Dentsu Manchester Limited
(previously Dentsu Aegis Manchester Limited)

Annual report and financial statements

Registered number 02886697

31 December 2020

Contents

Company Information

DIRECTORS:	D Romijn H Nicklin
REGISTERED OFFICE:	10 Triton Street Regent's Place London NW1 3BF
REGISTERED NUMBER:	02886697 (England and Wales)
AUDITORS:	KPMG LLP 15 Canada Square London E14 5GL

Strategic Report

The Directors present their strategic report of the business for the financial year ending 31 December 2020.

BUSINESS REVIEW
The results for Dentsu Manchester Limited ("the company") are set out in the Profit and Loss Account and Other Comprehensive Income on page 13. The company recorded revenue of £40,665,710 (2019: £47,474,458) and profit before taxation of £17,080,980 (2019: £19,874,585), both of which were impacted by challenging trading conditions caused by the COVID-19 pandemic. Average headcount in the year was 425 compared to 470 in 2019. Costs were well controlled, enabling strong margins to be maintained throughout the year.

The Balance Sheet is set out on page 14 and shows a net equity position of £16,049,176 (2019: £20,182,625). The increase in equity from operating profits was offset by the reduction from the payment of a dividend to the company's parent undertaking.

KEY PERFORMANCE INDICATORS
The trading conditions experienced during 2020 had an adverse impact on several key performance indicators monitored by management, including:

Turnover (decline)/growth	-31.8% (2019: 0.7%)
Revenue (decline)	-14.3% (2019: -2.5%)
Profit before taxation (decline)/growth	-14.1% (2019: 2.3%)
Operating profit margin	40.6% (2019: 43.8%)

Section 172(1) statement

A description of how the directors have performed their Section 172 duties during the financial year through stakeholder engagement is included below. These activities are generally undertaken at either a UK- or Group-wide level within the Dentsu International Limited group ("the Group").

Strategic Report *(continued)*

Employees

The company depends on the commitment, talent, creative abilities and technical skills of its people. Engagement and clear communication are particularly important during a period of organisational restructuring.

Engagement with the workforce is achieved through:

- The systematic provision of information covering matters that concern both the business in general, and employees specifically. This is done through event-specific electronic communications (e.g. Dentsu International's mid- and year-end results); regular UK- and Group-wide emails and business line or business unit-specific emails; and several electronic platforms for employee reference, including an intranet;
- Bi-annual employee satisfaction surveys;
- Townhalls;
- Consultation with specific groups/individual employees regularly so that their views can be considered in making decisions about matters which affect them; and
- Disclosure of gender pay gap and pay comparison.

Customers

The company engages with its customers through dedicated client relationship teams, as well as global client management teams established in regional offices to maintain strong customer relationships. The company develops various services, with an emphasis on innovation for clients and managing any conflicts of interest with multiple agencies. Due diligence is undertaken for all new clients and written contracts must be in place before commencing any significant work.

Shareholders

The company is a 100% subsidiary of Carat Media Limited, and the smallest group in which the results of the company are consolidated is the group headed by Dentsu International Limited. The directors consider engagement with the Group to be strong, and the flow of information regarding the company's activities transparent. Dentsu International Limited is kept informed about the company's performance through various management forums, which assists the Group in making decisions and reviewing performance as "One dentsu".

Strategic Report *(continued)*

PRINCIPAL RISKS & UNCERTAINTIES

The Board is confident in the prospects of the business in as much that factors within our control are considered and risks factored into our business planning.

The company reviews its relationship with its clients on a regular basis and reacts accordingly to the information it receives. Longevity in relationships is key to agency growth so dedicated, talented and proactive client teams are key to minimising the risk of losing any client.

Price risk is managed by ensuring we offer excellent value to our clients whilst remaining competitive in the market.

Potential credit issues remain a risk in the current economic environment however constant risk assessments are in place for both existing and new clients as well as the maintenance of a full credit insurance policy.

Liquidity and cashflow risks are minimised by the preparation and review of forecasts on an ongoing basis and through access to cash pooling arrangements in place with the group parent Dentsu International Limited.

