

**Strategic Report, Directors' Report and
Audited Financial Statements
for the Year Ended 31 December 2019
for
Dentsu Aegis Edinburgh Limited**



**Contents of the Financial Statements
for the Year Ended 31 December 2019**

	Page
Company Information	1
Strategic Report	2
Directors' Report	4
Directors' Responsibilities Statement	7
Independent Auditors' Report to the members of Dentsu Aegis Edinburgh Limited	8
Statement of Comprehensive Income	10
Balance Sheet	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13

Dentsu Aegis Edinburgh Limited

**Company Information
for the Year Ended 31 December 2019**

DIRECTORS:

A W Blease
R S McDonald
M Platts
D R Romijn

REGISTERED OFFICE:

10 Triton Street
Regent'S Place
London
NW1 3BF

REGISTERED NUMBER:

03349501 (England and Wales)

AUDITORS:

KPMG LLP
15 Canada Square
London
E14 5GL

**Strategic Report
for the Year Ended 31 December 2019**

The Directors present their strategic report of the business for the financial year ending 31st December 2019

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.

BUSINESS REVIEW

The results for Dentsu Aegis Edinburgh ('Company') are set out in the Statement of Comprehensive Income on page 10. The Company recorded revenue of £5,791,777 (2018: £5,932,171). Profit before Tax was £1,921,052 (2018: £1,525,989). The strong increase in profitability related to a restructure of its client teams and an overall reduction in Operating expenses leading to an increased Operating Profit margin.

The Balance Sheet detailed on page 11 shows a net equity position of £3,709,242 (2018: £6,711,552). The reduction year on year related to a £4,500,000 dividend paid to its parent company Dentsu Aegis London Limited.

KEY PERFORMANCE INDICATORS

2019 has delivered a strong performance in the context of the industry with the following performance against major Key Performance Indicators ('KPIs').

- Turnover Decline	- 2.7% (2018: - 1.8%)
- Organic Revenue Growth	0.7% (2018: 6.2%)
- Profit before Tax Growth	25.9% (2018: 8.8%)
- Operating Profit Margin	31.4% (2018: 24.5%)

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 Aegis Network Ltd.

Observing compliance all our business activities has been a key focus for the Company in 2019. 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.

2019 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.

**Strategic Report
for the Year Ended 31 December 2019**

- 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.

Future developments

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.

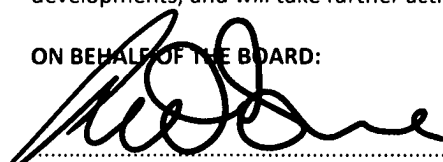
Any client reduction or deferral of media spend to preserve cash will impact the Company's revenues. Recent investment in technology has enabled teams to continue to work effectively from home during periods of office closure.

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 Aegis Network; 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 19 (Post Balance Sheet Events). Management continues to monitor developments, and will take further action to mitigate any impact on the Company's operations as necessary.

ON BEHALF OF THE BOARD:


A W Blease - Director

Date: 20/8/2020

**Directors' Report
for the Year Ended 31 December 2019**

The directors present their report and financial statements of the company for the year ended 31 December 2018.

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

DIVIDENDS

An interim dividend of £45.83 per share was paid on 31 December 2019. The directors recommend that no final dividend be paid.

The total distribution of dividends for the year ended 31 December 2019 was £4,500,000.

See note 8 of the financial statements.

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.

Further information on future developments regarding Covid 19 is given on the Strategic Report on page 2.

GOING CONCERN

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 Dentsu Aegis Network Ltd 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 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 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.

**Directors' Report
for the Year Ended 31 December 2019**

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

The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

A W Blease
R S McDonald
M Platts

Other changes in directors holding office are as follows:

D R Romijn - appointed 24 June 2019
D A Lucas - resigned 24 June 2019
N P Thomas - resigned 24 June 2019

**Directors' Report
for the Year Ended 31 December 2019**

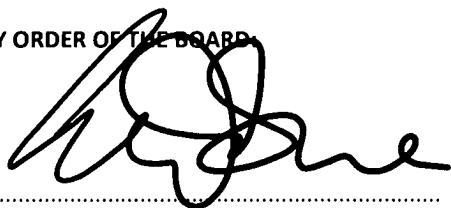
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

A handwritten signature in black ink, appearing to read 'A W Blease', written over a dotted line.

A W Blease - Director

Date: 20/8/2020

**Directors' Responsibilities Statement
for the Year Ended 31 December 2019**

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 Auditors' Report to the Members of
Dentsu Aegis Edinburgh Limited**

Opinion

We have audited the financial statements of Dentsu Aegis Edinburgh Limited ("the company") for the year ended 31 December 2019 which comprise the Profit and Loss Account and Other Comprehensive Income, 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 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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 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 Auditors' Report to the Members of
Dentsu Aegis Edinburgh Limited**

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 8, 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.

