

Aegis Group Holdings Limited

Company Registration Number 2103374

Report and Financial Statements

31 December 2017



Aegis Group Holdings Limited

Company Registration Number 2103374

Directors

Michael Parry
Nick Priday
Peter Pontidas
Stuart Jarrold

Secretary

Andrew Moberly

Auditor

KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL

Banker

The Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR

Solicitor

Slaughter and May
One Bunhill Row
London EC1Y 8YY

Registered Office

Registered No. 2103374
10 Triton Street
Regent's Place
London NW1 3BF

Directors' report

The Directors of Aegis Group Holdings Limited (the 'Company') present their annual report and the audited financial statements for the year ended 31 December 2017.

Directors

The Directors who served during the year and thereafter were:

Michael Parry
Nick Priday
Peter Pontidas
Stuart Jarrold

Going concern

The Directors continue to adopt the going concern basis in preparing the financial statements. Further details are set out in note 1 to the financial statements.

Disclosure of information to the auditor

So far as the persons who were the Directors at the date of approving this report are aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of the Company's auditor, the Directors have taken all the steps that they are obliged to take as a Director to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

KPMG LLP served as auditor for the 31 December 2017 financial year.

On behalf of the Board



Peter Pontidas
Director
20th July 2018

Registered No. 2103374

Strategic report

The Directors present their strategic report for the year ended 31 December 2017.

Principal activities and review of the business

Aegis Group Holdings Limited (The "Company") is a wholly owned subsidiary of Dentsu Aegis Network Ltd (the "Group") and is part of the Group's global corporate operations.

The principal activity of the Company is to provide finance to companies within the Group and it will continue to be so for the foreseeable future. There have not been any significant changes in the Company's principal activities in the year under review.

The Group manages its operations on a divisional basis. For this reason, the Company's Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Group's global operations, which includes the Company, is discussed in the Group's Annual Report which does not form part of this Report.

Results and dividends

Aegis Group Holdings Limited reported a profit, before payment of dividends, for the financial year ended 31 December 2017 of £44,919,000 (2016 – £21,582,000).

The Directors do not recommend the payment of a dividend (2016 – £nil).

Principal risks and uncertainties

The components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk and cash flow risk. Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet, the financial risks the Directors consider relevant to this Company, are currency risk and interest rate risk. The Company has entered foreign currency forward contracts to hedge against the foreign currency risk related to intercompany loans by the parent undertaking and other Group companies, and interest rate swaps to hedge against movements in interest rates.

On behalf of the Board



Peter Pontidas
Director
20th July 2018

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report, and the Financial Statements

The Directors are responsible for preparing the financial report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law (UK Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework').

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the 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 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the 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 company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report

to the members of Aegis Group Holdings Limited

Opinion

We have audited the financial statements of Aegis Group Holdings Limited ("the company") for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Balance Sheet, the 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 company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

Strategic report and Directors' report

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

Independent Auditor's Report (continued)

to the members of Aegis Group Holdings Limited

- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, 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 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 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.



Natalia Bottomley, Senior Statutory Auditor
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square,
London,
E14 5GL
20th July 2018

Statement of Comprehensive Income

for the year ended 31 December 2017

		2017	2016
	<i>Notes</i>	£000	£000
Administrative expenses	3	(928)	(8)
Other operating income	6	464	-
Operating loss		(464)	(8)
Interest receivable and similar income	8	109,673	62,132
Interest payable and similar expenses	9	(58,260)	(32,700)
Intercompany dividends received(paid)		(274)	274
Profit/(loss) before taxation		50,675	29,698
Tax (charge)	10	(8,519)	(5,077)
Profit for the financial year		42,156	24,621
Other comprehensive (loss)/income that may be subsequently reclassified to profit or loss:			
Cash flow hedges: movements taken to equity		2,763	(3,039)
Total comprehensive income for the year		44,919	21,582

All amounts relate to continuing activities.