Observing compliance within all our business activities has been a key focus for the company in 2020. Regular reviews of our financial, legal, and data management processes and procedures are constantly reviewed by senior management to ensure full compliance with Dentsu Group policies to minimise risk.

2020 was also a successful year in terms of the delivery of environmental objectives. We successfully delivered all targets for improvements across a number of key areas, including business travel reduction, paper usage reduction, and recycling.

Covid-19 risk

Risk	Risk description	Potential risk impact	Risk management strategy	Risk mitigation actions
COVID-19	The global response to the COVID-19 pandemic is having a wide ranging and significant impact on local and global economies.	Negatively impacts the performance of the company.	Using cross-functional teams to identify how the company may be impacted by COVID-19 and the practical steps that can be taken to mitigate any impact.	The company has taken various actions to protect operating margins and preserve cash. The company has worked with its parent company Dentsu Group Inc. to increase liquidity. The company has increased monitoring of cash and net working capital positions.

Strategic Report *(continued)*

FUTURE DEVELOPMENTS
The directors continue to focus on achieving the strategic targets of the company, including organic and new business growth.

Following on from the actions taken during 2020 as a response to the COVID-19 pandemic, the company continues to focus on a number of key areas, which include:

- actions to preserve operating margin and cash;
- measures to increase liquidity in partnership with Dentsu International Limited; and
- increased monitoring of cash and net working capital positions.

By order of the Board

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D Romijn
Director

Date: 30 September 2021
10 Triton Street, Regent's Place, London, NW1 3BF

Directors' report

The directors' present their report and financial statements for the year ended 31 December 2020.

The business review for the company is included within the Strategic Report as per page 2 of the financial statements.

PRINCIPAL ACTIVITY
The company's principal activity continued to be the selling of media advertising space and time and the provision of digital content and campaign management for its clients' sales and marketing activities.

DIVIDENDS
The total distribution of dividends for the year ended 31 December 2020 was £18,000,000 (2019: £80,000,000).

FUTURE DEVELOPMENTS
As well as delivering the targets set by the business, the company continues to look at new and innovative products to offer to clients. Investment in strong people to develop these new product opportunities is key to growth going forwards, developing new capabilities we can offer to our clients.

Pricing is constantly reviewed to ensure we remain competitive across our current product streams as well as ongoing reviews of operational efficiency, both human and technological.

GOING CONCERN
The company has net assets of £16,026,014 (2019: £20,182,625) and net current assets of £15,026,710 (2019: £18,994,829). The financial statements are prepared on a going concern basis, which the directors believe to be appropriate for the reasons stated below. The company meets its day-to-day working capital requirements through its trading and the use of a cash-pooling facility provided by Dentsu International Limited group ("the Group"). The cash pool facility is a Group facility which automatically includes any surplus cash generated by the company and provides access to that cash on request to enable the company to pay its obligations as they fall due. The company has assessed its cash flow forecasts for the period of not less than 12 months from the date of their approval of these financial statements, including a short-term decline in revenue growth and the measures the company has undertaken to protect operating margins and preserve cash and is satisfied that the company has sufficient cash, as long as it can continue to draw down on the funds it has deposited within the cash-pooling facility. The company is therefore dependent on the Group to ensure that the cash-pooling facility remains available.

The directors are satisfied that that the cash pool facility will continue to be made available to the company as they have considered the Group's forecasts, and projections used in the assessment of going concern which incorporate the Group Board of Directors' latest expectations of the impact of the global response to COVID-19 on business operations and results, including a short-term decline in revenue growth and the measures the Group has undertaken to protect operating margins and preserve cash. Significant one-off and non-operating expenditures have also been included related to existing and future

Directors' Report *(continued)*

acquisition activity and restructuring programmes announced in 2019 and 2020. The forecasts have been subjected to various downside scenarios representing further declines in revenues, reductions in margin and deterioration of net working capital.