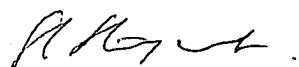
Auditor's responsibilities

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
15 Canada Square
London
E14 5GL

Date: 20th August 2020.

**Statement of Comprehensive Income
for the Year Ended 31 December 2019**

	Notes	2019 £	2018 £
TURNOVER*	1.5	40,025,808	41,153,084
REVENUE	2	5,971,777	5,932,171
Operating expenses		<u>(4,099,292)</u>	<u>(4,479,924)</u>
OPERATING PROFIT		1,872,485	1,452,247
Interest receivable and similar income	4	<u>70,120</u>	<u>73,742</u>
		1,942,605	1,525,989
Interest payable and similar expenses	5	<u>(21,553)</u>	<u>-</u>
PROFIT BEFORE TAXATION	6	1,921,052	1,525,989
Tax on profit	7	<u>(423,362)</u>	<u>(301,747)</u>
PROFIT FOR THE FINANCIAL YEAR		1,497,690	1,224,242
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,497,690</u>	<u>1,224,242</u>

*Refer to note 1.5 Page 17 where turnover is defined

Balance Sheet
31 December 2019

	Notes	2019		2018	
		£	£	£	£
FIXED ASSETS					
Tangible assets	9		725,647		342,999
CURRENT ASSETS					
Debtors	10	16,450,824		19,403,613	
Cash at bank		<u>423,482</u>		<u>195,230</u>	
		16,874,306		19,598,843	
CREDITORS					
Amounts falling due within one year	11	<u>(13,578,557)</u>		<u>(13,230,290)</u>	
NET CURRENT ASSETS			<u>3,295,749</u>		<u>6,368,553</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			4,021,396		6,711,552
CREDITORS					
Amounts falling due after more than one year	12		<u>(312,154)</u>		<u>-</u>
NET ASSETS			<u><u>3,709,242</u></u>		<u><u>6,711,552</u></u>
CAPITAL AND RESERVES					
Called up share capital	15		98,168		98,168
Retained earnings	16		<u>3,611,074</u>		<u>6,613,384</u>
SHAREHOLDERS' FUNDS			<u><u>3,709,242</u></u>		<u><u>6,711,552</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 20/8/2020 and were signed on its behalf by:



A W Blease - Director

**Statement of Changes in Equity
for the Year Ended 31 December 2019**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2018	98,168	5,398,862	5,497,030
Changes in equity			
Adjustment on initial application of IFRS 9	-	(9,720)	(9,720)
Total comprehensive income	-	1,224,242	1,224,242
Balance at 31 December 2018	<u>98,168</u>	<u>6,613,384</u>	<u>6,711,552</u>
Changes in equity			
Total comprehensive income	-	1,497,690	1,497,690
Dividends	-	(4,500,000)	(4,500,000)
Balance at 31 December 2019	<u>98,168</u>	<u>3,611,074</u>	<u>3,709,242</u>

**Notes to the Financial Statements
for the Year Ended 31 December 2019**

1. ACCOUNTING POLICIES

Authorisation and statement of compliance with frs 101

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

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

1.1 Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019.

Going Concern

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 Aegis Network Ltd 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 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.

1.2 New standards adopted

The company has adopted the following IFRSs in these financial statements

"IFRS 16": Leases. See note 1.3 below. This has been adopted using the modified retrospective method and as a result the comparatives have not been restated and are reported under IAS 17.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2019**

Change in significant accounting policies due to IFRS 16

The company has applied IFRS 16 using the modified retrospective approach. Therefore, the comparative information has not been restated and continues to be reported under IAS 17. Additionally, the disclosure requirements in IFRS 16 have not been generally applied to comparative information. The details of the significant changes and quantitative impact of the changes are set out below.

(a) Definition of a lease

Previously the company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4: Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 1.3. On transition, for practical expediency, the Company elected to apply the IFRS 16 only to contracts that were previously identified as leases. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019. On transition, the company has reassessed all contracts to assess whether they contain a lease based upon this definition.

(b) As a lessee

The company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the company. Under IFRS 16, the company recognises right-of-use assets and lease liabilities for most of these leases - i.e. these leases are on-balance sheet.

Leases classified as operating leases under IAS 17

On transition, for operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the company's incremental borrowing rate as at 1 January 2019. Right-of-use assets were measured as an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the company applied this approach to all leases.