Balance Sheet

at 31 December 2017

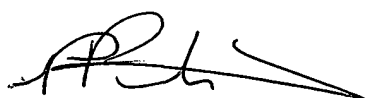
	Notes	2017 £000	2016 £000 <i>Restated*</i>
Fixed assets			
Investments	11	136	136
Debtors: receivable in more than one year	12	39,445	109,671
		39,581	109,807
Current assets			
Debtors: receivable within one year	13, 20	2,567,322	2,426,435
Cash at bank	20	390,972	91,903
		2,958,294	2,518,338
Total Assets		2,997,875	2,628,145
Creditors: amounts falling due within one year	15	(1,533,557)	(2,078,855)
Net current assets		1,424,737	439,483
Total assets less current liabilities		1,464,318	549,290
Creditors: amounts falling due after one year	16	(1,292,538)	(422,429)
Net assets		171,780	126,861
Capital and reserves			
Called-up share capital	17	30,751	30,751
Share premium account		27,350	27,350
Cash flow hedge reserve		(2,834)	(5,597)
Profit and loss account		116,513	74,357
Shareholder's funds		171,780	126,861

* refer to note 20 for details on the restatement

Company registration number 2103374 England and Wales.

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

These financial statements were approved by the Board of Directors on 20th July 2018, and were signed on behalf of the Board of Directors by:



Peter Pontidas
Director

Statement of Changes in Equity

for the year ended 31 December 2017

	Called-up Share Capital	Share Premium	Cash Flow Hedge Reserve	Profit and loss account	Total
	£000	£000	£000	£000	£000
At 1 January 2016	30,751	27,350	(2,558)	49,736	105,279
Profit for the financial year	-	-	-	24,621	24,621
Other comprehensive loss	-	-	(3,039)	-	(3,039)
Total comprehensive income/(loss) for the year	-	-	(3,039)	24,621	21,582
At 31 December 2016	30,751	27,350	(5,597)	74,357	126,861
At 1 January 2017	30,751	27,350	(5,597)	74,357	126,861
Profit for the financial year	-	-	-	42,156	42,156
Other comprehensive income	-	-	2,763	-	2,763
Total comprehensive income/(loss) for the year	-	-	2,763	42,156	44,919
At 31 December 2017	30,751	27,350	(2,834)	116,513	171,780

Notes to the financial statements

for the year ended 31 December 2017

1. Authorisation of financial statements and statement of compliance with FRS 101

The parent company financial statements of Aegis Group Holdings Limited (the "Company") for the year ended 31 December 2017 were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101), Companies Act 2006 and applicable accounting standards. The financial statements are prepared under the historical cost convention modified to include the revaluation of financial instruments.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2017. The financial statements are prepared in pounds' sterling and are rounded to the nearest thousand pounds (£000).

The Company is a subsidiary undertaking providing finance within the Group and relies on Dentsu Aegis Network Ltd to provide such financial support as is required to meet its day to day financing requirements either directly or indirectly. The Directors have considered the ability of Dentsu Aegis Network Ltd to provide such financial support as might be required by the Company and accordingly have prepared the financial statements on a going concern basis.

2. Accounting policies

Basis of preparation

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- (b) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (c) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement.
- (d) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- (e) the requirements of IAS 7 Statement of Cash Flows;
- (f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (g) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
- (h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered between two or more members of a group, if any subsidiary which is a party to the transaction is wholly owned by such a member; and
- (i) the effects of new but not yet effective IFRSs.

Notes to the financial statements (continued)

for the year ended 31 December 2017

2. Accounting policies (continued)

Foreign currencies

The Company's functional currency and presentation currency is pounds' sterling. Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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 to other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or equity respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities under current legislation and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Notes to the financial statements (continued)

for the year ended 31 December 2017

2. Accounting policies (continued)

Investments

Investments in subsidiaries are held in the Company balance sheet at cost less any provisions for impairment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for selling in the short term.

Assets in this category are classified as debtor's receivable within one year if expected to be settled within 12 months, otherwise they are classified as debtor's receivable after one year. The Company's financial assets at fair value through profit or loss are referred to as such in note 8.

Interest-bearing loans and borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Direct issue costs are amortised over the period of the loans and overdrafts to which they relate. Finance charges, including premiums payable on settlement or redemption are charged to profit and loss as incurred using the effective interest method and is added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

Derivative financial instruments

The Company's activities expose it to certain financial risks including changes in foreign currency exchange rates and interest rates. The Company uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures where they are significant. The Company does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are held at fair value at the balance sheet date. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges of future cash flows are recognised directly in other comprehensive income and the ineffective portion is recognised immediately in the profit or loss for the financial year. Amounts deferred in this way are recognised in the profit or loss for the financial year in the same period in which the hedged firm commitments or forecast transactions are recognised in the profit or loss for the financial year.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the profit or loss for the financial year as they arise. Where such changes are intended to provide a natural hedge of a risk, the profit or loss for the financial year classification reflects this.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gains or losses on the hedging instrument recognised in other comprehensive income are retained until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the profit or loss for the financial year.

