

Dentsu International Treasury Limited

Company Registration Number 2103374

Annual Report and Financial Statements

31 December 2022

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Annual report and financial statements
31 December 2022

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Directors

Nicholas Charles Priday
Peter Pontidas
Stuart Jarrold
Paul Gordon

Secretary

Mary Hitchon

Auditor

KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL

Registered Office

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

Registered No. 2103374

Strategic report

The Directors present their strategic report for the year ended 31 December 2022.

Principal activities and review of the business

Dentsu International Treasury Limited (The "Company"), is a wholly owned subsidiary of Dentsu International Limited ("the Group") and is part of the Group's global corporate operations.

The principal activity of the Company is to facilitate financing for 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.

Financial Review

The Company made a profit for the year of £65,081k (2021: £48,720k).

The balance sheet shows a positive funding position based on the availability of undrawn facilities, and net assets of £596,548k (£393,397k). The Group ended the year comfortably within its financial covenants, with undrawn available credit facilities of £500.0m (2021: £500.0m).

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.

Strategic report (continued)

Section 172 reporting

The below statement describes how the Directors have performed their Section 172 duties over the financial year through stakeholder engagement.

Employees

We depend on the commitment, talent, creative abilities, and technical skills of our people. Engagement and clear communication are particularly important during a period of organisational restructuring.

We engage with our workforce through:

- The systematic provision of information of matters that concern the business in general and them specifically. This is done through event specific electronic communications (e.g., Dentsu Group Inc's mid and year end results, intranet);
- Regular team meetings and open-door policy.

Customers and Suppliers

The Company deals primarily with internal customers and suppliers. The Company is a treasury arm of the Group, designed to maintain strong relationships with internal counterparties across the globe. The Company provides various services, from liquidity management and funding, foreign exchange services to assistance with banking matters, treasury accounting and treasury system.

Society

The Company is committed to the Group's Social Impact strategy setting out group-wide ambitions for creating a digital economy that works for all, underpinned by an ambitious set of goals, including commitment to reliance on renewable electricity and carbon footprint reduction.

The Company's role is to manage the Company's and Group's liquidity, protect the value of the financial assets to create a financial environment that facilitates the above goals.

The Company also provides employees with two days annual leave dedicated to volunteering in the community.

Shareholders

Given that the Company provides extensive liquidity and financial risk management services to the Group as well as manages the Group-wide treasury management, banking and payment platform, the continuous cooperation and communication between the two is essential. The Treasury, Head Office Finance and Group Finance teams cooperate and communicate on frequent basis in the form of face-to-face meetings, calls and open-door policy. Teams cooperate frequently on specific projects like acquisitions or implementation of accounting policies, as well as on regular tasks like period end close, budgeting or audit.

Strategic report (continued)

Principal risks and uncertainties

Foreign currency, Credit risk and cash flow interest rate risks

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 liquidity risk, currency risk and interest rate risk. Funding for maturing long term loans will be provided by the Company's ultimate parent, Dentsu Group Inc. which has funded term loans which matured in 2022 and plans are in place to fund the remainder of maturing term loans over 2023. 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.

Response to the situation in Ukraine

Risk of reputational damage and financial loss from an inadequate or inappropriate response to the situation in Ukraine may impact the future financing requirements of the Company. The Company's strategy to manage risk is through monitoring developments closely, including humanitarian situation, sanctions lists and client and stakeholder responses. The Group has signed an agreement to exit its Russia business in the current financial year (including the Company), conditional upon approvals by the Russian state authorities.

On behalf of the Board



Nicholas Priday
Director
21 December 2023

Directors' report

The Directors of Dentsu International Treasury Limited (the 'Company') present their annual report and the audited financial statements for the year ended 31 December 2022.

Results and dividends

Dentsu International Treasury Limited reported a profit, for the financial year ended 31 December 2022 of £65,081k (2021 – £48,720k).

The Directors do not recommend the payment of dividend during the year (2021 – £nil).

Directors

The Directors who served during the year and thereafter were:

Nicholas Charles Priday
Peter Pontidas
Stuart Jarrold
Paul Gordon

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.

Political contributions

The Company made no political donations or incurred any political expenditure during the year.

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.

Other information

The particulars of significant events which have occurred since the end of the financial year have been included in note 21 "Subsequent Events" of the following financial statements.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the Board



Nicholas Priday
Director
21 December 2023
10 Triton Street
Regent's Place
London NW1 3BF

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 Dentsu International Treasury Limited

Opinion

We have audited the financial statements of Dentsu International Treasury Limited ("the Company") for the year ended 31 December 2022 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit 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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Independent Auditor's Report (continued)

to the members of Dentsu International Treasury Limited

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company's Group channel for "whistleblowing" and internal audit function, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board minutes; and
- Using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no revenue transactions. We did not identify any additional fraud risks, however remained alert to any indications of fraud risk throughout the audit.

We performed procedures including Identifying journal entries and other adjustments based on risk criteria and comparing the identified entries to the support documentation. These journals included unusual entries posted to cash and borrowings related accounts and those posted to seldom-used accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, advertising, data protection, and certain aspects of company legislation recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent Auditor's Report (continued)

to the members of Dentsu International Treasury 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or

we have not received all the information and explanations we require for our audit;

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page [6], 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.