As with any company placing reliance on other Group entities for access to the cash pool, the directors acknowledge that there can be no certainty that this facility will continue, although, at the date of approval of these financial statements, they have no reason to believe that this facility will not continue to be made available.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

DISABLED EMPLOYEES
The directors and the company have a clear policy to support our stated objective of being an equal opportunities employer, and we continue to be committed to promoting and maintaining an inclusive and supportive work environment which respects the dignity of staff and assists all members of our workforce to achieve their full potential. Our premises are designed to ensure full access and a positive working environment for colleagues with disabilities. Additional reasonable adjustments are always welcomed on a case by case basis by our HR team, which is targeted on attaining delivery against potential.

EMPLOYMENT POLICIES
It is the policy of the company that there should be no unfair discrimination in considering applications for employment, including those of disabled persons. Should any employee become disabled, every effort is made to provide continued employment.

The directors are committed to maintain and develop communications with its employees and on a regular basis, who in turn are encouraged to become aware of and involve themselves in the performance of their own brand as well as the company as a whole. Detailed staff feedback is gathered through the ongoing and wide-ranging survey of all staff via our Global check-in survey. This encourages staff to give open feedback on all aspects of their employment.

Directors' Report *(continued)*

DIRECTORS
The directors shown below have held office during the whole of the period from 1 January 2020 to the date of this report.

D Romijn
H Nicklin (appointed 15 January 2021)
A W Blease (resigned 13 April 2021)
R S McDonald (resigned 13 January 2021)
M Platts (resigned 3 March 2020)

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as each person who was a director at the date of approving this report is 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 fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITOR

KPMG LLP has indicated a willingness to continue in office, and a resolution for their reappointment as auditor will be proposed on the date of signing these accounts.

By order of the Board

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D Romijn
Director

Date: 30 September 2021
10 Triton Street, Regent's Place, London, NW1 3BF

Statement of directors' responsibilities in respect of the annual 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;
- 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.

Report of the Independent Auditors to the Members of Dentsu Manchester Limited

Opinion

We have audited the financial statements of Dentsu Manchester Limited ("the company") for the year ended 31 December 2020 which comprise the Profit and Loss Account, 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 2020 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.

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

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account overall knowledge of the control environment, 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 and the risk of bias in accounting estimates and judgements such as revenue recognition. On this audit we do not believe there is a fraud risk related to revenue recognition because we do not deem the transactions to be complex and calculations are based on agreed contractual rates.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those containing key words, unbalanced entries and posted to unrelated 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 and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.
As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

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, commercial and competition laws, regulatory capital 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 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.

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 9, 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.

Lilit Barkhudaryan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL.
1 October 2021

Profit and Loss Account and Other Comprehensive Income

for the year ended 31 December 2020

	Notes	**2020**	2019
		£	£
TURNOVER*	1.4	222,688,930	326,656,963
REVENUE	2	40,665,711	47,474,458
Operating expenses		(24,163,894)	(28,650,786)
OPERATING PROFIT		**16,501,817**	18,823,672
Income from participating interests		250,000	260,000
Interest receivable and similar income	4	374,345	848,991
Interest payable and similar expenses	5	(45,182)	(58,078)
PROFIT BEFORE TAXATION	6	**17,080,980**	19,874,585
Tax on profit	7	(3,214,429)	(3,778,462)
PROFIT FOR THE FINANCIAL YEAR		**13,866,551**	16,096,123
OTHER COMPREHENSIVE INCOME		-	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**13,866,551**	16,096,123

*Refer to note 1.4 where turnover is defined.

The notes on pages 16 – 34 form an integral part of these financial statements.

Balance Sheet
as at 31 December 2020

	Notes	2020 £	2019 £
FIXED ASSETS			
Intangible assets	9	20,326	20,949
Property, plant and equipment	10	1,860,304	2,609,266
Investments	11	112,503	112,503
		1,993,133	2,742,718
CURRENT ASSETS			
Debtors	12	91,736,467	103,989,065
Cash at bank		827,846	956,364
		92,564,313	104,945,429
CREDITORS			
Amounts falling due within one year	13	(77,514,441)	(85,950,600)
NET CURRENT ASSETS		15,049,872	18,994,829
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,043,005**	21,737,547
CREDITORS			
Amounts falling due after more than one year	13	(993,829)	(1,554,922)
NET ASSETS		**16,049,176**	20,182,625
CAPITAL AND RESERVES			
Called up share capital	16	1,620,317	1,620,317
Share premium account		240,868	240,868
Share option reserve		21,000	21,000
Profit and loss account		14,166,991	18,300,440
SHAREHOLDERS' FUNDS		**16,049,176**	20,182,625