Notes to the financial statements (continued)

for the year ended 31 December 2017

2. Accounting policies (continued)

Investment income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3. Administrative expenses

	2017 £000	2016 £000
Staff costs	588	-
Other operating expenses	340	8
Total administrative expenses	928	8

Other operating expenses for the current and prior year largely consist of administrative expenses, management charges and maintenance costs.

4. Staff numbers and costs

The company had an average of 9 employees during the year ended 31 December 2017 (2016: nil).

	Number of employees	
	2017	2016
Specialist finance – treasury	9	-
Total staff number	9	-

The aggregate payroll costs of these persons were as follows:

	2017 £000	2016 £000
Wages and salaries	501	-
Social security costs	51	-
Pension contributions	36	-
Total staff costs	588	-

5. Directors' remuneration

The directors did not receive any remuneration with regards to their role as a director of the company.

Notes to the financial statements (continued)

for the year ended 31 December 2017

6. Other operating income

	2017	2016
	£000	£000
Management fees	464	-
Total other operating income	464	-

Other operating income for the current year largely consists of management charges to the Group, for the provision of treasury services.

7. Auditor's remuneration

Fees payable to the Company's auditor for the audit of the Company's annual financial statements during the year were £2,000 (2016 – £2,000).

The audit fee for the group is outlined in note 5 to the consolidated financial statements of Dentsu Aegis Network Ltd. The fee is borne by Dentsu Aegis Network Ltd on behalf of the group and includes the audit of the Aegis Group Holdings Limited company financial statements.

8. Interest receivable and similar income

	2017	2016
	£000	£000
Interest receivable from parent undertaking	14,362	683
Interest receivable from other Group undertakings	88,311	59,471
Interest receivable from external sources	2,898	1,953
Net foreign exchange income	3,748	-
Fair value movements on derivatives	354	25
	109,673	62,132

9. Interest payable and similar expenses

	2017	2016
	£000	£000
Interest payable to other parent undertakings	12,822	12,525
Interest payable to other Group undertakings	6,377	5,972
Interest payable and similar charges to external sources	39,061	12,339
Net foreign exchange loss	-	1,864
	58,260	32,700

Notes to the financial statements (continued)

for the year ended 31 December 2017

10. Taxation

	2017	2016
	£000	£000
Total tax		
Tax (charge)/credit on ordinary activities	(8,519)	(5,077)
(Loss)/profit on ordinary activities before tax	50,675	29,698
Tax (charge)/credit on at statutory rate of 19.25% (2016 – 20%)	(9,755)	(5,940)
Income not taxable	(53)	55
Adjustment in respect of prior years – current and deferred	1,303	(1,788)
Deferred tax rate change	-	(148)
Group relief received for nil consideration	-	2,763
Rate Difference	(14)	(19)
Tax credit/(charge) on ordinary activities	(8,519)	(5,077)

UK corporation tax is calculated at 19.25% (2016: 20%) of the estimated assessable profit for the year. The UK Government enacted legislation to reduce the main rate of corporation tax to 17% from 1 April 2020.

11. Investments

	Treasury gilt	Total
	£000	£000
Cost or fair value		
At 1 January 2017	136	136
Additions	-	-
Fair value adjustments	-	-
At 31 December 2017	136	136
Accumulated impairment losses		
At 1 January 2017	-	-
Additions	-	-
At 31 December 2017	-	-
Carrying amount		
At 31 December 2017	136	136
Carrying amount at 31 December 2016	136	136

Gilts comprise 4 ¼% treasury stock purchased on 27 October 2010 and repayable at par on 7 June 2032. Interest at 4 ¼% is receivable every six months in June and December.

Notes to the financial statements (continued)

for the year ended 31 December 2017

12. Debtors: receivable in more than one year

	2017	2016
	£000	£000
Loan receivable	30,866	29,110
Derivative financial assets	8,579	80,561
	39,445	109,671

13. Debtors: receivable within one year

	Note	2017	2016
		£000	£000
			<i>Restated*</i>
Amounts owed by associate undertakings		199	220
Bank and other interest receivable		4,583	2,652
Amounts owed by parent undertakings		333,490	388,772
Derivative financial assets		34,630	4,158
Intercompany dividends receivable		-	255
Amounts owed by group undertakings	20	2,191,107	2,027,246
Deferred tax asset	14	3,313	3,132
		2,567,322	2,426,435

* refer to note 20 for details on the restatement

Amounts owed by group undertakings are payable on demand and interest bearing.

