discontinued operations		(1,405)	
Acquisition of subsidiaries (net of cash acquired)		-	(4,766)
Deemed remuneration and deferred consideration payments		(9,557)	(15,550)
Purchase of non-controlling interests		(4,543)	-
Net cash (outflow)/inflow from investing activities		**(23,150)**	**54,275**
Financing activities			
Dividends paid to non-controlling interests		(210)	(116)
Reduction in borrowings		(31,250)	(10,000)
Repayment of loan notes		(23)	(394)
Net cash outflow from financing activities		**(31,483)**	**(10,510)**
Net (decrease)/increase in cash and cash equivalents		**(27,399)**	**49,450**
Cash and cash equivalents at beginning of year		74,324	24,527
Effect of foreign exchange rate changes		(477)	347
Cash and cash equivalents at end of year		**46,448**	**74,324**

The accompanying notes are an integral part of the financial statements.

1. General information

Chime Group Holdings Limited (the Group) is a company incorporated in the 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 19.

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 2019	Average rate 2019	Closing rate at 31 December 2018	Average rate 2018
US dollar	1.322	1.277	1.278	1.335
Euro	1.178	1.141	1.117	1.130

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 2019 are appropriate and consistent with the terms of the contracts and the stage of work completed.

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:

Going concern

At 31 December 2019 the Group had cash balances of £46.4m and, under its Senior Facilities Agreement ('SFA'), drawn borrowings of £223.7m and further undrawn committed facilities of £27.0m. Since the year end the Group drawn a further £24.5m of the committed facilities and as of 31 July 2020 had cash balances of £80.2m.

The Group's SFA comprises a £216.7m Term Loan repayable in August 2024 with no interim payments due before that time, and a Revolving Credit Facility and Capex Facility totalling £34.5m repayable in August 2023. Up until 27 April 2020 the SFA contained a single covenant being leverage measured as the ratio of net debt to adjusted EBITDA which was tested quarterly. On the 27th April 2020 revised covenants were agreed, as an amendment to the SFA, to change the ratio limit for the leverage coverage and to also add an additional minimum liquidity position which is tested monthly. The Group was in compliance with the original covenant with significant headroom throughout the course of 2019, Q1 2020 and the revised covenant for Q2 2020. The Group's revised base case forecasts show that the Group has adequate liquidity for at least 12 months at each monthly reporting date from the approval date of these Consolidated Financial Statements and is forecast to remain in compliance with the revised covenants for the same period.

The uncertainty as to the future impact on the Group of the COVID-19 outbreak has been considered as part of the Group's adoption of the going concern basis. Up to Q1 2020 the Group was trading in line with its original budget, however there has been a slowdown in activity since that time and the directors have seen and anticipate a continuing significant reduction in Operating Income from budget for 2020 that is also expected to affect 2021. In particular, the Sport and Entertainment division is experiencing significant, but expected, temporary, loss of Operating Income due to the suspension and cancellation of large aspects of the sporting calendar. The Communications division is not impacted to the same extent and whilst certain client sectors such as Travel, Retail and Media have been negatively impacted, others such as TMT, Healthcare and Financial Services remain robust for the Group.

The Group has undertaken a reforecast of its financial results and this revised base case analysis includes the assumption that COVID-19 continues to materially affect business until the end of Q3 2020 with a gradual return to previous trading conditions over the course of the following 9 months until June 2021. The revised base case analysis shows a 21% reduction in Operating Income in 2020 compared to that originally budgeted which the Group is managing by an adjustment to the cost base, mainly through personnel and discretionary spend. With regards personnel the Group has put in place a freeze on pay increases and new hires, made redundancies and furloughed employees, removed bonus payments and similar incentive arrangements, and introduced temporary salary reductions. In addition, the Group is taking other measures to preserve liquidity including reduced capital expenditure, phasing of rental payments with landlord agreement and taking advantage of the VAT deferral scheme.

Due to the uncertainty of the overall impact of COVID-19, the Group has performed a sensitivity analysis on its revised base case to assess the impact of more severe but plausible assumptions including a further 12.5% reduction in Operating Income. This included assuming COVID-19 severely impacting business for a further six months on top of that assumed in the revised base case, and consequently the suspension of large-scale sporting events beyond the end of Q3 2020 through to the end of Q1 2021 along with a protracted impact on the Communications business. The Group has assessed that such Operating Income reductions, along with the mitigating cost measures it would take in this event, could be withstood and the Group continue to have adequate liquidity for at least 12 months from the date of approval of these financial statements.

2. Significant accounting policies (continued)

Key sources of estimation uncertainty (continued)

Whilst the revised base case analysis projects a minimum liquidity position of over £40m for the forecast period, and the Group expects to maintain within the revised covenant levels in the revised base case analysis, although there remains a risk of breach within the next twelve months of the revised EBITDA covenant levels under the severe but plausible downside sensitivities. The SFA classifies a covenant breach as a default event which could, should the majority of lenders demand such action, give rise to the drawn facilities under the SFA becoming immediately repayable and therefore the company becoming insolvent if it were not able to refinance the due and payable debt.

Should trading be sufficiently adverse such that that the revised financial covenants under the SFA are breached, then the amounts drawn under the SFA may become due and payable in full if the majority of lenders demand immediate repayment as a result of such breach. This indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The Consolidated Financial Statements do not include the adjustments to assets and liabilities that would result if the Group was unable to continue as a going concern.

After reviewing the most recent projections, including the severe but plausible sensitivity analysis, and having carefully considered the material uncertainty on future trading presented by the COVID-19 pandemic, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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 three 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 28).

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.

2. Significant accounting policies (continued)

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 as the non-controlling shareholders' proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition. The results of subsidiaries disposed of during the year are included in the consolidated income statement within the financial statement as Discontinued operations.

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.

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.

2. Significant accounting policies (continued)

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.

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.

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 (ie 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.

Revenue recognition

The Group applies the IFRS 15 '5-step model' to each of the revenue streams across the Group, enabling the identification of distinct performance obligations within a contract, as well as the method for revenue recognition; either at a point in time when the performance obligation is satisfied, or over time as the performance obligation is satisfied. Where revenue is variable, revenue recognition is constrained to the extent that it is highly probable that a significant reversal for revenue already recognised will not occur, once the uncertainty about revenue is subsequently resolved.

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. In line with IFRS 15, revenue is recognised in the income statement when the performance obligations detailed in the contract with the customer have been satisfied.