Independent Auditor's Report (continued)

to the members of Dentsu International Treasury Limited

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.



Rebecca Pett (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
United Kingdom

21 December 2023

Profit and Loss Account and Other Comprehensive Income

for the year ended 31 December 2022

	Notes	2022 £000	2021 £000
Administrative expenses	2	(2,756)	(2,282)
Other operating income	5	1,387	1,087
Operating loss		(1,369)	(1,195)
Interest receivable and similar income	7	222,006	143,310
Interest payable and similar expenses	8	(98,683)	(82,337)
Impairment of loan receivable	9	(40,778)	-
Profit before taxation		81,176	59,778
Tax on Profit	10	(16,095)	(11,058)
Profit for the financial year		65,081	48,720
Other comprehensive income that may be subsequently reclassified to profit or loss:			
Cash flow hedges: movements taken to equity		184,093	84,910
Tax movements taken to equity		(46,023)	(17,178)
Other movements		0	(3)
Total comprehensive income for the year		203,151	116,449

All amounts relate to continuing activities.

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

Balance Sheet

at 31 December 2022

	Notes	2022 £000	2021 £000
Fixed assets			
Other financial assets	11	105	132
Loans to group undertakings	12	-	74
Other assets	12	104,635	43,898
		104,740	44,104
Current assets			
Debtors: receivable within one year	13	4,720,126	4,474,830
Cash at bank		823,822	656,280
		5,543,948	5,131,110
Total Assets		5,648,688	5,175,214
Creditors: amounts falling due within one year	15	(2,130,005)	(1,810,685)
Net current assets		3,413,943	3,320,425
Total assets less current liabilities		3,518,683	3,364,529
Creditors: amounts falling due after more than one year	16	(2,922,135)	(2,971,132)
Net assets		596,548	393,397
Capital and reserves			
Called-up share capital	19	30,751	30,751
Share premium account	19	27,350	27,350
Cash flow hedge reserve	19	151,132	13,062
Profit and loss account	19	387,315	322,234
Shareholders funds		596,548	393,397

Company registration number 2103374 England and Wales.

The accompanying notes on pages 16-36 form an integral part of the financial statements.

These financial statements were approved by the Board of Directors on 21 December 2023, and were signed on behalf of the Board of Directors by:



Nicholas Priday
Director

Statement of Changes in Equity

for the year ended 31 December 2022

	<i>Called-up Share Capital</i>	<i>Share Premium</i>	<i>Cash Flow Hedge Reserve</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Balance at 1 January 2021	30,751	27,350	(54,670)	273,517	276,948
Profit for the financial year	-	-	-	48,720	48,720
Other comprehensive income	-	-	67,732	(3)	67,729
Total comprehensive income for the year	-	-	67,732	48,717	116,449
Balance at 31 December 2021	30,751	27,350	13,062	322,234	393,397
Balance at 1 January 2022	30,751	27,350	13,062	322,234	393,397
Profit for the financial year	-	-	-	65,081	65,081
Other comprehensive income	-	-	138,070	-	138,070
Total comprehensive income for the year	-	-	138,070	65,081	203,151
Balance at 31 December 2022	30,751	27,350	151,132	387,315	596,548

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

Notes to the financial statements (continued)

for the year ended 31 December 2022

1. Accounting Policies

Dentsu International Treasury Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 2103374 and the registered address is 10 Triton Street, Regent's Place, London, NW1 3BF. The financial statements of Dentsu International Treasury Limited for the year ended 31 December 2022 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 UK-adopted international accounting standards ("UK-adopted IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. The financial statements are prepared under the historical cost convention, modified to include the revaluation of financial instruments.

The financial statements are prepared in pounds sterling (GBP) and are rounded to the nearest thousand pounds (£000).

1.1. Basis of preparation

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

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 2022

1. Accounting Policies (continued)

1. 2. Going Concern

The principal activity of the Company is to facilitate financing for the group headed by the Company's parent company, Dentsu International Limited ("the Group"). At 31 December 2022, the Company has external debt of £1,693,945k and £1,411,735k of intra-group debt provided by the Group's ultimate parent, Dentsu Group Inc. The Company has then onward lent these funds to entities within the Group and facilitates the cash-pooling arrangement within the Group, resulting in the Company having significant intercompany debtors and payables which are repayable on demand. This cash-pool is funded by cash generated from the Group's operations and additional funding by Dentsu Group Inc, via Dentsu International Limited, where required.

With net current assets of £3,413,943k as at 31 December 2022, and a profit for the year then ended of £65,081k, the financial statements have been prepared on a going concern basis which the Board considers to be appropriate for the following reasons.

As at 31 December 2022, the Company had one unsecured JPY 44,000,000k Dentsu Group Inc loan due to mature in 2023 with a carrying value of £277,848k. This 2023 maturity has been repaid on maturity in April 2023. In June 2023 the Company repaid the 2019 7-year GBP 400,000k Mizuho Bank, Ltd loan due in 2026 early. Furthermore, in November 2023 the Company repaid the 2017 MUFG bank USD 500,000k (GBP 413,959k), the 2017 MUFG bank USD 200,000k (GBP 165,741k) and 2017 SMBC Bank International plc USD 400,000k (GBP 331,141) loans, due in 2024, early. The repayments were funded with an increase in the loan from Dentsu International Ltd, and as a consequence of the capital injection from Dentsu Group Inc to Dentsu International Ltd (see note 21). Term funding is expected to continue to predominantly be raised at the Dentsu Group Inc. level and provided to the Company through intercompany loans or capitalisations.