14. Deferred tax asset

	2017	2016
	£000	£000
Opening balance	3,132	5,522
Movement during the year	181	(2,390)
Deferred tax asset at 31 December	3,313	3,132

Breakdown of deferred tax:

Temporary timing differences	181	(2,390)
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At 31 December 2017, the Company has gross unrecognised deferred tax assets in respect of capital losses carried forward of £1,817,000 (2016: £1,817,000).

Notes to the financial statements (continued)

for the year ended 31 December 2017

15. Creditors: amounts falling due within one year

	2017	2016
	£000	£000
Bank overdraft	713,998	686,655
Loans	1,113	624,311
Amounts owed to parent undertakings	297,635	332,956
Amounts owed to group undertakings	472,155	429,101
Derivative financial liabilities	36,654	1,930
Intercompany group relief payable	11,334	3,075
Accruals	366	104
Other creditors	302	723
	1,533,557	2,078,855

Amounts owed to Group undertakings are payable on demand and interest bearing.

Forward exchange contracts

The Company faces currency exposures on transactions undertaken in foreign currencies. The Company is party to several forward exchange contracts which make up the derivative financial assets balance receivable within one year and the derivative financial liabilities balance falling due within one year. These are held at fair value at the balance sheet date. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted rates matching the maturities of the contracts. Movements in the fair value of forward foreign exchange contracts are taken to the profit or loss for the financial year. There were no fair value movements on forward exchange contracts recognised in the current financial year.

16. Creditors: amounts falling due after more than one year

	2017	2016
	£000	£000
Loans	1,279,924	334,746
Derivative financial liabilities	12,614	87,683
	1,292,538	422,429

Mizuho bank loan – 2014

In October 2014, the Group secured a loan of £120m from Mizuho bank, Ltd. The loan matures in October 2019 and accrues interest at a variable interest rate. In October 2014, interest rate swaps were entered for £120m of the loan to convert the GBP floating rate debt to GBP fixed rate debt.

Mitsubishi UFJ Trust and Banking Corp loan – 2014

In November 2014, the Group secured a loan of £60m from Mitsubishi UFJ Trust and Banking Corp. The loan matures in November 2019 and accrues interest at a variable interest rate. In November 2014, interest rate swaps were entered for £60m of the loan to convert the GBP floating rate debt to GBP fixed rate debt.

Notes to the financial statements (continued)

for the year ended 31 December 2017

16. Creditors: amounts falling due after more than one year (continued)

The Bank of Tokyo Mitsubishi UFJ loan – 2014

In November 2014, the Group secured a loan of US\$96m from The Bank of Tokyo Mitsubishi UFJ, Ltd. The loan matures in November 2019 and accrues interest at a fixed interest rate.

Sumitomo Mitsui Banking Corp loan – 2014

In November 2014, the Group secured a loan of US\$96m from Sumitomo Mitsui Banking Corporations Europe Limited. The loan matures in November 2019 and accrues interest at a variable interest rate. In November 2014, interest rate swaps were entered for \$96m of the loan to convert the US\$ floating rate debt to US\$ fixed rate debt.

The Bank of Tokyo Mitsubishi UFJ loan – 2017

In March 2017, the Group secured a loan of US\$500m from Mitsubishi UFJ Trust and Banking Corp. The loan matures in March 2024 and accrues interest at a stepped interest rate of 3.014% till September 2020. From this the interest rate, will increase to 3.16% till the loan matures in March 2024.

Sumitomo Mitsui Banking Corp loan – 2017

In March 2017, the Group secured a loan of US\$400m from Sumitomo Mitsui Banking Corporations Europe Limited. The loan matures in March 2024 and accrues interest at 3.255%.

Mitsubishi UFJ Trust and Banking Corp loan – 2017

In March 2017, the Group secured a loan of US\$200m from Mitsubishi UFJ Trust and Banking Corp. The loan matures in March 2022 and accrues interest at a floating interest rate.