The company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired. In applying IFRS 16 to leases previously classified as operating leases under IAS 17, the company did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment). When measuring the lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 3.52X%.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2019**

The following table summarises the difference between the operating lease commitments disclosed under IAS 17 at 31 December 2018 in the company's financial statements and the lease liabilities recognised at 1 January 2019:

	1 January 2019 £
Operating lease commitments at 31 December 2018 as disclosed in the company's financial statements under IAS 17	779,076
(Less): short-term leases not recognised as a liability	<u>-</u>
Undiscounted lease payments	<u>779,076</u>
Discounted using the incremental borrowing rate at 1 January 2019	<u>736,143</u>
Lease liabilities recognised as at 1 January 2019	<u>736,143</u>

The company has applied IFRS 16 using the modified retrospective approach under which the right-of-use asset at 1 January 2019 is equal to the lease liability at that date.

Information about leases for which the company is a lessee is the following

Right-of-use assets

Right-of-use assets related to lease properties that do not meet the definition of investment properties but presented as tangible assets (note 9):

	Total £
Balance at 1 January 2019	-
Additions to right-of-use assets	736,143
Lease incentive liability	-
Depreciation charge for the year	<u>(220,843)</u>
Balance at 31 December 2019	<u>515,300</u>

Lease liabilities

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2019 were as follows:

	Total £
Within 1 year	229,881
2 to 5 years	319,314
More than 5 years	-
Less: finance charge	<u>(21,380)</u>
	<u>527,815</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2019**

Amounts recognised in profit or loss	Total £
Interest expenses on lease liabilities	21,553
Expenses relating to leases of low value	-
Depreciation expense on right-of-use assets	<u>220,843</u>
Profit and loss Impact 2019	<u>242,396</u>
2018 - Operating leases under IAS 17	
Lease expense	<u>190,451</u>
Profit and loss Impact 2018	<u>190,451</u>

1.3 Consolidated accounts

The financial statements contain information about Dentsu Aegis Edinburgh Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, Dentsu Aegis Network Ltd, a company incorporated in United Kingdom.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- the requirements of paragraph 58 of IFRS 16;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2019**

1.4 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.

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.

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.

1.5 Significant accounting policies

Turnover

Turnover represents amounts billable 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.

Revenue

The Company's major sources of revenue are from advertising and media services including creative, planning, buying and other ad-hoc project and consulting 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 group 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.

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.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2019**

Revenue is recognised as the performance obligation to which it relates is satisfied. Most of the Company's revenue is recognised over 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. These include:

- Straight line
- In proportion to the level of time worked as a percentage of total expected time worked on the contract
- In proportion to the costs incurred as a percentage of total expected costs
- Customer milestones delivered

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 over time 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 fixed assets are stated at historical cost less accumulated depreciation and any recognised impairment losses. The cost of tangible fixed assets includes only expenditure incurred in bringing the assets into working condition for their intended use

Depreciation is provided on all tangible fixed assets to write off the cost less estimated residual value of each asset evenly over its estimated useful life, as follows:

Right of use asset	- Variable over the term of the lease
Leasehold property	- 2% on cost
Property leasehold improvements	- 20% on cost
Plant & equipment	- 33 1/3% on cost

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Investments

The Company's investment in its subsidiary undertaking is 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.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2019**

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.

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

Leases (policy applicable from 1 January 2019)

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

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.

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.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2019**

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.

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.

Financial instruments (From 1 January 2018)

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:

Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Current trade receivables do not carry any interest charge. Interest may be charged on overdue balances.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2019**

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.

Additionally, the Company has Trade and Other Receivables that are subject to IFRS 9's new expected credit loss model. Therefore, the Company was required to amend its impairment methodology for Trade and Other Receivables.

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

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

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. This resulted in an increase in the loss allowance on 1 January 2018 by £12,000.

Offsetting of balances within financial assets

In line with IAS 32, the Company has a legally enforceable right, and there is an intention to settle on a net basis, through signed legal agreements, to offset cash deposits and overdrafts that are in cash-pool arrangements with relationship banks. The Company does not offset other financial assets and liabilities where there is no legally enforceable right to do.

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.