Revenue is largely derived from retainer fees and services performed subject to specific agreement. Revenue is recognised over the contract term, proportionate to the progress in overall satisfaction of the performance obligations (the services performed by the Group), measured by cost incurred to date out of total estimated costs.

Revenue from commission on sponsorship contracts and talent management is recognised at a point in time.

Revenue relating to a specific event is recognised at a point in time, when the performance obligation in the contract has been satisfied.

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 regard 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, net of corresponding sub-contractor costs, is recognised as revenue.

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

Leasing

The Group assesses whether a contract is or contains a lease at inception of the contract. This assessment involves the exercise of judgement about whether it depends on a specified asset, whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset.

The Group recognises a right-of-use (ROU) asset and a lease liability at the lease commencement date, except for short-term leases of 12 months or less and leases of low-value assets, which are expensed in the income statement on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounting using the interest rate implicit in the lease, or if this rate cannot be readily determined, using the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments can include fixed payments; variable payments that depend on an index or rate known at the commencement date; and extension option payments or purchase options, if the Group is reasonably certain to exercise. The lease liability is subsequently measured at amortised cost using the effective interest rate method and remeasured (with a corresponding adjustment to the related ROU asset) when there is a change in future lease payments in case of renegotiation, changes of an index or rate or in case of reassessment of options.

At inception, the ROU asset comprises the initial lease liability, initial direct costs and the obligations to refurbish the asset, less any incentives granted by the lessors. The ROU asset is depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator for impairment, as for owned assets.

ROU assets are included in the heading 'property, plant and equipment', and the lease liability is included in the heading 'other borrowings'.

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 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.

2. Significant accounting policies (continued)

Foreign currencies (continued)

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, impairment, 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.

The Group is committed to its Tax Strategy, which is published annually on the Chime website.

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	3 to 8 years
Trade names	5 to 15 years
Client contracts	3 to 5 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) 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 (CGU) in prior years.

2. Significant accounting policies (continued)

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.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for expected irrecoverable amounts, and subsequently measured at amortised cost using the effective interest method less any impairment. An 'expected credit loss' impairment model is applied.

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.

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).

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.

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 and foreign currency risk. 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. Forward contracts are used to hedge against fluctuations in

2. Significant accounting policies (continued)

Financial instruments (continued)

the exchange rate on specific sales contracts. The Group does not hold or issue derivative financial instruments for financial trading purposes.

At the inception of the hedge, the Company documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and hedge strategy. 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.

Changes in fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity, and are recycled in the income statement in the periods when the hedged item is recognised in profit or loss.

Derivatives that do not qualify for hedge accounting are accounted for at fair value through the income statement, with gains and losses on revaluation being recognised immediately in the income statement.

New and revised IFRSs in issue but not yet effective

There are no standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods.

Non-current assets held for sale and discontinued operations

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent remeasurement, although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis. Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

In accordance with IFRS 5, the above policy is effective from the start of the current period; no reclassifications are made in prior periods.

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

3. Analysis of revenue

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

	2019	2018(1)
	£'000	£'000
United Kingdom	270,780	258,137
USA	148,343	130,609
Europe & Africa	64,382	79,600
Rest of the World	32,676	34,332
Middle East	20,078	8,140
	536,259	**510,818**

(1) The prior-year financials have been restated to show the results of the subsidiary disposed of in 2019 in discontinued operations.

4. Operating expenses

Operating profit/(loss) has been arrived at after charging:

	2019	2018(1)
	£'000	£'000
Depreciation of tangible assets (note 15)	14,041	13,716
Amortisation of other intangible assets (note 14)	18,877	19,803
Impairment loss on trade receivables	1,768	459
Loss/(profit) on disposal of property, plant and equipment	390	249
Staff costs (note 6)	183,072	171,510
Net foreign exchange loss/(gain)	(16)	(573)
Other administration costs	41,667	39,310
Total operating expenses	**259,799**	**244,474**

(1) The prior-year financials have been restated to show the results of the subsidiary disposed of in 2019 in discontinued operations.

5. An analysis of auditors' remuneration is provided below:

	2019	2018
	£'000	£'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	94	127
The audit of the Company's subsidiaries pursuant to legislation	289	173
Total audit fees	**383**	**300**
Taxation and advisory services	34	-
Other services	34	6
Total non-audit fees	**68**	**6**
Total fees paid to Company's auditors	**451**	**306**

6. Staff costs

The average monthly number of employees for the year (including Executive Directors) was 2,421 (2018: 2,265[(1)]).

	2019	2018[(1)]
	£'000	£'000
Wages and salaries	157,433	146,860
Social security costs	14,197	13,137
Pension costs	6,011	4,726
Deemed remuneration (note 25)	5,431	6,787
	183,072	**171,510**

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 2019, contributions of £0.05m (2018: £0.2m) due in respect of the current reporting period had not been paid over to the schemes.

(1) The prior-year financials have been restated to show the results of the subsidiary disposed of in 2019 in discontinued operations.

Directors' remuneration

	2019	2018
	£'000	£'000
Short-term benefits	1,536	1,486
Pension costs	-	13
	1,536	**1,499**

The highest paid Director received short-term benefits of £0.7m (2018: £0.6m), and pension contributions of nil (2018: nil) for the year.

7. Investment income

	2019	2018
	£'000	£'000
Interest on bank deposits	323	183
Fair value gain on interest rate swap	97	766
Finance income of deferred consideration changes	-	343
Other Interest received	59	86
	479	**1,378**

At 31 December 2019 there was no interest rate swap in place. At 31 December 2018 the fair value of the interest rate swap was a liability of £0.1m. The fair value gain has been recognised in investment income. Hedge accounting has not been applied (see note 31).

8. Finance costs

	2019	2018
	£'000	£'000
Interest on bank loans and overdrafts	(15,580)	(15,497)
Finance cost of deemed remuneration	(358)	(438)
Finance cost of deferred consideration	(82)	(24)
Finance cost of leased assets	(2,152)	(2,557)
	(18,172)	**(18,516)**

9. Tax

	2019	2018[1]
	£'000	£'000
Current tax:		
UK corporation tax at 19.0% (2018: 19.0%)	3,401	3,180
Foreign tax	(505)	1,092
Adjustments in respect of prior years	56	(1,033)
	2,952	**3,239**
Deferred tax:		
Current-year origination and reversal of temporary differences	(4,220)	(1,542)
Adjustments in respect of prior years	(131)	270
	(4,351)	**(1,272)**
Tax charge/(credit) for the year	**(1,399)**	**1,967**

(1) The prior-year financials have been restated to show the results of the subsidiary disposed of in 2019 in discontinued operations.