The Company continues to have access to a £500,000k revolving credit facility (the Facility) which remains undrawn. In May 2022, the Company exercised a one year extension option to 2025 in respect of the Facility which was approved by its lenders. and The Facility now expires on 15th June 2025. The Company also had cash balance of £823,822k as at 31st December 2022.

Considering the above, the Board has performed a going concern assessment for a period of at least 12 months from the date of approval of these financial statements which indicates, the Company will have sufficient funds through the cash-pooling facility and the revolving credit facility (if required). In addition, Dentsu International Limited provides financial support to the Company by acting as a guarantor to all external Company's loans and borrowings, excluding those provided by the ultimate parent Dentsu Group Inc.

Dentsu International Limited is itself reliant on continued and additional financial support from Dentsu Group Inc. (the ultimate parent) during the going concern assessment period. Dentsu Group Inc. has indicated its intention to continue to make available such funds to Dentsu International Limited to enable Dentsu International Limited to meet its financial liabilities (and where necessary the financial liabilities of its subsidiaries) as they fall due and continue to trade for the going concern assessment period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Board is 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.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2022.

Notes to the financial statements (continued)

for the year ended 31 December 2022

1. Accounting Policies (continued)

1.3. New standards and amendments

The following amendments have been implemented in the year ended 31 December 2022: - Amendments to IFRS 16 Covid-19 Related Rent Concessions - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 (refer to note 20) These amended standards did not have a material effect on the Group.

New standards and amendments (continued) The following amendments to standards and interpretations have also been issued, but are not yet effective and have not been early adopted for the financial year ended 31 December 2022: – IFRS 17 Insurance Contracts (Effective day 1 January 2023); – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendment to IAS 12) (Effective from 1 January 2023); – Accounting Policies, Changes in Accounting Estimates and Errors: definition (Amendments to IAS 8) (Effective from 1 January 2023); – Amendments to IAS1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements (Effective from 1 January 2023); – Sale or Contribution of Assets between an Investor and its Associate or Joint venture (Amendments to IFRS 10 and IAS 28). The adoption of these amendments is not expected to have a material impact on the Group

1.4 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management. The majority of cash is invested in short-term fixed rate deposits of less than one month with the balance in interest bearing current accounts. It is management's view that the short-term nature of these deposits results in these effectively acting as floating rate assets.

1.5. 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.

1.6. Current tax

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

1.7. 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.

Notes to the financial statements (continued)

for the year ended 31 December 2022

1. Accounting Policies (continued)

1.7. Deferred tax (continued)

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.

1.8. Financial instruments

i.) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii.) Financial assets

Classification and measurement of financial assets

Management determines the classification and subsequent measurement of the financial asset based on the contractual terms at the initial recognition date and is not subsequently reclassified unless the Company changes its business model for managing financial assets. The classifications and subsequent measurement include the following:

Classification as trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Current trade receivables do not carry any interest charge.

Financial assets at amortised cost

The Company classifies its financial assets as measured at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

All receivables are categorised as amortised cost. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Notes to the financial statements (continued)

for the year ended 31 December 2022

1. Accounting Policies (continued)

1.8. Financial instruments (continued)

Financial assets at fair value through profit and loss or other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) are initially measured at fair value, and subsequently measured at fair value with movements in fair value recorded in other comprehensive income.

FVOCI comprise debt securities where the contractual cash flows are solely principal and interest on specified dates, and the objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

The Company classifies debt investments that do not qualify for measurement at either amortised cost or FVOCI at fair value through profit or loss (FVPL).

Financial assets carried at FVPL are initially recorded at fair value. Net gains and losses, including any interest, are recognised in profit or loss.

Impairment of financial assets

The Company considers evidence of impairment for these assets at both an individual asset and a collective level at each reporting date. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified.

Offsetting of balances within financial assets

In line with IAS 32, the Company has a legally enforceable right, and there is an intention to settle on a net basis, through signed legal agreements, to offset cash deposits and overdrafts that are in cash-pool arrangements with relationship banks. The Company does not offset other financial assets and liabilities where there is no legally enforceable right to do so. The balances are included net in note 12 as part of "Amounts owed by group undertakings".