These financial statements were approved by the board of directors and were signed on its behalf by:

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D Romijn
Director

Date: 30 September 2021
10 Triton Street, Regent's Place, London, NW1 3BF

Company registered number: 02886697

The notes on pages 16 – 34 form an integral part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2020

	Called up share capital	Profit and loss account	Share premium account	Share Option Reserve	Total equity
	£	£	£		£
At 1 January 2019	1,620,317	82,204,317	240,868	21,000	84,086,502
Dividends	–	16,096,123	–	–	16,096,123
Total comprehensive income	–	(80,000,000)	–	–	(80,000,000)
At 31 December 2019	**1,620,317**	**18,300,440**	**240,868**	**21,000**	**20,182,625**
Dividends	-	(18,000,000)	-	-	(18,000,000)
Total comprehensive income	-	13,866,551	-	-	13,866,552
At 31 December 2020	**1,620,317**	**14,166,991**	**240,868**	**21,000**	**16,049,176**

The notes on pages 16 – 34 form an integral part of these financial statements.

Notes
(forming part of the financial statements)

1. ACCOUNTING POLICIES

Authorisation and statement of compliance with FRS 101
Dentsu Manchester Limited ("the company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 02886697 and the registered address is 10 Triton Street, Regent's Place, London, NW1 3BF.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* and in accordance with applicable accounting standards.

The company's financial statements are presented in pounds sterling.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006, 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 Company's ultimate parent undertaking, Dentsu Group Inc., includes the Company in its consolidated financial statements. The consolidated financial statements of Dentsu Group Inc. are prepared in accordance with International Financial Reporting Standards and 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.

1.1 Disclosure exemptions

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

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.
- Disclosures in relation to revenue from contracts with customers (IFRS 15)
- Disclosures in relation to leases (IFRS 16)

As the consolidated financial statements of Dentsu Group Inc. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Notes *(continued)*

1. ACCOUNTING POLICIES *(continued)*

1.2 Basis of preparation

Going Concern

The company has net assets of £16,026,014 (2019: £20,182,625) and net current assets of £15,026,712 (2019: £18,994,829). The financial statements are prepared on a going concern basis, which the directors believe to be appropriate for the reasons stated below. The company meets its day-to-day working capital requirements through its trading and the use of a cash-pooling facility provided by Dentsu International Limited group ("the Group"). The cash pool facility is a Group facility which automatically includes any surplus cash generated by the company and provides access to that cash on request to enable the company to pay its obligations as they fall due. The company has assessed its cash flow forecasts for the period of not less than 12 months from the date of their approval of these financial statements, including a short-term decline in revenue growth and the measures the company has undertaken to protect operating margins and preserve cash and is satisfied that the company has sufficient cash, as long as it can continue to draw down on the funds it has deposited within the cash-pooling facility. The company is therefore dependent on the Group to ensure that the cash-pooling facility remains available.

The directors are satisfied that that the cash pool facility will continue to be made available to the company as they have considered the Group's forecasts, and projections used in the assessment of going concern which incorporate the Group Board of Directors' latest expectations of the impact of the global response to COVID-19 on business operations and results, including a short-term decline in revenue growth and the measures the Group has undertaken to protect operating margins and preserve cash. Significant one-off and non-operating expenditures have also been included related to existing and future acquisition activity and restructuring programmes announced in 2019. The forecasts have been subjected to various downside scenarios representing further declines in revenues, reductions in margin and deterioration of net working capital.

As with any company placing reliance on other Group entities for access to the cash pool, the directors acknowledge that there can be no certainty that this facility will continue, although, at the date of approval of these financial statements, they have no reason to believe that this facility will not continue to be made available.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Accounting estimates and uncertainties

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the year end date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements have the most significant effect on amounts recognised in the financial statements.