UK corporation tax is calculated at 19.0% (2018: 19.0%) 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:

	2019		2018[1]	
	£'000	%	£'000	%
Loss before tax from continuing operations	(3,970)		(13,192)	
Tax at the UK corporation tax rate of 19.0% (2018: 19.0%)	(754)	19.0%	(2,506)	19.0%
Disallowable items	776	(19.5%)	295	(2.2)%
Non-taxable income	(85)	2.1%	(652)	4.9%
Remuneration expense on business combinations	113	(2.8%)	656	(5.0)%
Amortisation and impairment	206	(5.2%)	1,527	(11.6)%
Profit on disposal of investment	(109)	2.7%	-	-
Tax assets not recognised	1,228	(30.9%)	3,721	(28.2)%
Effect of overseas tax rates	(2,599)	65.4%	(634)	4.8%
Impact of rate changes	(100)	2.5%	323	(2.4)%
Adjustments in respect of prior years	(75)	1.9%	(763)	5.8%
Tax expense and effective tax rate for the year	**(1,399)**	**35.2%**	**1,967**	**(14.9)%**

(1) The prior-year financials have been restated to show the results of the subsidiary disposed of in 2019 in discontinued operations.

10. Deferred tax

	Depreciation in excess of capital allowances	Losses	Short-term timing differences	Intangibles	Total
	£'000	£'000	£'000	£'000	£'000
At 31 December 2017	**1,023**	**-**	**2,028**	**(8,480)**	**(5,429)**
Acquisition of subsidiaries	-	-	-	(154)	(154)
Disposal of subsidiaries	(77)	-	(26)	1,426	1,323
Credit to the income statement	350	96	(269)	1,095	1,272
Exchange adjustments	(14)	-	137	124	247
At 31 December 2018	**1,282**	**96**	**1,870**	**(5,989)**	**(2,741)**
Acquisition of subsidiaries	-	-	-	-	-
Disposal of subsidiaries	5	-	-	-	5
Credit to the income statement	(92)	(64)	133	4,374	4,351
Exchange adjustments	-	-	(23)	29	6
At 31 December 2019	**1,195**	**32**	**1,980**	**(1,586)**	**1,621**

Deferred tax assets of £7.6m (2018: £5.6m) have not been recognised due to insufficient certainty that there will be appropriate profits available in the future to utilise them. Of the unrecognised losses, £0m will expire in 2027, the remaining amounts will not expire.

A deferred tax asset has been recognised in respect of certain fixed asset and short-term timing differences arising in the US, as management forecasts support the recoverability of these assets against tax payable in future periods. Deferred tax assets in respect of losses and interest deductions have not been recognised as there is insufficient certainty regarding the timing of their reversal and overall recoverability.

No deferred tax liability is recognised on temporary differences of £0.4m (2018: £0.4m) relating to the unremitted earnings of overseas, 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 2019 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.

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset/(liability) as at 31 December 2019 has been calculated based on this rate.

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the Company's future current tax charge accordingly and increase the deferred tax asset and liability by £0.4m and £0.2m respectively.

11. Goodwill

	£'000
At 31 December 2017	**312,977**
Recognised on acquisition of subsidiaries and minority interests	4,843
Disposal of discontinued operations	(56,152)
Foreign exchange differences	1,723
At 31 December 2018	**263,391**
Recognised on acquisition of minority interests	1,978
Foreign exchange differences	(1,233)
At 31 December 2019	**264,136**

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. No impairment was identified from the impairment review for the year ended 31 December 2019.

During the year, Chime Specialist Group (CSG) was rebranded as VCCP Business. An additional £2.0m goodwill has been recognised on the acquisition of minority interests in Harvard, VCCP Health and VCCP Kin. These subsidiaries are now 100% owned.

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:

	2019 £'000	2018 £'000
CSM	128,874	100,416
VCCP	99,883	128,807
VCCP Business	35,379	34,168

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 2020 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 regard to the marketplace and pricing when formulating the budget.

11. Goodwill (continued)

After the initial three-year forecast period, a long-term growth rate of 1.5% 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 the CGUs.

The pre-tax rate used to discount the forecast cash flows from all CGUs is 12.0% (2018: 13.4%).

The Group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value. If forecasted cashflows decreased by 10% there would be no impairments to any CGUs.

12. Non-current assets held for sale

Assets held for sale

At December 2019, a Group agency was classified as held for sale, having met the criteria under IFRS 5. Fair valuation of the assets and liabilities resulted in a £1.8m loss being recognised in discontinued operations in the Income Statement, along with the £1.6m trading loss for the year.

	2019
	£000
Assets classified as held for sale/disposal groups:	
Property, plant and equipment	159
Intangible assets	249
Trade and other receivables	7,648
Liabilities classified within disposal groups:	
Trade and other payables	(13,471)

Measurement of fair values

The assets and liabilities classified as held for sale have been measured fair value less costs to sell.

13. Discontinued operations

CSM Active

In August 2019, the Group sold its CSM Active agency. The agency was sold for £1 cash consideration and a pre-tax loss of £0.7m was recorded. The attributable tax was nil, leaving a loss after tax and results from operating activities tax of £2.0m.

CSM Active was not previously classified as held for sale or as a discontinued operation. The comparative statement of profit or loss and statement of comprehensive income have been represented to show the discontinued operations separately from continuing operations.

Subsequent to the disposal, the Group has not transacted with CSM Active.

Result of the discontinued operations

	2019 £'000	2018 £'000
Revenue	1,927	2,406
Expenses	(3,208)	(3,487)
Loss before tax	**(1,281)**	**(1,081)**
Tax on loss	-	195
Results from operating activities net of tax	**(1,281)**	**(886)**
Loss on sale of discontinued operations	(703)	-
Income tax on gain on sale of discontinued operations	-	-
Loss from discontinued operations, net of tax	**(1,984)**	**(886)**

Cash flows from/(used in) discontinued operations

	2019 £'000	2018 £'000
Net cash used in operating activities	(121)	(981)
Net cash used in investing activities	(198)	-
Net cash from/(used in) discontinued operations	**(319)**	**(981)**

13. Discontinued operations (continued)

Effect of the disposals on individual assets and liabilities

	2019
	£'000
Property, plant and equipment	150
Trade and other receivables	745
Cash and cash equivalents	198
Trade and other payables	(390)
Net identifiable assets	**703**
Consideration received, satisfied in cash	-
Cash disposed of	(198)
Net cash out flow	**(198)**