Notes to the financial statements (continued)

for the year ended 31 December 2022

1. Accounting policies (continued)

1.8. Financial instruments (continued)

iii.) Financial liabilities and equity

Classification and measurement

Management determines the classification of its financial liabilities as either debt or equity at initial recognition according to the substance of the contractual arrangements entered into. All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVPL. The classifications include the following:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss (FVPL) are designated in this category. Derivatives are categorised as 'held for trading' unless they are designated as hedges. Subsequent to initial recognition, financial liabilities at fair value through profit or loss measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities measured at amortised cost using the effective interest method

Other financial liabilities measured at amortised cost using the effective interest method are non-derivative financial liabilities which are not designated on initial recognition as liabilities at fair value through profit or loss. Any subsequent interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iv.) Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Company, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments comprise held-to-maturity investments and quoted available-for-sale investments.
- The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The instruments comprise derivative instruments, which are calculated using quoted prices and yield curves derived from these quoted prices.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Notes to the financial statements (continued)

for the year ended 31 December 2022

1. Accounting policies (continued)

1.7. Financial instruments (continued)

v.) Interest receivable and interest payable

Interest income and interest payable is recognised in profit or loss as it accrues, 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 instrument to that instrument's net carrying amount.

vi.) Interest Rate Benchmark Reform - Amendments to IFRS 9 and IAS 39

Amendments to IFRS 9 and IAS 39 Interest Rate Benchmark Reform' issued in September 2019 modifies hedge accounting to provide temporary relief from applying specific requirements to hedging relationships directly affected by interest rate benchmark reform ("IBOR reform"). The amendments are effective from 1 January 2020 with early adoption permitted. The Company has elected to adopt the amendments from 1 January 2019.

The reliefs have the effect that IBOR reform should not cause hedge accounting to terminate and replace the need for specific judgements relating to whether hedging relationships continue to qualify for hedge accounting as at 31 December 2019 where the hedging instrument is exposed to interest rate benchmarks that are expected to be discontinued before the maturity of the instrument.

For example, in relation to cash flow hedge accounting, the reliefs provided by the amendments allow the Company to assume that the IBOR based interest rate on which the cash flows of hedged debt and related interest rate swaps are based does not change as a result of IBOR reform. This assumption is applied to considerations regarding the probability of cashflows, and prospective and retrospective effectiveness testing.

2. Administrative expenses

	2022	2021
	£000	£000
Staff costs	2,075	1,709
Other operating expenses*	681	573
Total administrative expenses	2,756	2,282

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

Notes to the financial statements (continued)

for the year ended 31 December 2022

3. Staff numbers and costs

The company had an average of 13 employees during the year ended 31 December 2022 (2021: 10).

	<i>Number of employees</i>	
	2022	2021
Specialist finance – treasury	13	10
Total staff number	13	10

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£000	£000
Wages and salaries	1,743	1,421
Social security costs	166	186
Pension contributions	115	91
Other employment costs	51	11
Total staff costs	2,075	1,709

4. Directors' remuneration

Remuneration for directors of the Company is disclosed in note 7 of the consolidated financial statements of Dentsu International Limited. It is paid by the Dentsu International Limited, the parent entity. The amount that relates to Dentsu International Treasury Limited has not been disclosed on the basis that management are unable to make a reasonable apportionment of total remuneration that relates to qualifying services provided by the Directors to Dentsu International Treasury Limited.

5. Other operating income

	2022	2021
	£000	£000
Management fees	1,387	1,087
Total other operating income	1,387	1,087

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

Notes to the financial statements (continued)

for the year ended 31 December 2022

6. Auditor's remuneration

Nominal fees payable to the Company's auditor for the audit of the Company's annual financial statements during the year were £1,800 (2021 – £1,800).

The audit fee for the Group is outlined in note 6 to the consolidated financial statements of Dentsu International Limited. The fee is borne by Dentsu International Limited on behalf of the Group and includes the audit of the Dentsu International Treasury Limited company financial statements.

7. Interest receivable and similar income

	2022 £000	2021 £000
Interest receivable from other group undertakings	216,594	135,703
Interest receivable from external sources*	3,675	4,798
Net foreign exchange income**	1,737	622
Fair value movements on derivatives	-	2,187
	222,006	143,310

* Includes £1,782k of interest accrued on loan receivable for the year ended 31/12/2022.

** Includes net £373k gain on revaluation of loan receivable for the year ended 31/12/2022

8. Interest payable and similar expenses

	2022 £000	2021 £000
Interest payable to parent undertakings	5,924	7,077
Interest payable to other group undertakings	16,308	8,525
Interest payable and similar charges to external sources	72,689	66,723
Fair value movements on derivatives and loans	3,735	-
Fair value movement on assets held at fair value	27	12
	98,683	82,337

9. Impairment of loan receivable

On 24 February 2022, the Russian Federation launched an invasion of Ukraine. Consequently, the Group commenced the process of negotiating the transfer of ownership of the Russian business to local partners.

Considering the planned disposal, the carrying value of assets related to the Russian business were reviewed during 2022. For the Company the assets consist of a loan receivable from a business partner. In 2022 the loan and interest receivable were impaired as follows:

Impairment during the year of amount £40,778 out of which principal loan amounts to £ 34,345 (refer note 12) and interest accrued amounts to £6,432 (Interest accrued during the year is £1,782 (refer note 7) and £4,521 relates to interest outstanding from previous years (refer note 13)).

Further changes in charges are expected, with change in estimates when the actual transfer takes place.

Notes to the financial statements (continued)

for the year ended 31 December 2022

10. Tax on profit

The tax charge for continuing operations is made up of the following:

	2022 £000	2021 £000
Current tax on income for the period	(16,254)	(11,065)
	(16,254)	(11,065)
Deferred tax (note 13)	159	7
	159	7
Total tax charge on ordinary activities	(16,095)	(11,058)

The tax charge for the year ended 31 December 2022 is £16,095k (2021: £11,058k) representing an effective tax rate (including deferred tax on) on statutory profits of 19.83% (2021: 18.5%).