Notes *(continued)*

1. ACCOUNTING POLICIES *(continued)*

Revenue recognition
Judgement is required in selecting the appropriate timing and amount of revenue recognised, particularly where the company recognises variable consideration. Revenue is only recognised to the extent that it is not highly probable to result in significant reversal and, where there is a performance related element, to the extent to which the performance criteria have been met.

Deferred tax
Judgement is required in the assessment of the expected timing and manner of realisation or settlement of the carrying amounts of assets and liabilities held at the balance sheet date. In particular the assessment of the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

1.4 Significant accounting policies

Turnover and revenue
Turnover represents amounts billable to third-party customers for advertising and media investments managed by the company on behalf of clients, together with fees earned for media projects and market research services provided, net of discounts, VAT and other sales-related taxes. Turnover, being the gross amount billed to third-party customers, is still disclosed on the face of the profit and loss account as a non-GAAP measure, in line with industry practice. Revenue comprises amounts from contracts with customer. Revenue from contracts with customers is derived from arrangements involving fees for advertising services, commissions on media placements, performance-related revenue or a combination of the three, as agreed upon with each third-party customer. Revenue is recognised in line with the underlying arrangements with customers.

Revenue from contracts with customers
The company's major sources of revenue are from advertising and media services including planning, buying and other ad-hoc services. The company recognises revenue in accordance with the 5-step model established under IFRS 15 'Revenue from contracts with customers'. Further information on how the company recognises revenue is outlined below.

The company recognises revenue when it has a binding contract with a customer. Revenue is recognised as it transfers control of a product or service to a customer. Revenue is measured based on the consideration to which the company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties where the company is acting as an agent. The company acts as a principal when the services are controlled by the company prior to being transferred to customers. An assessment of key indicators including pricing discretion, inventory risk and primary responsibility, is performed to establish if the company is an agent or a principal in a particular contract.

Notes *(continued)*

1. ACCOUNTING POLICIES *(continued)*

Most of the company's contracts include many interconnected activities which are provided to the customer. In most instances, these activities are not considered distinct, or represent a series of activities which are substantially the same with the same pattern of transfer to the customer. As such, these activities are accounted for as a single performance obligation. However, when there are contracts with activities which are capable of being distinct, these are recognised as separate performance obligations. Where there are contracts with multiple performance obligations, the transaction price is allocated to the separate transaction prices based on relative stand-alone selling prices.

Revenue is recognised as the performance obligation to which it relates is satisfied. Most of the company's revenue is recognised at a point in time. When the company recognises revenue over time it uses an appropriate measure, commensurate to the pattern of transfer of the service to the customer, to determine the rate of revenue recognition.

When revenue is in the form of a retainer, it is a stand-ready obligation to perform services on an ongoing basis over the life of the contract, and it is recognised over time on a straight-line basis, unless there is high seasonality. If there are high levels of seasonality, then the retainer revenue is recognised over time in proportion to the level of time spent of the total expected time for the contract.

When revenue is in the form of commissions revenue is recognised as the media airs or is published, depending on the form of the media.

Contracts may include variable consideration, such as performance related fees, which are part of the transaction price. Such fees are recognised in line with the revenue recognised in respect of the underlying performance obligation, to the extent that is not highly probable to result in a significant reversal.

Costs of obtaining a contract are expensed as the vast majority of the company's contracts run for 12 months or less.

Costs incurred on behalf of clients and other third-party costs that have not yet been billed to clients are considered receivables under IFRS 15 and therefore are presented within Trade receivables and accrued income in the balance sheet.

Tangible fixed assets
Tangible fixes assets are stated at cost less accumulated depreciation and accumulated impairment losses

Depreciation is charged to the profit and loss account on a straight line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Notes *(continued)*

1. ACCOUNTING POLICIES *(continued)*

Right-of-use asset	Variable over the term of the lease
Property	Over 50 years
Property leasehold improvements	Over 5 years
Plant & equipment	Over 3 – 10years
Motor vehicles	Over 4 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Investments
The company's investments in its subsidiary and associated undertakings are stated at cost. Provisions are made for any impairment in value.