14. Other intangible assets

	Trade names £'000	Customer relationships £'000	Client contracts £'000	Computer software £'000	Total £'000
Cost					
At January 2018	22,220	89,333	3,993	3,870	119,416
Discontinued operations	-	(12,136)	-	-	(12,136)
Additions	-	1,680	-	3,574	5,254
Disposals	-	-	-	(202)	(202)
Exchange differences	181	1,379	-	202	1,762
At 31 December 2018	**22,401**	**80,256**	**3,993**	**7,444**	**114,094**
Discontinued operations	-	-	-	(941)	(941)
Additions	-	-	3,420	998	4,418
Disposals	-	-	(3,993)	(933)	(4,926)
Exchange differences	(110)	(900)	-	(17)	(1,027)
At 31 December 2019	**22,291**	**79,356**	**3,420**	**6,551**	**111,618**
Accumulated amortisation					
At 1 January 2018	3,278	32,899	1,598	1,912	39,687
Discontinued operations	-	(2,637)	-	-	(2,637)
Charge for the year	2,131	14,776	2,395	501	19,803
Disposals	-	-	-	-	-
Exchange differences	38	847	-	42	927
At 31 December 2018	**5,447**	**45,885**	**3,993**	**2,455**	**57,780**
Discontinued operations	-	-	-	(692)	(692)
Charge for the year	2,108	15,377	-	1,392	18,877
Disposals	-	-	(3,993)	(449)	(4,442)
Exchange differences	(24)	(558)	-	-	(582)
At 31 December 2019	**7,531**	**60,704**	**-**	**2,706**	**70,941**
Net book amount					
31 December 2019	**14,760**	**18,652**	**3,420**	**3,845**	**40,677**
31 December 2018	**16,954**	**34,371**	**-**	**4,989**	**56,314**

15. Property, plant and equipment

Property, plant and equipment comprises owned and leased assets.

	2019	2018
	£'000	£'000
Property, plant and equipment – owned	9,687	10,312
Right-of-use assets – leased	40,231	41,516
At 31 December 2019	**49,918**	**51,828**

Right-of-use assets

Property leases

The Group leases land and buildings for its office and warehouse space. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leases are typically made for a fixed period of five years and may include extension options which provide operational flexibility.

Other leases

The Group also leases vehicles, machinery, furniture and other office equipment. The average contract duration is three years.

	Property	Motor vehicles	Fixtures, fittings and computers	Total
	£'000	£'000	£'000	£'000
Balance at 1 January 2019	41,165	163	188	41,516
Additions	8,469	27	255	8,751
Depreciation charge for the year	(9,325)	(90)	(159)	(9,574)
Disposal	(709)	-	-	(709)
Exchange differences	244	3	-	247
Balance at 31 December 2019	**39,844**	**103**	**284**	**40,231**

Other lease disclosures

A maturity analysis of lease liabilities is shown in note 23.

The Group incurred interest expense of lease liabilities of £2.2m. The expense relating to short-term leases and variable lease payments not included in the measurement of lease liabilities is not significant. The total cash outflow for leases amounted to £11.2m.

There are no significant lease commitments for leases not commenced at year-end.

15. Property, plant and equipment (continued)

Owned assets

	Short-term leasehold improvements £'000	Motor vehicles £'000	Fixtures, fittings and computers £'000	Total £'000
Cost				
At 1 January 2018	4,652	2,275	7,431	14,358
Discontinued operations	-	-	(1,191)	(1,191)
Acquisition of subsidiaries	-	-	139	139
Additions	1,033	727	2,412	4,172
Disposals	(248)	(489)	(556)	(1,293)
Exchange differences	73	296	384	753
At 31 December 2018	**5,510**	**2,809**	**8,619**	**16,938**
Discontinued operations	(151)	(13)	(663)	(827)
Additions	1,800	301	2,487	4,588
Disposals	(1,982)	(148)	(3,425)	(5,555)
Exchange differences	(144)	(182)	(184)	(510)
At 31 December 2019	**5,033**	**2,767**	**6,834**	**14,634**
Accumulated depreciation				
At 1 January 2018	944	307	1,582	2,833
Discontinued operations	-	-	(288)	(288)
Charge for the year	1,278	532	3,119	4,929
Disposals	(155)	(470)	(420)	(1,045)
Exchange differences	74	27	96	197
At 31 December 2018	**2,141**	**396**	**4,089**	**6,626**
Discontinued operations	(67)	-	(479)	(546)
Charge for the year	1,188	563	2,716	4,467
Disposals	(1,799)	(106)	(3,260)	(5,165)
Exchange differences	(110)	(146)	(179)	(435)
At 31 December 2019	**1,353**	**707**	**2,887**	**4,947**
Net book amount				
31 December 2019	**3,680**	**2,060**	**3,947**	**9,687**
31 December 2018	**3,369**	**2,413**	**4,530**	**10,312**

16. 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 2019, are disclosed in appendix 1.

17. Investments in associates

	£'000
At 1 January 2018	**1,797**
Profit for the year	282
Dividends received	(157)
At 31 December 2018	**1,922**
Profit for the year	426
Dividends received	(80)
At 31 December 2019	**2,268**

A list of the investments in associates, including the name, country of incorporation and proportion of ownership interest, is given in appendix 1. None of the associates is individually material.

18. Other investments

	Available for sale £'000	Historic cost £'000	Total £'000
At 1 January 2018	**260**	**2,010**	**2,270**
Impairment	-	(1,956)	**(1,956)**
Exchange differences		107	**107**
Revaluation	(227)	-	**(227)**
At 31 December 2018	**33**	**161**	**194**
Exchange differences		(1)	**(1)**
Revaluation	(33)	-	**(33)**
At 31 December 2019	**-**	**160**	**160**

The available for sale investments comprised 1,684,750 TLA Worldwide shares, which were fully impaired and disposed of in the year. The 2018 impairment relates to the 10% holding in Rugby International Marketing, LLC.

19. Trade and other receivables

	2019	2018
	£'000	£'000
Amounts receivable from provision of services	83,782	90,343
Other receivables	7,564	8,722
Prepayments	12,027	12,769
Accrued income	18,588	17,803
Forward exchange contracts used for hedging	469	-
	122,430	**129,637**

The Group’s trade receivables are stated after allowances of £3.2m (2018: £2m) for bad and doubtful debt.

20. 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:

	2019	2018
	£'000	£'000
Consolidated statement of financial position	46,448	74,324
Consolidated statement of cash flows	46,448	74,324

At 31 December 2019, the Group held £1.3m (2018: £1.8m) 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.

