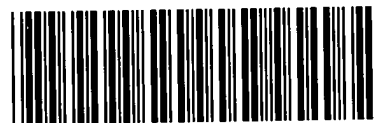


Amnet Limited

Annual financial statements
Registered number 3148086
31 December 2019

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Contents

Strategic report	1 - 3
Directors' report	4 - 5
Statement of directors' responsibilities in respect of the annual financial statements	6
Independent auditor's report to the members of Amnet Limited	7 - 8
Profit and Loss Account	9
Balance Sheet	10
Statement of Changes in Equity	11
Notes	12 - 20

Strategic report

The directors present their strategic report for the year ended 31 December 2019.

Fair review of the business

The results of Amnet Limited ("the Company") for the year are set out in the Profit and Loss Account on page 9. With a backdrop of a difficult trading environment in the UK business, including declining margins, revenue declined to £9,601,000 (2018: £10,954,000) and profit before tax to £5,060,000 (2018: £6,505,000). 2019 was a transition year, with a change in management and implementation of a strategy for the Company to become more closely aligned with other Dentsu International Limited group companies. This involved redesigning the team structures within Amnet to be more client focused, improved system integration, and educating other Dentsu International Limited teams on programmatic advertising. Employee numbers at the end of the year were 53 (2018: 44).

The Balance Sheet on page 10 shows the Company's financial position. At 31 December 2019, the Company was in a strong net asset position of £39,478,000 (2018: net asset position of £35,380,000).

Future developments

For 2021, the Company is working to create a more effective commercial model, through enhanced integration of Dentsu teams. This is expected to result in better resourcing solutions, improved knowledge sharing, and the deployment of consistent commercial models across regions. These solutions should enable implementation of scaled business processes and more efficient operations.

On 11 March 2020, the World Health Organisation declared the spread of COVID-19 a global pandemic. Since then, unprecedented measures have been taken by governments across the world to reduce the spread of the disease and protect the health of their citizens. These measures have included lockdowns, closure of services, restrictions on business operations, travel bans and quarantines. The economic impact of this has been felt globally with reduced output, business failures, market volatility and government interventions.

Any client reduction or deferral of media spend to preserve cash will impact the Company's revenues. Recent investment in technology has enabled teams to continue to work effectively from home during periods of office closure.

During this global crisis, the Company has taken a number of actions to enable activities to continue to be funded. These 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.

Consideration of the impact of the global response to the COVID-19 pandemic on the Company's liquidity and cash flow forecasts is included in the going concern assessment is detailed in the Director's Report. The impact on other areas of the financial statements is discussed in Note 13 (Subsequent events). Management continues to monitor developments and will take further action to mitigate any impact on the Company's operations as necessary

Key performance indicators

The management team monitors various key performance indicators including turnover, revenue and profitability compared with budget and prior years on a project and client basis.

- Turnover increased by 15.5% in 2019 (2018: 33.6% decrease)
- Revenue decreased by 12.4% in 2019 (2018: 31.6% decrease)
- Profit before tax decreased by 22.2% in 2019 (2018: 40.1% decrease)

Strategic report (continued)

Principal risks and uncertainties

The Company faces a range of market, strategic, financial, legal, operational and human resource risks. During 2019, there was a continual focus on working capital management and counterparty risks, as a result of the shift in the economy. The Company continually reviews the key risks and strives to improve the internal control framework to help mitigate them, where possible. Listed below are what the Company believes to be the principal risk factors and uncertainties faced during the period and the strategies for managing them.

1. Maintaining strong client relationships

Risk description

- Loss of key clients and/or failure to win new ones.

Potential risk impact

- Loss of profit.
- Subsequent loss of key managers.

Risk management strategy

- To remain a highly-competitive organisation to help win new clients and continue to provide a high-quality service to existing clients.

Risk mitigation actions

- Dedicated client relationship teams are in place, as well as global client management teams established in regional offices.

2. Managing counterparty risk

Risk description

- Loss of income from clients who have cash flow or insolvency problems.

Potential risk impact

- Loss of profit, due to bad debt.

Risk management strategy

- To maintain and develop robust financial and operating systems to ensure any potential loss of income from third parties is minimised.

Risk mitigation actions

- Due diligence, including assessments of credit risk, is undertaken for all new clients and written contracts must be in place before commencing any significant work.
- Company policy requires credit limits to be imposed for all new commercial clients.

3. Weak economic conditions in the UK, due to impacts from Brexit and COVID-19

Risk description

- A weak UK economy may cause clients to reduce media investment and/or discretionary advertising expenditure.

Potential risk impact

- Loss of profit.