UK corporation tax is calculated at 19% (2021: 19%) of the estimated assessable profit for the year. The UK Government announced in the 2021 Budget that the corporation tax rate will remain at 19% from 1 April 2021 until 1 April 2023 when it will be increased to 25%.

The total tax charge recognised in other comprehensive income is as follows:

	2022 £000	2021 £000
Tax on cash flow hedge: movements taken to equity	(46,023)	(17,178)
Tax expense for the year	(46,023)	(17,178)

	2022 £000	2021 £000
Total tax		
Profit before tax	81,176	59,778
Tax at statutory rate of 19% (2021– 19%)	(15,423)	(11,358)
Non-taxable income	(710)	413
Change in deferred tax rate	-	(152)
Rate Difference	38	39
Tax on profit	(16,095)	(11,058)
Effective rate of statutory tax charge on statutory profits	19.83%	18.50%

Notes to the financial statements (continued)

for the year ended 31 December 2022

11. Other financial assets

	2022 £000	2021 £000
Other investments other than loans*	105	132
	105	132

*Other investments 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.

12. Other assets

	2022 £000	2021 £000
Amounts owed by group undertakings	-	74
Loan receivable*	3,690	37,792
Derivative financial assets	100,945	6,106
	104,635	43,972

*The movement in the loan receivable amount relates to its impairment. The impairment over principal amount of the loan is (£34,345k) (note 9), with the remaining gain of £243k being foreign currency revaluation (note 7).

13. Debtors: receivable within one year

	Note	2022 £000	2021 £000
Amounts owed by associate undertakings		200	194
Bank interest receivable		933	169
Interest on loan receivable*		-	4,521
Derivative financial assets		3,318	3,148
Amounts owed by group undertakings**		4,715,675	4,466,798
		4,720,126	4,474,830

*The movement in the interest receivable amount relates to the full impairment of the interest on the loan receivable (note 9)

**Included within debtors is £1,065,791k (2021: £1,192,049k) repayable on demand, expected to be recovered in more than 12 months. These debtors consist of amounts owed by group undertakings and are due after more than one year. Amounts owed by group undertakings comprise fixed term and on demand loans and are interest bearing.

Notes to the financial statements (continued)

for the year ended 31 December 2022

14. Deferred tax (liability)/asset

	<i>IFRS Adoption Adjustment £'000</i>	<i>Tax movements taken to equity £'000</i>	<i>Total £'000</i>
At 1 January 2020 - asset/(liability)	(484)	12,824	12,340
Cash Flow Hedge Reserve	-	(17,178)	(17,178)
Profit or loss movement	7	-	7
At 31 December 2021 - (liability)	(477)	(4,354)	(4,831)
Cash Flow Hedge Reserve	-	(46,023)	(46,023)
Profit or loss movement	159	-	159
At 31 December 2022 - (liability)	(318)	(50,377)	(50,695)

At 31 December 2022, the Company has gross unrecognised deferred tax assets in respect of capital losses carried forward of £1,817k (2021: £1,817k).

15. Creditors: amounts falling due within one year

		<i>2022 £000</i>	<i>2021 £000</i>
Bank overdraft		750,262	258,669
Loans and borrowings	17,18	285,165	151,375
Amounts owed to parent undertakings*		373,116	331,717
Amounts owed to group undertakings*		679,818	1,039,820
Derivative financial liabilities	18	13,855	6,371
Intercompany group relief payable		26,251	22,331
Accruals		1,395	270
Other creditors		143	132
		2,130,005	1,810,685

*Where amounts due to parent and group undertakings are of a loan nature, the amounts are repayable on demand at an interest rate of loan currency base rate plus a fixed margin.

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

		<i>2022 £000</i>	<i>2021 £000</i>
Loans and borrowings	17,18	2,820,515	2,870,880
Amounts owed to group undertakings*	18	28,185	-
Derivative financial liabilities	18	22,740	95,421
Deferred tax liability		50,695	4,831
		2,922,135	2,971,132

Notes to the financial statements (continued)

for the year ended 31 December 2022

* Amounts owed to group undertakings balance is included in the balance of loans and borrowings in note 18 amounting to £2,848,700k

Notes to the financial statements (continued)

for the year ended 31 December 2022

17. Interest Bearing loans and borrowings

The following table represents the carrying value of the structured unsecured loans included within gross borrowings adjusted with related accrued interests together with contractual maturities of financial liabilities:

<i>Description</i>	<i>Interest rate</i>	<i>Maturity date</i>	<i>Carrying value £000</i>	<i>2023 £000</i>	<i>2024 £000</i>	<i>2025 £000</i>	<i>2026-2031 £000</i>
MUFG Bank, Ltd loan - \$500m	3.15%	15/03/24	413,959	-	413,959		
SMBC Bank International plc loan - \$400m	3.26%	15/03/24	331,141	-	331,141		
MUFG Bank, Ltd loan - \$200m	3.00%	15/03/24	165,741	-	165,741		
Mizuho Bank, Ltd loan - £250m	2.10%	29/09/25	250,115	-	-	250,115	
SMBC Bank International plc loan - £50m	1.95%	25/03/25	50,011	-	-	50,011	
Norinchukin Bank loan - \$100m	3.13%	27/03/26	83,739	-	-		83,739
Mizuho Bank, Ltd loan - £400m	4.33%	22/07/26	402,587	-	-		402,587
Dentsu Group Inc loan - JPY 44bn	2.24%	23/04/23	277,848	277,848	-		
Dentsu Group Inc loan - JPY 44bn	1.28%	05/07/25	278,292	-	-	278,292	
Dentsu Group Inc loan - JPY 44bn	1.80%	04/07/30	278,773	-	-		278,773
Dentsu Group Inc loan - JPY 41bn	1.25%	04/07/25	259,445	-	-	259,445	
Dentsu Group Inc loan - JPY 27.5bn	1.61%	08/09/26	174,018	-	-		174,018
Dentsu Group Inc loan - JPY 23bn	1.80%	30/03/27	143,359	-	-		143,359
Less: Issue costs of debt to be amortised			(3,348)	(1,512)	(1,010)	(598)	(228)
TOTAL			3,105,680	276,336	909,831	837,265	1,082,248

The Company has a core revolving credit facility and term loan agreements of £500,000k.

At 31 December 2022, this facility was remains undrawn, giving the Company total undrawn committed facilities of £500,000k (2021: £500,000k).

Notes to the financial statements (continued)

for the year ended 31 December 2022

18. Financial instruments

The Company has established objectives concerning the holding and use of financial instruments. The key objective is to manage the financial risks faced by the Group, which are discussed below. Formal policies and guidelines have been set to achieve these objectives and it is the responsibility of Group Treasury to implement these policies using the strategies set out below.

The Company does not trade in financial instruments nor engage in speculative arrangements, and it is the Company's policy not to use any complex financial instruments, unless, in exceptional circumstances, it is necessary to cover defined risks.

18.1. Management of financial risk

The Company considers its major financial risks to be currency risk, liquidity risk, interest rate risk and credit risk. The Company policies regarding these risks and the strategies concerning how financial instruments are used to manage these risks are set out below.

18.2. Currency risk

A significant portion of the Group's activities take place overseas. The Group therefore faces currency exposures on transactions undertaken by subsidiaries in foreign currencies and upon consolidation, following the translation of the local currency results and net assets/liabilities of overseas subsidiaries. One of the Company's main objectives is to provide foreign exchange management services to mitigate this risk across the Group.

18.3. Forward exchange contracts

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.

18.4. Liquidity risk

The Group's objective of ensuring that adequate funding is in place is achieved by having agreed sufficient committed bank facilities. The Company is a borrower under the committed bank facilities. The analysis of the carrying value and maturity of the borrowings is given in note 18 of these financial statements.

18.5. Interest rate risk

Borrowings are held at fixed and floating rates. Certain portions of the Company's borrowings are subject to interest rate swaps.

18.6. Interest rate swaps

The Company's long-term borrowings at floating rates are subject to interest rate swaps, these 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 loss on interest rate swaps through the profit or loss for the financial year was £340k (2021: loss of £557k).

18.7. Cross currency interest rate swaps

The Company has also entered cross currency interest rate swaps. The fair value loss on cross currency interest rate swaps for the year was £5,578k (2021: gain of £2,745k). The fair value gain on loan designated as fair value hedge for the year was £2,184k (2021: £nil).

Notes to the financial statements (continued)

for the year ended 31 December 2022

18. Financial instruments (continued)

18.8. Cash flow and fair value hedges

The hedged forecast interest payments in GBP and foreign currency are expected to occur at various dates over the duration of the of the hedged loans. 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 gain taken to equity in the current year in respect of cash flow hedges is £138,070k (2021: gain of £67,732k).

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.

In 2022 the Company has entered into fair value hedge of the JPY 23,000,000k loan from Dentsu Group Inc, hedged with cross currency interest swap.

18.9. Interest Rate Benchmark Reform ("IBOR reform")

The Company is exposed to the following interest rate benchmarks in its hedging relationships which are currently undergoing reform: GBP LIBOR and USD LIBOR. During 2021, loans with an interest benchmark linked to GBP LIBOR were re-novated to transition to GBP SONIA interest benchmarks. Loans with an interest benchmark linked to USD LIBOR are expected to require transition in 2023 or later.

The GBP LIBOR transition was contracted in such a way that the provisions of Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) could be applied, leading to the continuation of hedge accounting.

The nominal amount of hedging instruments utilising such benchmarks with a maturity after the end of 2022 when the benchmarks are expected to be discontinued is £247,975k as at 31 December 2022 (£1,019,412k at 31 December 2021). These hedging instruments are designated in cash flow hedges of the variability of cash flows of certain of the Group's floating-rate borrowings instruments due to changes in the LIBOR based interest rates.

The Group will continue to apply the amendments to IAS 39 until the uncertainty arising from IBOR reforms with respect to the timing and amount of the underlying cash flows to which the Group is exposed ends. The Group has assumed that this uncertainty will not end until the Group's contracts that reference IBORs are amended to specify the date on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment.