21. Trade and other payables

	2019	2018
	£'000	£'000
Trade creditors	23,914	27,022
Other creditors	5,289	4,368
Work in progress	35,755	37,753
Accruals	22,444	24,363
Deferred income	23,162	21,846
Other taxation and social security	9,442	7,341
Loan notes	78	100
Forward exchange contracts used for hedging	-	117
	120,084	**122,910**

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 £0.1m (2018: £0.1m) 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.

22. Bank loans

	2019	2018
	£'000	£'000
Bank loans and overdrafts	223,750	255,000
The borrowings are repayable as follows:		
Within two to five years	223,750	-
After five years	-	255,000
Total	**223,750**	**255,000**

Cash deposits and bank loans are held either at 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 but not limited to AIG, BNP, CVC, Hayfin, HSBC, ING, Mizuho, Natixis, RBS and NatWest.

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

i. A committed facility (Facility B) of £216.8m (2018: £255.0m). The term of the facility is until 11 August 2024.

ii. A committed facility (Capex Facility) of £9.5m (2018: £9.5m). The term of the facility is until 11 August 2023.

iii. A committed facility (RCF Facility) of £25.0m (2018: £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.

iv. The committed facilities incurred interest at a margin of 4.25% above LIBOR (Capex Facility and RCF Facility) 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%

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

At 31 December 2019, the Group had drawn down £223.8m (2018: £255.0m) of the available borrowing facility £251.2m (2018: £289.5m) leaving £27.5m of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The Group repaid £38.3m of Facility B during the year, and the Group had utilised £7.0m (2018 nil) of the overdraft facility at year-end. The weighted average interest rate applied in the year is 5.68% (2018: 5.59%). See note 8 for interest incurred during the year. The fair values of bank overdrafts and loans are determined by considering the maturity dates.

23. Other borrowings

	2019	2018
	£'000	£'000
The borrowings are repayable as follows:		
Within one year	7,953	8,935
Within two to five years	27,412	25,680
After five years	5,185	7,847
Total	**40,550**	**42,462**

24. Operating lease arrangements

The Group as lessor

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

	2019	2018
	£'000	£'000
Within one year	601	713
Between one and two years	113	767
	714	**1,480**

25. Provisions

	Deferred consideration	Deemed remuneration	Vacant property	Other provisions	Total
	£'000	£'000	£'000	£'000	£'000
At 31 December 2017	8,932	10,614	2,600	732	**22,878**
Acquisition of subsidiaries	-	1,928	-	-	**1,928**
Disposal of subsidiaries	(118)	-	-	-	**(118)**
Increase/(decrease) in provision	(226)	4,859	(72)	69	**4,630**
Discounting charge	24	438	-	-	**462**
Payments	(7,005)	(7,863)	(1,381)	(504)	**(16,753)**
Foreign exchange movements	116	365	-	-	**481**
At 31 December 2018	1,723	10,341	1,147	297	**13,508**
Increase/(decrease) in provision	-	5,431	(662)	415	**5,184**
Discounting charge	82	358	-	-	**440**
Payments	(60)	(9,497)	-	-	**(9,557)**
Foreign exchange movements	(58)	27	-	-	**(31)**
At 31 December 2019	1,687	6,660	485	712	**9,544**
Included in current liabilities	1,114	3,169	485	712	**5,480**
Included in non-current liabilities	573	3,491	-	-	**4,064**
	1,687	6,660	485	712	**9,544**

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.

25. Provisions (continued)

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.

Other provisions

Other provisions include all other risks where 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.

26. Share capital

	Number of shares	£'000
Issued, allotted and fully paid at 31 December 2018 and 2019	**81,152,858**	**81,153**

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

27. 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.

Hedge reserve

The hedge reserve relates to the fair value of forward contracts taken out to hedge against fluctuations in the exchange rate on specific sales contracts.

Foreign translation reserve

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

28. Contingent liabilities and commitments

Deferred and contingent consideration

In addition to the £1.7m (2018: £1.7m) deferred consideration provision (note 25), there was a maximum undiscounted financial commitment of £0.1m (2018: £0.2m) 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 2020 to 2021 and would be payable in cash/loan notes.

Deemed remuneration

In addition to the £6.7m (2018: £10.3m) deemed remuneration provision (note 25), £8.8m (2018: £13.4m) will be expensed over the period of service based on the current fair value. 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 2020 to 2023 and would be payable in cash/loan notes.

29. Notes to the cash flow statement

	2019	**2018**
	£'000	**£'000**
Operating profit/(loss)	13,297	4,539
Adjustments for:		
Depreciation of property, plant and equipment	14,041	13,656
Amortisation of intangible fixed assets	18,877	20,916
Loss/(profit) on disposal of property, plant and equipment	390	249
Lease payments	(11,209)	(10,567)
Deemed remuneration	5,431	6,787
Translation differences	(161)	-
Increase/(decrease) in provisions	(247)	(1,770)
Operating cash flows before movements in working capital	**40,419**	**33,810**
(Increase)/decrease in work in progress	(5,300)	(2,397)
Decrease/(increase) in receivables	689	13,478
(Increase)/decrease in payables	9,698	(19,935)
Cash generated from operations	**45,506**	**24,956**
Income taxes paid	(3,550)	(3,312)
Interest paid	(14,722)	(15,959)
Net cash from operating activities	**27,234**	**5,685**

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.

	2019			
	Sale of services	**Purchase of services**	**Amounts owed by related parties**	**Amounts owed to related parties**
	£'000	**£'000**	**£'000**	**£'000**
Associates				
The Agency of Someone Limited	6	352	6	96
StratAgile Limited	67	632	127	913
Naked Eye Limited	12	4	-	-
Shareholders				
WPP plc[(1)]	181	82	7	-
Other				
S J Francis	-	116	-	-
Inversiones Y Asesorias Tutuquen Limitad	-	19	-	-

(1) Related party from 1 January to 30 June only

	2018			
	Sale of services	**Purchase of services**	**Amounts owed by related parties**	**Amounts owed to related parties**
	£’000	**£’000**	**£’000**	**£’000**
Associates				
The Agency of Someone Limited	-	763	12	169
StratAgile Limited	74	1,101	-	1,142
Naked Eye Limited	15	17	-	-
Enigma Code Limited	1	-	1	-
Shareholders				
WPP plc	128	79	31	14

30. Related party transactions (continued)

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.