Risk management strategy

- To maintain a diversified business, with a strategy to increase exposure to areas less likely to be impacted by macroeconomic challenges.

Risk mitigation actions

- Diversify the business into faster-growing product areas.
- Review regular, detailed reporting by key business areas, ensuring senior management is kept abreast of divisional performance.
- Perform regular re-forecasts of financial performance, to reflect current economic environment/trends.

Strategic report (*continued*)

4. Maintaining a sound financial position

Risk description

- Insufficient liquidity and funding requirements to support the Company's liabilities and manage the growth of the business.

Potential risk impact

- Lack of funds for current operations and future growth.

Risk management strategy

- Maintain sufficient funding, with secure access to banking facilities, to meet liabilities and to fund the growth of the business. From a cost perspective, ensuring a cost management culture is integrated throughout the organisation.

Risk mitigation actions

- The Company has cash pooling arrangements in place with relationship banks through Dentsu International Limited.
- Daily cash reporting for all operations is maintained.
- Minimum headroom limits are monitored regularly.
- Working capital and cash conversion metrics are monitored regularly.

5. Impact of COVID-19

Risk description

- The global response to the COVID-19 pandemic is having a wide-ranging and significant impact on local and global economies.

Potential risk impact

- Negative impact on the Company's performance.

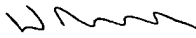
Risk management strategy

- 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.

Risk mitigation actions

- The Company has taken various actions to protect operating margins and preserve cash.
- The Company has worked with Dentsu International Limited to increase liquidity.
- The Company has increased monitoring of cash and net working capital positions.

By order of the Board


.....
D Romijn
Director

Date: 11 December 2020

Directors' report

The directors, who served during the year and are shown below, present their report and the financial statements of Amnet Limited ("the Company") for the year ended 31 December 2019.

Principal activity

The Company provides a range of services in the area of media communications, the principal of which is the placement of advertising, specifically programmatic buying (which relates to the use of automated technology for media buying). The Company is a subsidiary undertaking of Dentsu International Limited, and the ultimate parent company is Dentsu Group Inc.

Research and development

The Company is involved in media research and development in order to offer its clients media planning and buying methodology and research data. During the year, the Company spent £204,000 (2018: £274,000) on research and development.

Financial instruments

The Company did not use derivative financial instruments in 2019 or 2018.

Proposed dividend

There were no dividends paid or declared in 2019 (2018: Nil).

Directors

The directors who held office during the year were as follows:

N Thomas (resigned 21 June 2019)
D Romijn (appointed 21 June 2019)
M Platts (resigned 21 September 2020)
H Nicklin (appointed 7 October 2020)

Company secretary

A Moberly (resigned 29 February 2020)

Political contributions

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

Directors' report *(continued)*

Going concern

The Company has net assets and net current assets of £39,478,000 (2018: £35,380,000). The financial statements are prepared on a going concern basis, which the directors consider to be appropriate. The Company meets its day-to-day working capital requirements through its trading and the use of a cash pooling facility provided by the Dentsu International Limited group ("the Group"). The cash pooling facility is a Group facility which automatically includes any surplus cash generated by the Company and provides access to that cash upon 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 the 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, and is forecast to deposit, 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 the cash pooling 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 (within the Group) providing and accessing its funds to/from 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.

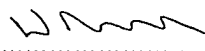
Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

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

By order of the Board



D Romijn
Director

Date: 11 December 2020

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.

Independent auditor's report to the members of Amnet Limited

Opinion

We have audited the financial statements of Amnet Limited ("the Company") for the period ended 31 December 2019 which comprise the Profit and Loss Account, the Balance Sheet, the 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 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

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.

Independent auditor's report to the members of Amnet Limited

(continued)

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.

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.



Sarah Styant (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square,
London,
E14 5GL

Date: 14 December 2020

Profit and Loss Account
for the year ended 31 December 2019

	<i>Note</i>	2019 £000	2018 £000
Turnover*		<u>64,283</u>	<u>55,664</u>
Revenue	2	9,601	10,954
Operating expenses		<u>(4,754)</u>	<u>(4,624)</u>
Operating Profit		4,847	6,330
Other interest receivable and similar income	6	241	190
Interest payable and similar expenses	7	<u>(28)</u>	<u>(15)</u>
Profit before tax		5,060	6,505
Tax on profit on ordinary activities	8	<u>(962)</u>	<u>(1,199)</u>
Profit for the year		<u>4,098</u>	<u>5,306</u>

* Refer to Note 1 where "Turnover" is defined.

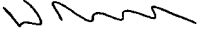
The Company has no other comprehensive income in the year or the prior year other than the profits as reported above and therefore no statement of other comprehensive income has been presented.