18.10. Covenants

The Company's immediate parent Dentsu International Limited heads the smallest group in which the Company accounts are consolidated (the Group). The Group's principal debt instruments are subject to certain financial covenants. The Dentsu International Limited leverage covenant (net debt/EBITDA) was 0.3 times (compared to a covenant requirement of <3.5 times) (2021: 0.9 times) and interest cover covenant (EBITDA/net interest) was 9.6 times (compared to a covenant requirement >4 times) (2021: 11.2 times) at 31 December 2022.

Notes to the financial statements (continued)

for the year ended 31 December 2022

18. Financial instruments (continued)

i.) Maturity profile of Company's financial liabilities

There are no material differences between the recorded and fair values of the Company's financial liabilities at 31 December 2022. The fair values of financial liabilities reflect market values or are based upon readily available market data.

2022	Note	Less than 1 year £000	1-2 years £000	2-5 years £000	More than 5 years £000	Total more than 1 year £000	Total £000
Financial liabilities							
Loans and borrowings:							
Bank loans		5,393	909,241	782,659	-	1,691,900	1,697,293
Dentsu Group Inc. Loan		281,284	-	852,814	277,637	1,130,451	1,411,735
Less: Issue costs of debt to be amortised		(1,512)	(1,010)	(826)	-	(1,836)	(3,348)
Loans and borrowings	15,16	285,165	908,231	1,634,647	277,637	2,820,515	3,105,680
Bank overdrafts	15	750,262	-	-	-	-	750,262
Amounts owed to parent undertakings	15	373,116	-	-	-	-	373,116
Amounts owed to group undertakings	15,16	679,818	-	28,185	-	28,185	708,003
Derivative financial liabilities:							
Forward foreign exchange contracts		3,978	-	-	-	-	3,978
Interest rate swaps		9,877	-	22,740	-	22,740	32,617
Total derivative financial liabilities	15,16	13,855	-	22,740	-	22,740	36,595
Corporation tax liabilities	15,16	26,251	-	50,695	-	50,695	76,946
Accruals	15	1,395	-	-	-	-	1,395
Other creditors	15	143	-	-	-	-	143
Total	15,16	2,130,005	908,231	1,736,267	277,637	2,922,135	5,052,140

Notes to the financial statements (continued)

for the year ended 31 December 2022

18. Financial instruments (continued)

i.) Maturity profile of Company's financial liabilities (continued)

2021	Less than 1 year	1-2 years	2-5 years	More than 5 years	Total more than 1 year	Total
	£000	£000	£000	£000	£000	£000
Financial liabilities						
Bank overdrafts	258,669	-	-	-	-	258,669
Bank loans	149,820	-	1,586,590	-	1,586,590	1,736,410
Dentsu Group Inc. Loan	3,098	282,573	722,488	282,573	1,287,634	1,290,732
Amounts owed to parent undertakings	331,717	-	-	-	-	331,717
Amounts owed to group undertakings	1,039,820	-	-	-	-	1,039,820
Less: Issue costs of debt to be amortised	(1,543)	(1,510)	(1,834)	-	(3,344)	(4,887)
Total borrowings	1,781,581	281,063	2,307,244	282,573	2,870,880	4,652,461
Derivative financial liabilities:						
Forward foreign exchange contracts	5,647	-	-	-	-	5,647
Interest rate swaps	724	9,832	61,631	23,958	95,421	96,145
Total derivative financial liabilities	6,371	9,832	61,631	23,958	95,421	101,792
Corporation tax liabilities	22,331	-	4,831	-	4,831	27,162
Other financial liabilities	402	-	-	-	-	402
Total	1,810,685	290,895	2,373,706	306,531	2,971,132	4,781,817

Notes to the financial statements (continued)

for the year ended 31 December 2022

18. Financial instruments (continued)

ii.) Valuation of financial assets and liabilities

Except as detailed in the following table, the carrying amounts of financial assets and liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values. The following items of financial liabilities are within fair value hierarchy level 2.

	2022 Fair value £'000	2022 Carrying value £'000	2021 Fair value £'000	2021 Carrying value £'000
2017 MUFG Bank, Ltd loan	400,820	413,959	380,564	370,047
2017 SMBC Bank International plc loan	321,038	331,141	305,079	295,984
2017 MUFG Bank, Ltd loan	-	-	147,740	147,818
2017 MUFG Bank, Ltd loan	165,316	165,741	147,126	147,826
2018 Mizuho Bank, Ltd loan	247,540	250,115	245,877	250,018
2019 SMBC Bank International plc loan	47,867	50,011	49,815	50,008
2019 Norinchukin Bank loan	83,278	83,739	72,917	74,051
2019 Mizuho Bank, Ltd loan	396,411	402,587	389,170	400,658
2018 Dentsu Group Inc loan - JPY 44bn	277,436	277,848	280,954	282,793
2020 Dentsu Group Inc loan - JPY 44bn	272,781	278,292	277,904	283,235
2021 Dentsu Group Inc loan - JPY 44bn	254,190	278,773	270,790	283,723
2021 Dentsu Group Inc loan - JPY 41bn	254,948	259,445	259,991	264,053
2021 Dentsu Group Inc loan - JPY 27.5bn	168,233	174,018	171,627	176,928
2022 Dentsu Group Inc loan - JPY 23bn	138,344	143,359	-	-
Less: Issue costs of debt to be amortised	-	(3,348)	-	(4,887)
Total	3,028,202	3,105,680	2,999,554	3,022,255

Notes to the financial statements (continued)

for the year ended 31 December 2022

18. Financial instruments (continued)

ii.) Valuation of financial assets and liabilities (continued)

The following table provides an analysis of financial instruments that are measured, subsequent to initial recognition at fair value.