Remuneration of key management personnel

The key management personnel of the Group comprise the Board members and the Executive Directors. The remuneration of the Executive Directors and Board members 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, and other borrowings 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 22. The Group assesses its borrowing requirements by monitoring short and medium-term cash flow forecasts and interest rate risks are assessed through sensitivity analysis.

During the year the Group used interest rate swaps to mitigate the risk of changing interest rates increasing the cost of servicing its debt. By fixing interest rates, the Group was 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.

An interest rate swap was taken out and became effective on 2 November 2017 to hedge £17.5m of the Group's total debt at a fixed interest rate of 0.985%. This was in addition to the interest rate swap taken out and effective from 22 January 2016 to hedge £110.0m of the Group's total debt at a fixed interest rate of 1.1%. In October 2018, the £110m interest rate swap (fixed interest rate of 1.1%) matured. At this date, the principal of the remaining hedge (at fixed interest rate of 0.985%) stepped up to a total of £127.5m. The interest rate swap covering £127.5m of debt matured in August 2019.

Hedge accounting was not adopted, and the fair value movement has been accounted for in investment income (note 7). At 31 December 2018, the fair value of the interest rate swap was a liability of £0.1m.

Liquidity risk

The Group has a committed facility of £251.2m (2018: £289.5m) with a syndicate of banks. £34.5m matures in August 2023 and £216.8m (2018: £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 2019, the Group had borrowings net of cash of £217.9m (2018: £223.1m) and the undrawn committed facility was £27.5m (2018: £34.5m).

31. Financial instruments (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Maturity profile	Within 1 year	1-2 years	2-5 years	5+ years	Total	Carrying amount
	£'000	£'000	£'000	£'000	£'000	£'000
2019						
Bank loans	-	-	(223,750)	-	(223,750)	(223,750)
Other borrowings	(10,502)	(8,905)	(24,311)	(2,944)	(46,662)	(40,550)
Trade and other payables	(120,084)	-	-	-	(120,084)	(120,084)
Deferred consideration	(1,114)	(573)	-	-	(1,687)	(1,687)
Deemed remuneration	(3,169)	(2,865)	(626)	-	(6,660)	(6,660)
2018						
Bank loans	-	-	-	(255,000)	(255,000)	(255,000)
Other borrowings	(11,217)	(8,226)	(21,902)	(8,415)	(49,760)	(42,462)
Trade and other payables	(122,910)	-	-	-	(122,910)	(122,910)
Deferred consideration	(60)	(1,103)	(560)	-	(1,723)	(1,723)
Deemed remuneration	(9,222)	(1,014)	(105)	-	(10,341)	(10,341)

Externally imposed capital requirement risk

The Group has committed to adhering to the capital requirement set out by the syndicate of banks providing the loan facility, commencing 4 August 2017. The capital requirement is a maximum leverage. The Group was not in breach of the requirements at any time since they came into force. The capital requirement at 31 December 2019 was as follows:

Leverage:	Group Net Debt/Group EBITDA	Maximum Ratio 6.0

Foreign currency risk

The Group has overseas operations (branches and subsidiaries) which trade in Europe, the USA, the Far East, the Middle East, South America, Australasia and Africa. The sterling value of the net monetary assets held in the principal foreign currencies held by the Group are as follows:

	2019	2018
	£'000	£'000
Net monetary assets/(liabilities)		
Euros	7,436	5,943
US dollars	13,040	7,067

31. Financial instruments (continued)

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales and purchases are denominated and the respective functional currencies of subsidiaries. Where appropriate the foreign currency income and expense are netted off to mitigate foreign exchange exposure.

In 2018 the Group entered into forward exchange contracts to cover a substantial contracted foreign currency exposure within the business to 2021. Such contracts are designated as cash flow hedges, and hedge accounting has been applied in line with IFRS 9.

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:

	2019	**2018**
	£'000	**£'000**
Trade receivables	83,782	90,343

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.

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 2019:

	2019		2018	
	Book value	**Fair value**	**Book value**	**Fair value**
	£'000	**£'000**	**£'000**	**£'000**
Financial liabilities				
Bank loans	(223,750)	(223,750)	(255,000)	(255,000)
Other borrowings	(40,550)	(40,550)	(42,462)	(42,462)
Trade and other payables	(120,084)	(120,084)	(122,910)	(122,910)
Deferred consideration	(1,687)	(1,687)	(1,723)	(1,723)
Deemed remuneration	(6,660)	(6,660)	(10,341)	(10,341)
	(392,731)	**(392,731)**	**(432,436)**	**(432,436)**
Financial assets				
Available for sale investments	-	-	33	33
Cash and bank balances	46,448	46,448	74,324	74,324
Trade and other receivables	122,430	122,430	129,637	129,637
	168,878	**168,878**	**203,994**	**203,994**

There were no transfers between fair value levels during 2019.

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 (ie as prices) or indirectly (ie 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).

31. Financial instruments (continued)

	Fair value 2019 £'000	Fair value 2018 £'000	Fair value hierarchy
Contingent consideration in a business combination (note 28)	(96)	(155)	Level 3
Foreign exchange forward contract	469	(117)	Level 2
Interest rate swap	-	(97)	Level 2
Available for sale investments	-	33	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 comprise interest rate swaps and forward exchange contracts. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. Foreign exchange forward contracts are fair valued using foreign exchange forward rates.

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 business's forecast future financial performance for the earn-out 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. Company information

Chime Group Holdings Limited is a private company. The company registration number is 09702342.

Registered Office:	62 Buckingham Gate, London SW1E 6AJ
Bankers:	Royal Bank of Scotland, 250 Regent Street, London W1B 3BN HSBC Bank plc, 8 Canada Square London E14 5HQ
Auditor:	KPMG LLP, Chartered Accountants and Statutory Auditors, 15 Canada Square, London E14 5GL

34. Post-balance sheet events

Acquisition of Prolab

On 19 March 2020, Chime completed the purchase of the remaining 50% JV in Icon Prolab Events Organising LLC, as well as the purchase of Prolab Digital LLC and Prolab Digital 2 LLC for an initial consideration of £3.2m, and deferred consideration of £1.7m. Further amounts may become payable depending on the future performance of the business.

COVID-19

The Coronavirus outbreak has developed rapidly in 2020 and we have provided information on the impact on our business and our financing position in note 2 to the financial statements.

Whether the impact of Coronavirus is an adjusting or non-adjusting post balance sheet event is a significant judgement which impacts its treatment in these accounts. A post balance sheet event is adjusting if it provides more information about circumstances that existed at the year-end. The directors have concluded that Coronavirus is a non-adjusting post balance sheet event at 31 December 2019 on the basis that at that date:

- The World Health Organisation and not declared a global health emergency;
- There was no significant spread of the virus outside of China; and
- There were no cases in the UK and US and no evidence that the virus was not contained in Europe and the US at that stage.