Mitsubishi UFJ Trust and Banking Corp loan – 2017

In March 2017, the Group secured a loan of US\$200m from Mitsubishi UFJ Trust and Banking Corp. The loan matures in March 2024 and accrues interest at a floating interest rate.

Interest rate swaps

The Company's long term borrowings at floating rates are subject to interest rate swaps, these are make up the derivative financial liability balance due within more than one year and derivative financial assets balance receivable after more than one year. The fair value of interest rate swaps is based on a discounted cash flow model and market interest yield curves applicable and represents unrecognised gains which the Company expects to realise because of lower or higher interest payments under the swap compared with the interest payable on the underlying debt instrument.

The fair value loss on interest rate swaps though the profit or loss for the financial year was (£43k) (2016: (£37k)).

Cross currency interest rate swaps

The Company has also entered cross currency interest rate swaps. The fair value is based on a discounted cash flow model and market yield curves applicable and represents movements in the exchange spot rates and in interest rate yields. The fair value loss on cross currency interest rate swaps for the year was £397k (2016: £11k)

Notes to the financial statements (continued)

for the year ended 31 December 2017

16. Creditors: amounts falling due after more than one year (continued)

Cash flow hedges

The hedged forecast interest payments in GBP and foreign currency are expected to occur at various dates over the duration of the 2014 Mitsubishi UFJ Trust and Banking Corp loan, the 2014 Mizuho bank loan and the 2014 Sumitomo Mitsui Banking Corp loan. The portion of the gain or loss on the hedging instruments determined to be an effective hedge is recognised in other comprehensive income. This amount is held in the hedge reserve in equity and is subsequently reclassified to the profit and loss for the financial year in the same periods in which forecasted interest payments affect the profit and loss for the financial year. The net loss taken to equity in the current year in respect of cash flow hedges is £2,763k (2016: (£3,039k)).

Ineffectiveness recognised in the profit or loss for the financial year that arises from cash flow hedges was £nil in both the current and prior year.

17. Called up share capital

		2017		2016
<i>Allotted, called up and fully paid</i>	No.	£000	No.	£000
Ordinary shares of £1 each	30,751,002	30,751	30,751,002	30,751

18. Contingent liabilities

The Company has entered a cross guarantee arrangement with fellow subsidiary undertakings and granted a guarantee to the National Westminster Bank in respect of the net overdraft of Dentsu Aegis Network Ltd.

The company is a named guarantor on the Dentsu Aegis Network Ltd borrowings as follows:

<i>Details:</i>	<i>Date signed:</i>
£500 million multicurrency credit facility	December 2014

The facility has not been utilised at year end.

19. Immediate parent undertaking

The immediate parent undertaking is Dentsu Aegis Network Ltd, a company registered in Great Britain. The ultimate parent undertaking and controlling party is Dentsu Inc., a company incorporated under the laws of Japan. This is the parent undertaking of the smallest and largest Group including the company for which group financial statements are prepared. Copies of Group financial statements can be obtained from: The Secretary, Dentsu Inc., 1-8-1 Higashi-shimbashi, Minato-ku, Tokyo 105-7001.

Notes to the financial statements (continued)

for the year ended 31 December 2017

20. Correction of errors

During 2017, the Group discovered that intercompany cash pooling amounts had been erroneously included in the cash at bank balance instead of debtor receivable within one year. The error has been corrected by restating each of the affected financial statement line items for prior period. The following tables summarise the impact on the Company's Balance Sheet and notes to the financial statements.

Balance Sheet

	<i>Impact of correction of error</i>		
	<i>As previously reported</i>	<i>Adjustments</i>	<i>As restated</i>
	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>
Current assets			
Debtors: receivable within one year	2,194,744	231,691	2,426,435
Cash at bank	323,594	(231,691)	91,903
Total current assets	2,518,338	-	2,518,338

Debtors: receivable within one year

	<i>Impact of correction of error</i>		
	<i>As previously reported</i>	<i>Adjustments</i>	<i>As restated</i>
	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>
Amounts owed by associate undertakings	220		220
Bank and other interest receivable	2,652		2,652
Amounts owed by parent undertakings	388,772		388,772
Derivative financial assets	4,158		4,158
Intercompany dividends receivable	255		255
Amounts owed by group undertakings	1,795,555	231,691	2,027,246
Deferred tax asset	3,132		3,132
	2,194,744	231,691	2,426,435

The restatement did not have an impact on the Statement of Comprehensive Income or equity.