	Measured at:	2022 Total £000	2021 Total £000
Financial assets			
Held for trading:			
• Foreign currency forward contracts*	FVPL	2,471	3,148
• Other financial assets	FVPL	105	132
Hedging instruments: Interest rate swaps and cross currency interest rate swaps*	FVPL	101,792	6,106
Total financial assets		104,368	9,386
* Interest rate swaps comprise of GBP 100,945 receivable in more than 12 months as per note 12 and GBP 847k receivable within 12 months. The GBP 847k together with the Foreign currency forward contracts of GBP 2,471k is the total of £3,318k as per note 13.			
Financial liabilities			
Held for trading: Foreign currency forward contracts	FVPL	(3,978)	(5,647)
Hedging instruments: Interest rate swaps and cross currency interest rate swaps	FVPL	(32,617)	(96,145)
Total financial liabilities		(36,595)	(101,792)

Notes to the financial statements (continued)

for the year ended 31 December 2022

19. Capital and reserves

i.) Share Capital and share premium

		2022		2021
		£000		£000
Share capital account				
<i>Ordinary shares of £1 each- allotted, called up and fully paid</i>	<i>No.</i>		<i>No.</i>	
In issue at 1 January 2022	30,751,002	30,751	30,751,002	30,751
Issued for cash	-	-	-	-
In issue at 31 December 2022	30,751,002	30,751	30,751,002	30,751
			2022	2021
Share premium account			£000	£000
At 1 January 2022			27,350	27,350
Issued for cash			-	-
At 31 December 2022			27,350	27,350

ii.) Reserves

Profit and Loss reserve account contains the accumulated historical profit and loss, as well as foreign currency differences arising from hedges of a net investment in a foreign operation.

Cash flow hedge reserve comprises of the effective portion of any foreign currency differences arising from hedges of bank or Dentsu Group Inc borrowings.

Notes to the financial statements (continued)

for the year ended 31 December 2022

20. Contingent liabilities

The Company is a named guarantor on a Dentsu International Limited £500,000k multicurrency credit facility signed December 2014. In May 2022, the Company exercised a one year extension option to 2025 in respect of its £500.0m revolving credit facility which was approved by its lenders. This facility was undrawn at the date of signing.

The Company has entered into a cross guarantee arrangement with fellow subsidiary undertakings and granted a guarantee to the National Westminster Bank in respect of the net EUR and USD overdraft of Dentsu International Limited. The overdraft facility is £20,000k and was undrawn as at 31 December 2022. The facility was also undrawn at the date of signing these financial statements.

The Company has entered into a cross guarantee arrangement with fellow subsidiary undertakings and granted a guarantee to the National Westminster Bank in respect of the net GBP overdraft of Dentsu International Treasury Limited. The overdraft facility is £10,000k and was undrawn as at 31 December 2022. The facility was also undrawn at the date of signing these financial statements.

21. Subsequent Events

Funding

In April 2023 the Company repaid the 2018 5-year JPY 44,000,000k loan (GBP 277,848k loan) from Dentsu Group Inc. Furthermore, in June 2023 the Company repaid the 2019 7-year GBP 400,000,000 Mizuho Bank, Ltd loan due in 2026 early. Both repayments were funded by the increase in the loan payable with Dentsu International Limited. The Dentsu International Limited in turn, obtained the funding by means of capital injection from Dentsu Group Inc.

In November 2023 the Company repaid three loans, due in 2024, early:

- 2017 MUFG Bank, Ltd loan of USD 500,000k (GBP 413,959k)
- 2017 MUFG Bank, Ltd loan of USD 200,000k (GBP 165,741k) and
- 2017 SMBC Bank International plc loan of USD 400,000k (GBP 331,141k)

All repayments were funded by the increase in the loan payable to Dentsu International Limited. The Dentsu International Limited in turn, obtained the funding by means of further capital injection from Dentsu Group Inc.

The Company continues to have access to a £500,000k revolving credit facility which remains undrawn.

22. Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Dentsu Group Inc. which is the ultimate parent company and controlling party.

The largest group in which the results of the Company are consolidated is that headed by Dentsu Group Inc., 1-8-1 Higashi-shimbashi, Minato-ku, Tokyo 105-7001. The smallest group in which they are consolidated is that headed by Dentsu International Ltd and the registered address is 10 Triton Street, Regents Place, London, NW1 3BF. No other group financial statements include the results of the Company. The consolidated financial statements of these groups are available to the public and may be obtained from: The Secretary, Dentsu Group Inc., 1-8-1 Higashi-shimbashi, Minato-ku, Tokyo 105-7001.