We have therefore made no adjustments in these financial statements to account for the impact of the Coronavirus above that was known at 31 December 2019. Management’s current assessment is that as at the date of approval of these financial statements, there are no material changes in our estimates and judgements impacting the balance sheet as presented at 31 December 2019. The main area of potential impact would be in respect of the goodwill balance of £264.1m should longer term cashflows from the relevant businesses be severely impacted, although managements initial assessment is that no impairment will have occurred. This will be kept under review.

Chime Group Holdings Limited

Company Balance Sheet
At 31 December 2019

	Notes	2019	2018
		£'000	**£'000**
Non-current assets			
Investment in subsidiaries	2	299,114	295,840
		299,114	**295,840**
Current assets			
Intercompany receivables	3	-	368
Current liabilities			
Intercompany payables	4	(2,831)	-
Other borrowings		(75)	-
		(2,906)	**368**
Net assets		**296,208**	**296,208**
Equity			
Share capital		81,153	81,153
Share premium account		215,055	215,055
Total equity		**296,208**	**296,208**

The financial statements were approved by the Board of Directors and authorised for issue on 18 August 2020 and were signed on its behalf by:

David Crowther
Director

Matthew Vandrau
Director

Registered Company number: 09780352

The accompanying notes are an integral part of the financial statements.

Chime Group Holdings Limited

Company Statement of Changes in Equity
Year ended 31 December 2019

	Share capital	Share premium	Total
	£'000	£'000	£'000
At 31 December 2018 and 2019	**81,153**	**215,055**	**296,208**

The accompanying notes are an integral part of the financial statements.

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 the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under Section 408 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 on page 14.

2. Investments in subsidiaries

	£'000
At 1 January 2018 and 31 December 2018	**295,840**
Additions	3,274
At 31 December 2019	**299,114**

See appendix 1 for details of subsidiary undertakings.

3. Debtors

	2019	2018
	£'000	**£'000**
Amounts owed by Group undertakings	-	368
	-	**368**

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

4. Creditors

	2019	2018
	£'000	**£'000**
Amounts owed to Group undertakings	2,831	-
	2,831	**-**

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

5. Statements of share capital, share premium and reserves

	Number of shares	£'000
Issued, allotted and fully paid at 31 December 2018 and 2019	**81,152,858**	**81,153**

6. 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

The Group's subsidiaries and associated undertakings in 2019 are listed below:

Subsidiaries	**Audit exemption**	**Nature of business**	**% Shareholding and voting rights**	**Country of registration of incorporation**
Adconnection Holdings Limited	*	Holding company	100%	United Kingdom
Adconnection Limited	*	Media buying	100%	United Kingdom
C2S Acquisitions LLC		Sports marketing consultancy	100%	USA
Chime 360 Limited	*	Advertising and marketing	100%	United Kingdom
Chime Atlantic Limited	*	Treasury	100%	United Kingdom
Chime Australia Pty Limited		Digital research	100%	Australia
Chime Communications Limited	*	Head office activities	100%	United Kingdom
Chime Finance Limited	*	Head office activities	100%	United Kingdom
Chime Limited	*	Holding company	100%	United Kingdom
Chime Holdco Limited	* +	Head office activities	94%	United Kingdom
Chime Midco Limited	*	Head office activities	100%	United Kingdom
Chime Group Limited	*	Head office activities	100%	United Kingdom
Chime Sport and Entertainment Middle East FZ-LLC		Sports marketing consultancy	100%	Dubai
Chime USA Inc		Holding company	100%	USA
Corporate Citizenship Chile Spa		Corporate & social responsibility consultancy	51%	Chile
Corporate Citizenship Limited	*	Corporate & social responsibility consultancy	100%	United Kingdom
Corporate Citizenship Southeast Asia Pte Limited		Corporate & social responsibility consultancy	100%	Singapore
CSM Advisory Group LLC		Sports marketing consultancy	100%	USA
CSM Iluka Brasil Organizacao de Eventos Ltda		Sports marketing consultancy	100%	Brazil
CSM Live LLC		Sports marketing consultancy	100%	USA
CSM Live For Advertising LLC		Sports marketing consultancy	100%	Qatar
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 LLC		Holding company	100%	USA

Appendix 1 Subsidiaries and Associates

Subsidiaries	Audit exemption	Nature of business	% Shareholding and voting rights	Country of registration of incorporation
CSM Properties Inc		Sports marketing consultancy	100%	USA
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 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
CSM Sport and Entertainment Middle East FZ-LLC		Sports marketing consultancy	100%	Abu Dhabi
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
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
Facts International Limited	*	Research	100%	United Kingdom
Fast Track Hong Kong Limited		Sports marketing consultancy	100%	Hong Kong
FIL Market Research Limited	*	Research	100%	United Kingdom
Good Relations Limited	*	Public relations	100%	United Kingdom
GRP Public Relations Limited	*	Public relations	100%	United Kingdom
Harvard Public Relations Limited	*	Public relations	100%	United Kingdom
Heresy IMS Group Limited	*	Holding company	100%	United Kingdom
ICON Prolab Events Organising LLC		Sports marketing consultancy	50%	Abu Dhabi
InEvidence Limited	*	Public relations	100%	United Kingdom
Insight Public Relations Limited	*	Public relations	100%	United Kingdom
JHE Production LLC		Sports marketing consultancy	60%	USA
Leaddog Marketing Group Inc.		Sports marketing and sponsorship	100%	USA
Method Connections LLC		Public relations	100%	USA
Muh-Tay-Zik-Hof-Fer LLC		Advertising and marketing	100%	USA

Appendix 1 Subsidiaries and Associates

Subsidiaries	Audit exemption	Nature of business	% Shareholding and voting rights	Country of registration of incorporation
One Step Beyond Promotions Limited	*	Sports marketing consultancy	100%	United Kingdom
Opinion Leader Research Limited	*	Market research	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
Pure Media Group Limited	*	Media buying	100%	United Kingdom
Snap London Limited	*	Advertising and marketing	100%	United Kingdom
Teamspirit Corporate and Business Limited	*	Financial services advertising and marketing	100%	United Kingdom
Teamspirit Limited	*	Financial services advertising and marketing	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
VCCP GmbH		Advertising and marketing	100%	Germany
VCCP Pty Ltd		Advertising and marketing	100%	Australia
VCCP s.r.o.		Advertising and marketing	100%	Czech Republic
VCCP Business LLC (previously CSG North America LLC)		Dormant	100%	USA
VCCP Health Limited	*	Advertising and marketing	100%	United Kingdom
VCCP Holdings Limited	*	Holding company	100%	United Kingdom
VCCP Kin Limited	*	Advertising and marketing	100%	United Kingdom
VCCP Overseas Limited	*	Holding company	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
Watermelon Research Limited	*	Digital research	100%	United Kingdom
Iluka LLC	†	Sports marketing and sponsorship consultancy	100%	Russia
CSM Active Limited	†	Sports marketing consultancy	100%	United Kingdom