The notes on pages 12 – 20 form an integral part of these financial statements.

Balance Sheet
as at 31 December 2019

	<i>Note</i>	2019 £000	2018 £000
Current assets			
Debtors	9	58,596	52,003
Cash at bank and in hand		3,757	1,939
		<u>62,353</u>	<u>53,942</u>
Creditors: Amounts falling due within one year	10	(22,875)	(18,562)
Net current assets		<u>39,478</u>	<u>35,380</u>
Net assets		<u>39,478</u>	<u>35,380</u>
Capital and reserves			
Share capital	11	—	—
Profit and loss account		39,478	35,380
Shareholders' funds		<u>39,478</u>	<u>35,380</u>

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


.....
D Romijn
Director

Date: 11 December 2020

Company registered number: 3148086

The notes on pages 12 – 20 form an integral part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2019

	Share Capital	Profit and Loss Account	Total Equity
	£000	£000	£000
Balance at 1 January 2018	–	30,093	30,093
Adjustment on initial application of IFRS 9	–	(19)	(19)
Adjusted balance at 1 January 2018	–	30,074	30,074
Profit for the year	–	5,306	5,306
Balance at 31 December 2018	–	35,380	35,380
Balance at 1 January 2019	–	35,380	35,380
Profit for the year	–	4,098	4,098
Balance at 31 December 2019	–	39,478	39,478

The notes on pages 12 – 20 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Amnet Limited ("the Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 3148086 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* ("FRS 101").

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

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. The smallest group in which the results of the company are consolidated is the group headed by Dentsu International Limited.

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

- Cash Flow Statement and related notes;
- 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.

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

Measurement convention

The financial statements are prepared on the historical cost basis.

New standards that have been adopted by the Company

The Company has adopted the following standard which became effective for the annual reporting period beginning on 1 January 2019:

- IFRS 16, Leases - In January 2016, the IASB published IFRS 16 Leases. This standard replaces IAS 17 Leases and applies to annual reporting periods beginning on or after 1 January 2019. The standard has been endorsed by the EU. This standard does not impact these financial statements as the Company does not have any leases.

Going concern

The Company has net assets and net current assets of £39,478,000 (2018: £35,380,000). The financial statements are prepared on a going concern basis, which the directors consider to be appropriate. The Company meets its day-to-day working capital requirements through its trading and the use of a cash pooling facility provided by the Dentsu International Limited group ("the Group"). The cash pooling facility is a Group facility which automatically includes any surplus cash generated by the Company and provides access to that cash upon request to enable the Company to pay its obligations as they fall due.

Notes (continued)

1 Accounting policies (continued)

Going concern (continued)

The Company has assessed its cash flow forecasts for the period of not less than 12 months from the date of the 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, and is forecast to deposit, 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 the cash pooling 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 (within the Group) providing and accessing its funds to/from 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.

Turnover and Revenue

Turnover represents amounts billable for advertising 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, is still disclosed on the face of the profit and loss account as a non-GAAP measure in line with industry practice.

Revenue is derived from arrangements involving fees for advertising services, commissions on media placements, or a combination of the two, as agreed upon with each client. The Company recognises revenue in accordance with the 5-step model established under IFRS 15 'Revenue from contracts with customers'.

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

When revenue is in the form of advertising services, this is recognised over the life of the contract.

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.

Management recharges are derived from services provided by the Company to other Group entities. Revenue is recognised in line with the underlying arrangements with customers. Management recharges are recognised at the point of the provision of the services.

Notes (continued)

1 Accounting policies (continued)

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:

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 of the Company's financial assets, which includes trade and other receivables and cash, are categorised and valued at 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.

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 Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

Offsetting of balances within financial assets

In line with IAS 32, the Company does not offset other financial assets and liabilities where there is no legally enforceable right to do so.

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 as described below:

Financial liabilities measured at amortised cost using the effective interest method

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.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes (continued)

1 Accounting policies (continued)

Taxation (continued)

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Foreign currency

The Company's functional currency and presentation currency is pounds sterling. Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

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

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Accounting estimates and judgements

The Company makes estimates and judgements concerning the future, and the resulting estimates may, by definition, vary from the related actual results. The directors consider the critical accounting estimates and judgements to be:

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. The likelihood of collection of trade receivables also requires judgement to be applied. The Company monitors the levels of provisioning required based on historical trends and by detailed review of individually significant balances.