The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Taxation
The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised on temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Leases
At the inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee
At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the company accounts for each lease component separately from the non-lease components. The company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

Notes *(continued)*

1. ACCOUNTING POLICIES *(continued)*

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, plus an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the company by the end of the lease term or the cost of the right-of-use asset reflects that the company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate
- as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the company is reasonably certain to exercise,
- lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, or if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The company presents right-of-use assets that do not meet the definition of investment property in 'tangible assets' and lease liabilities in "lease liabilities" in the statement of financial position.

Notes *(continued)*

1. ACCOUNTING POLICIES *(continued)*

Short-term leases and leases of low-value assets
The company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Foreign currency transactions and balances
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 profit and loss account. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The company does not apply hedge accounting of foreign exchange risks in its Company financial statements.

Employee benefit costs
The company contributes to individual pension schemes for certain directors. These are defined contribution pension schemes and the yearly contribution for each director is taken directly to the Profit and Loss Account and Other Comprehensive Income.

Financial instruments

Financial assets
Classification and measurement of financial assets
All financial assets are initially measured at fair value. Management determines the classification and subsequent measurement of the financial asset based on the contractual terms at the initial recognition date. The classifications and subsequent measurement include the following:

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.

The impact of the change in impairment methodology on the company's retained earnings and equity is disclosed in consolidated statement of changes in equity.

While cash and cash equivalents and some of other financial assets measured at amortised cost such as loan receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Notes *(continued)*

2. REVENUE

Analysis of revenue

	2020	2019
	£	£
United Kingdom	38,656,841	45,205,416
Rest of the World	2,008,871	2,269,042
	40,665,712	47,474,458

All revenue is derived from media planning and buying services.

Assets and liabilities related to contracts with customers

Contract asset balances recognised at 31 December 2020 total £8,257,461 (2019: £12,493,381). These balances are presented within Debtors and mainly represent accrued income where a performance obligation has been satisfied but the right to consideration is conditional and has not yet been billed.

Contract liability balances recognised at 31 December 2020 total £11,348,149 (2019: £5,353,157). These balances relate to advanced consideration received but not recognised as revenue at the period end.

Unsatisfied long-term performance obligations
As permitted under IFRS 15, a practical expedient has been applied and the transaction price allocated to unsatisfied performance obligations for contracts with an expected duration of less than one year is not disclosed.

Assets recognised from costs to obtain or fulfil a contract
As at 31 December 2020 and 31 December 2019, there are no material contract assets in relation to the costs to obtain or fulfil contracts with customers.

3. EMPLOYEES AND DIRECTORS

	2020	2019
	£	£
Wages and salaries	16,080,364	21,115,145
Social security costs	1,658,198	2,328,579
Other pension costs	546,165	535,245
	18,284,727	23,978,969

Notes *(continued)*

3. EMPLOYEES AND DIRECTORS (continued)

The average number of employees during the year was as follows:

	2020	2019
Management	6	6
Media	379	417
Administration and management	40	47
	425	470

Remuneration to directors was as follows:

	2020	2019
	£	£
Directors' remuneration	1,130,593	851,957
Directors' pension contributions to money purchase schemes	6,584	19,986

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	1	2

Information regarding the highest-paid director is as follows:

	2020	2019
	£	£
Emoluments	575,869	384,013
Pension contributions to money purchase schemes	6,584	9,520

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020	2019
	£	£
Interest receivable from deposits held with group undertakings	374,345	848,991

Notes *(continued)*

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020	2019
	£	£
Interest charge for right-of-use assets	45,182	58,078

6. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging/(crediting):

	2020	2019
	£	£
Depreciation – owned assets	259,726	454,138
Depreciation – right-of-use assets	539,707	539,707
Timeshare amortisation	623	623
Auditor's remuneration	24,056	35,780
Foreign exchange differences	(76,000)	(25,782)