Appendix 1 Subsidiaries and Associates

Dormants

Subsidiaries	Audit exemption	Nature of business	% Shareholding and voting rights	Country of registration of incorporation
ABC Sports Management Limited	*	Dormant	100%	United Kingdom
Brass Tacks Publishing Group Limited	*	Dormant	100%	United Kingdom
Caucusworld Limited	*	Dormant	75%	United Kingdom
Essentially Group Limited	*	Dormant	100%	Jersey
Fast Track Agency Limited	*	Dormant	100%	United Kingdom
Good Broadcast Limited (previously Teamspirit Corporate and Business Trustees Limited)	*	Dormant	100%	United Kingdom
Harvard Marketing Services Limited	*	Dormant	100%	United Kingdom
Harvard Public Relations Inc		Dormant	100%	USA
HW Sport and Entertainment Limited (previously Iluka Limited)	*	Dormant	100%	United Kingdom
ICON Beta Limited	*	Dormant	100%	United Kingdom
ICON Display Limited	*	Dormant	100%	United Kingdom
InEvidence LLC (previously Good Relations Group USA LLC)		Dormant	100%	USA
Just Marketing International Limited	*	Dormant	100%	United Kingdom
Lighthouse Communications Limited	*	Dormant	100%	United Kingdom
MESHH Limited	*	Dormant	100%	United Kingdom
Pelham Bell Pottinger (Trustees) Limited	*	Dormant	100%	United Kingdom
People Marketing UK Limited	*	Dormant	100%	United Kingdom
Pure Digital Media Limited	*	Dormant	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
Sebastian Coe Limited	*	Dormant	100%	United Kingdom
SPS Etech Limited	*	Dormant	100%	United Kingdom
Stuart Higgins Communications Limited	*	Dormant	100%	United Kingdom
Teamspirit Brand Limited	*	Dormant	100%	United Kingdom
The Quentin Bell Organisation Limited	*	Dormant	100%	United Kingdom
VCCP Bratislava		Dormant	100%	Slovakia

Appendix 1 Subsidiaries and Associates

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
VCCP Group LLP	Advertising and marketing	100%	United Kingdom

Associates	Nature of business	% Shareholding and voting rights	Country of registration of incorporation
Enigma Code Limited	Sports marketing consultancy	20%	United Kingdom
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

Dissolved during the year

Subsidiaries	Nature of business	% Shareholding and voting rights	Country of registration of incorporation
Acefieldwork Limited	Dormant	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
Brass Tacks Publishing Portfolio Limited	Dormant	100%	United Kingdom
Bullnose Limited	Dormant	100%	United Kingdom
Cardwhite Limited	Dormant	100%	United Kingdom
Cherry Picked Research Limited	Dormant	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 On Line Limited	Dormant	100%	United Kingdom

Appendix 1 Subsidiaries and Associates

Subsidiaries	Nature of business	% Shareholding and voting rights	Country of registration of incorporation
Chime Research and Engagement Group Limited	Dormant	100%	United Kingdom
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 Perimeter Signage Limited	Dormant	100%	United Kingdom
CSM Scotland Limited	Dormant	100%	United Kingdom
CSM Sport and Entertainment Events Limited	Dormant	100%	United Kingdom
CSM Strategic Limited	Dormant	100%	United Kingdom
Digital Experiences Limited	Dormant	100%	United Kingdom
Digital Strategy Limited	Dormant	100%	United Kingdom
Essentially Athlete Management Limited	Dormant	100%	United Kingdom
Essentially Sports Marketing Limited	Dormant	100%	United Kingdom
Executive Drive Events LLC	Dormant	100%	USA
Ex Nihilo Limited	Dormant	100%	United Kingdom
Fast Track Agency Scotland Limited	Dormant	100%	United Kingdom
Fast Track Sailing Limited	Dormant	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	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	Dormant	100%	USA
Good Relations Healthcare Limited	Dormant	100%	United Kingdom

Appendix 1 Subsidiaries and Associates

Subsidiaries	Nature of business	% Shareholding and voting rights	Country of registration of incorporation
Good Relations Life Limited	Dormant	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
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
HHCL Group Limited	Dormant	100%	United Kingdom
Hooper Galton Limited	Dormant	100%	United Kingdom
ICON Display Limited	Dormant	100%	BVI
In Real Life Limited	Dormant	100%	United Kingdom
International Financial Services Consulting Limited	Dormant	100%	United Kingdom
It’s the Dug Out Limited	Dormant	100%	United Kingdom
Landmark Consultants Limited	Dormant	100%	United Kingdom
Maidstone Road Holdings Limited	Dormant	100%	United Kingdom
Marketing Activity Limited	Dormant	100%	United Kingdom
MC2013 Limited	Dormant	100%	United Kingdom
Ozone Marketing Communications Limited	Dormant	100%	United Kingdom
Pelham Public Relations Limited	Dormant	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 Search Marketing Limited	Dormant	100%	United Kingdom
Russell Partnership Limited	Dormant	100%	United Kingdom
Shieldmirror Limited	Dormant	100%	United Kingdom
Snap Made Limited (previously Brand Democracy Limited)	Dormant	100%	United Kingdom

Appendix 1 Subsidiaries and Associates

Subsidiaries	**Nature of business**	**% Shareholding and voting rights**	**Country of registration of incorporation**
Tempo Graphic Design Limited	Dormant	100%	United Kingdom
The HHCL Brasserie 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 Limited	Dormant	100%	United Kingdom
VCCP Me Limited	Dormant	100%	United Kingdom
VCCP Search Limited	Dormant	100%	United Kingdom
WARL Internal Communications Limited	Dormant	100%	United Kingdom
Wilson Bridges & Trace Limited	Dormant	100%	United Kingdom

+ Direct subsidiary/associate of Chime Group Holdings Limited.
* This company has taken advantage of the S479a exemption from audit.
† This company has been disposed of during 2019.