Notes (continued)

2 Revenue from contracts with customers

The analysis of the Company's revenue for the year from continuing operations by geographical market is as follows:

Geographical market:

	2019	2018
	£000	£000
UK & Europe	7,798	10,766
Rest of the World	78	188
	<u>7,876</u>	<u>10,954</u>

Revenue by activity:

	2019	2018
	£000	£000
Media communications	7,876	10,954
Revenue from contracts with customers	7,876	10,954
Management recharges	1,725	–
	<u>9,601</u>	<u>10,954</u>

3 Expenses and auditor's remuneration

Included in the Profit and Loss Account are the following:

	2019	2018
	£000	£000
Auditor's remuneration	11	21
Exchange losses	141	114
	<u>152</u>	<u>135</u>

There are no amounts payable to the Company's auditor and its associates in respect of services to the Company other than the audit of the Company's financial statements.

Notes (continued)

4 Directors' remuneration

The directors of the Company were also either employees or directors of another Group entity. The directors did not receive any remuneration for their services as directors of the Company, and do not consider it practicable to apportion their remuneration between their services as directors of the Company and their services as employees or directors of another Group entity. No director was a member of a company pension scheme.

5 Staff numbers and costs

The average number of persons employed by the Company during the year was as follows:

	2019 No.	2018 No.
Staff during the year	<u>53</u>	<u>44</u>

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	3,502	3,314
Social security costs	154	266
Other pension costs	49	78
	<u>3,705</u>	<u>3,659</u>

6 Other interest receivable and similar income

	2019 £000	2018 £000
Interest income from deposits held with group undertakings	<u>241</u>	<u>190</u>

7 Interest payable and similar expense

	2019 £000	2018 £000
Interest payable on loans held with group undertakings	<u>28</u>	<u>15</u>

Notes (continued)

8 Taxation

(a) Recognised in the profit and loss account

	2019 £000	2018 £000
<i>UK Corporation Tax</i>		
Current tax on income for the period	962	1,236
Adjustments in respect of prior periods	–	(37)
Deferred Tax	–	–
Adjustment in respect of prior periods	–	–
Total tax charge on ordinary activities	<u>962</u>	<u>1,199</u>

(b) Reconciliation of effective tax rate

The tax assessed for the period is in line with the standard rate of corporation tax in the UK: 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
Profit before tax for the year	5,060	6,505
Total tax expense	<u>(962)</u>	<u>1,199</u>
Profit excluding taxation		
Tax using the UK corporation tax rate of 19% (2018: 19%)	962	1,236
Non-deductible expenses	–	–
Adjustments in respect of prior periods	–	(37)
Tax charge on ordinary activities	<u>962</u>	<u>1,199</u>

The Government announced in the 2020 Budget that the corporation tax rate will remain at 19% from 1 April 2020 and not be reduced to 17%, as previously announced.

Notes (continued)

9 Debtors

	2019 £000	2018 £000
Trade receivables	2,529	29
Accrued Income	865	673
Amounts owed from related parties	55,151	50,110
Prepayments	–	1
Other debtors	51	1,190
	<u>58,596</u>	<u>52,003</u>

10 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	155	734
Accruals and deferred income	19,204	12,873
Taxation and social security	2,203	3,377
Amounts due to related parties	500	952
Other creditors	813	626
	<u>22,875</u>	<u>18,562</u>

11 Capital and reserves

Share capital

	2019 No.	2019 £000	2018 No.	2018 £000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	100	–	100	–

12 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Dentsu International Limited, a company incorporated in the United Kingdom.

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 the results of the company are consolidated is the group headed by Dentsu International Limited. No other group financial statements include the results of the Company.

Notes (continued)

13 Subsequent events

COVID-19

On 11 March 2020 the World Health Organisation declared the spread of COVID-19 a global pandemic. Although a novel disease was identified in China in late 2019, the significant development and spread of COVID-19 and the subsequent international response did not take place until after the financial reporting date of 31 December 2019. As such, the Company has determined that these events are non-adjusting post-balance sheet events, and therefore these financial statements exclude the effects of the COVID-19 outbreak in their preparation.

Further information regarding the nature of the pandemic, its impact on the Company and the Company's response is disclosed in the Strategic Report.

Although amounts recognised in the financial statements are not adjusted to reflect non-adjusting events, IAS 10 'Events after the Reporting Period' requires entities to disclose an estimate of financial impact for material categories of non-adjusting events.

As at the date of signing these financial statements, the full duration and impact of the COVID-19 pandemic remains unclear. Nonetheless, management's latest forecasts in respect of the extent of revenue decline in 2020, effectiveness of mitigating actions being taken to protect margin, and speed of recovery in 2021 and beyond do not currently indicate any changes to the Company's going concern basis.

Further, the Company has not incurred any material losses on receivables due to COVID-19, and no further information has been identified that suggests significant adjustments are currently required to forward-looking loss allowance assumptions applied as at 31 December 2019.