7. TAXATION

Analysis of tax expense

	2020	2019
	£	£
Current Tax		
UK corporation tax on the charge for the year	3,231,118	3,802,869
Adjustment in respect of prior years	22,596	-
Total current tax	3,253,714	3,802,869
Deferred tax		
Charge for the year	(13,000)	(24,407)
Adjustment in respect of previous years	(26,285)	-
Total deferred tax	(39,285)	(24,407)
Tax on profit on ordinary activities	**3,214,430**	3,778,462

Notes *(continued)*

7. TAXATION (continued)

Factors affecting the tax expense

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2020	2019
	£	£
Profit before tax on ordinary activities	17,080,981	19,874,585
Tax at the UK corporation tax rate of 19% (2019: 19%)	3,245,386	3,776,170
Adjustments in respect of prior years	(3,689)	0
Expenses not deductible for tax purposes	20,232	66,510
Adjustment in tax rate on deferred tax balances	0	(14,819)
Non taxable income	(47,500)	(49,400)
Tax charge on ordinary activities	**3,214,429**	3,778,462

Factors that may affect future tax charges

The main rate of corporation tax for 2020 is 19% (2019: 19%), of the estimated assessable profit for the year. The Government announced in the 2021 Budget that the corporation tax rate will remain at 19% until 1st April 2023 when it will be increased to 25%.

Notes *(continued)*

8. DIVIDENDS

	2020	2019
	£	£
Interim	**18,000,000**	80,000,000

9. INTANGIBLE FIXED ASSETS

	Timeshare
	£
COST	
At 1 January 2020	31,120
At 31 December 2020	**31,120**
DEPRECIATION	
At 1 January 2020	10,171
Charge for year	623
At 31 December 2020	**10,794**
NET BOOK VALUE	
At 31 December 2019	20,949
At 31 December 2020	**20,326**

Notes *(continued)*

10. TANGIBLE FIXED ASSETS

	Right-of-use assets	Property	Leasehold Improvements	Plant & equipment	Motor vehicles	Totals
	£	£	£	£	£	£
COST						
At 1 January 2020	2,499,664	309,000	1,082,135	1,704,135	5,822	5,600,756
Additions	–	–	7,987	42,484	–	50,471
At 31 December 2020	**2,499,664**	**309,000**	**1,090,122**	**1,746,619**	**5,822**	**5,651,227**
DEPRECIATION						
At 1 January 2020	539,707	81,382	952,239	1,412,340	5,822	2,991,490
Charge for year	539,707	6,183	80,249	173,294	–	799,433
At 31 December 2020	**1,079,414**	**87,565**	**1,032,488**	**1,585,634**	**5,822**	**3,790,923**
NET BOOK VALUE						
At 31 December 2019	1,959,957	227,618	129,896	291,795	–	2,609,266
At 31 December 2020	**1,420,250**	**221,435**	**57,634**	**160,985**	**–**	**1,860,304**

11. INVESTMENTS

	2020	2019
	£	£
Investments in subsidiaries	2	2
Investments in associates	112,501	112,501
	112,503	112,503

The company holds equity share capital in the following subsidiary undertakings and associated companies which principally affected the profits or net assets of the company:

Subsidiaries and Registered Office	**Country of registration and operation**	**Principal activity**	**Effective interest in issued share capital at 31 December 2020**
Heavyweight Sports Marketing Limited 117-119 Portland Street, Manchester M1 6ED	England and Wales	Selling of sports media and sponsorship advice	100%

Associates and Registered Office	**Country of registration and operation**	**Principal activity**	**Effective interest in issued share capital at 31 December 2020**
Dentsu Edinburgh Limited 10 Triton Street, Regent's Place, London NW1 3BF	England and Wales	Selling of media space and time	38.2%
Dentsu Leeds Limited, 10 Triton Street, Regent's Place, London NW1 3BF	England and Wales	Selling of media space and time	49%
S M R S Ltd 2 Express Networks, 3 George Leigh Street, Manchester M4 6BD	England and Wales	Selling of media space and time	25%

Notes *(continued)*

12. DEBTORS

	2020	2019
	£	£
Amounts falling due within one year:		
Trade debtors	28,297,595	34,475,117
Amounts owed by group undertakings	54,379,502	56,298,324
Other debtors	208,552	181
Prepayments and accrued income	8,699,739	13,103,649
	91,585,388	103,877,271
Amounts falling due after more than one year:		
Deferred tax	111,794	111,794
	91,736,467	103,989,065

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Leases (see note 16)	561,093	554,420
Trade creditors	8,472,292	12,569,526
Amounts owed to group undertakings	3,618,190	771,344
Amounts owed to participating interests	10,407,091	11,604,076
Corporation tax	7,285,700	7,340,722
Social security and other taxes	3,275,933	6,365,223
Other creditors	944,144	1,916,314
Accruals and deferred income	42,949,998	44,828,975
	77,514,441	85,950,600

Notes *(continued)*

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020	2019
	£	£
Leases (see note 16)	**993,829**	1,554,922

15. LEASING

	2020	2019
	£	£
Current:		
Leases	561,093	554,420
Non-current:		
Leases	993,829	1,554,922

	1 year or less	**1-2 years**	**2-5 years**	**More than 5 years**	**Total**
	£	**£**	**£**	**£**	**£**
Leases	561,093	526,194	467,635	–	1,554,922

Notes *(continued)*

15. LEASING (continued)

Lease liabilities

Minimum lease payments fall due as follows:

	2020	2019
	£	£
Gross obligations repayable:		
Within one year	592,279	599,602
Between one and five years	1,016,252	1,608,531
In more than five years	–	–
	1,608,531	2,208,133
Finance charges repayable:		
Within one year	31,186	45,182
Between one and five years	22,423	53,609
In more than five years	–	–
	53,609	98,791
Net obligations repayable:		
Within one year	561,093	554,420
Between one and five years	993,829	1,554,922
In more than five years	–	–
	1,554,922	2,109,342

Operating leases not capitalised

IFRS 16 (Leases) became mandatory on 1 January 2019, replacing IAS 17 (Leases). At that date Dentsu Manchester Limited held two operating leases which were of low value and therefore the company availed of paragraph 6 of IFRS 16 and did not recognise a lease liability at that date. The company continued to account for operating leases under IAS 17.

At 31 December 2020, the company had annual commitments under non-cancellable operating leases of £nil (31 December 2019, Non-cancellable operating lease of £nil).

Notes *(continued)*

16. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal Value:	**2020** £	2019 £
76,000	A Ordinary	£1	76,000	76,000
28,817	B Ordinary	£1	28,817	28,817
18,000	C Ordinary	£1	18,000	18,000
13,000	D Ordinary £65	£1	845,000	845,000
9,000	D Ordinary £72.50	£1	652,500	652,500
			1,620,317	1,620,317

17. RELATED PARTY DISCLOSURES

During the year the company entered into transactions, in the ordinary course of business, with other related parties. The company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries. Transactions entered into, and trading balances outstanding at 31 December 2020 with other related parties, are as follows:

Associates	Sales to related party	Purchases from related party £	Amounts owed by related party £	Amounts owed to related party £
2020	**372,694**	–	–	**5,779,931**
2019	305,479	91,319	–	3,119,947

Sales and purchases between related parties are made on an arm's length basis. Outstanding balances with entities other than subsidiaries are unsecured, interest free and cash settlement is expected within 60 days of invoice. Terms and conditions for transactions with subsidiaries are the same, with the exception that balances are placed on intercompany accounts with no specified credit period. The company has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 31 December 2020 the company has not made any provision for doubtful debts relating to amounts owed by related parties (2019: £nil).

Notes *(continued)*

18. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is Carat Media Limited, a company incorporated in Great Britain and registered in England and Wales. The ultimate parent undertaking and controlling party is Dentsu Group, Inc., a company incorporated in Tokyo and registered in Japan.

Dentsu Group Inc., is the parent undertaking of the largest group for which group financial statements are prepared and of which the Company is a member. Copies of Group financial statements can be obtained from: The Secretary, Dentsu Group Inc., 1-8-1 Higashi-shimbashi, Minato-ku, Tokyo 105-7001. The smallest group in which the results of the company are consolidated is the group headed by Dentsu International Limited.