2. REVENUE

Analysis of Revenue

	2019	2018
	£	£
United Kingdom	5,590,336	5,620,315
Rest of the World	381,441	311,856
	<u>5,971,777</u>	<u>5,932,171</u>

Contract asset balances recognised at 31 December 2019 are £Nil (as at 1 January 2019 £Nil)

3. EMPLOYEES AND DIRECTORS

	2019	2018
	£	£
Wages and salaries	2,549,305	2,682,085
Social security costs	265,192	282,433
Other pension costs	80,765	54,896
	<u>2,895,262</u>	<u>3,019,414</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

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

	2019	2018
Management	4	5
Media and administration	<u>61</u>	<u>59</u>
	<u>65</u>	<u>64</u>
	2019	2018
	£	£
Directors' remuneration	<u>-</u>	<u>-</u>

The directors of the Company are also directors of the other group undertakings. Their remuneration for the year was paid by fellow group related undertakings. The directors do not consider it is practicable to apportion this amount between their services as directors of the Company and their services as directors of the fellow group undertakings.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019	2018
	£	£
Interest receivable from deposits held with group undertakings	<u>70,120</u>	<u>73,742</u>

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019	2018
	£	£
Interest charge for right of use asset	<u>21,553</u>	<u>-</u>

6. PROFIT BEFORE TAXATION

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

	2019	2018
	£	£
Depreciation - owned assets	127,535	126,689
Depreciation - right of use assets	220,843	-
Profit on disposal of fixed assets	(535)	-
Auditors' remuneration	12,500	10,500
Foreign exchange differences	16,576	27,116

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

7. TAXATION

Analysis of tax expense

	2019 £	2018 £
Current tax:		
Tax	423,560	314,850
Adjustments in respect of prior periods	-	(5,470)
Total current tax	<u>423,560</u>	<u>309,380</u>
Deferred tax:		
Origination and reversal of timing differences	(198)	(5,861)
Impact of change in tax rate	-	(2,090)
Adjustment in respect of prior periods	-	318
Total deferred tax	<u>(198)</u>	<u>(7,633)</u>
Total tax expense in statement of comprehensive income	<u>423,362</u>	<u>301,747</u>

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:

	2019 £	2018 £
Profit before income tax	<u>1,921,052</u>	<u>1,525,989</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	365,000	289,938
Effects of:		
Expenses not deductible for tax purposes	61,824	19,051
Adjustments in respect of prior year - current and deferred	(3,462)	(5,152)
Adjustment in tax rate on deferred tax balances	-	(2,090)
Tax expense	<u>423,362</u>	<u>301,747</u>

Factors that may affect future tax charges

UK corporation tax is calculated at 22.038% (2018: 19.774%) of the estimated assessable profit for the year.

In the 2020 Budget released on 11 March 2020, the Government announced its intention to reverse the previous cut in corporation tax rates from 19% to 17% which would have been effective from 1 April 2020.

As this was not enacted at the balance sheet date, the impact of this will be accounted for within the financial statements for the period ended 31 December 2020

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

8. DIVIDENDS

	2019 £	2018 £
Ordinary shares of £1 each		
Interim	<u>4,500,000</u>	<u>-</u>

9. TANGIBLE FIXED ASSETS

	Right of use asset £	Short leasehold property £	Property leasehold improvements £	Plant & equipment £	Totals £
COST					
At 1 January 2019	-	20,020	313,518	203,048	536,586
Additions	736,143	-	1,455	7,143	744,741
Disposals	<u>-</u>	<u>(20,020)</u>	<u>-</u>	<u>-</u>	<u>(20,020)</u>
At 31 December 2019	<u>736,143</u>	<u>-</u>	<u>314,973</u>	<u>210,191</u>	<u>1,261,307</u>
DEPRECIATION					
At 1 January 2019	-	6,138	87,189	100,260	193,587
Charge for year	220,843	167	68,489	58,879	348,378
Disposals	<u>-</u>	<u>(6,305)</u>	<u>-</u>	<u>-</u>	<u>(6,305)</u>
At 31 December 2019	<u>220,843</u>	<u>-</u>	<u>155,678</u>	<u>159,139</u>	<u>535,660</u>
NET BOOK VALUE					
At 31 December 2019	<u>515,300</u>	<u>-</u>	<u>159,295</u>	<u>51,052</u>	<u>725,647</u>
At 31 December 2018	<u>-</u>	<u>13,882</u>	<u>226,329</u>	<u>102,788</u>	<u>342,999</u>

10. DEBTORS

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	9,534,110	6,353,355
Amounts owed by group undertakings	5,953,019	11,757,130
Other debtors	3,388	7,666
Prepayments and accrued income	<u>935,576</u>	<u>1,259,748</u>
	<u>16,426,093</u>	<u>19,377,899</u>
Amounts falling due after more than one year:		
Deferred tax	<u>24,731</u>	<u>25,714</u>
Aggregate amounts	<u>16,450,824</u>	<u>19,403,613</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	£
Leases (see note 13)	215,661	-
Trade creditors	3,066,219	2,772,626
Corporation tax	737,310	314,850
Social security and other taxes	582,071	895,575
Other creditors	321,406	1,092,734
Group relief payable	-	275,079
Accruals and deferred income	8,655,890	7,879,426
	<u>13,578,557</u>	<u>13,230,290</u>

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

	2019	2018
	£	£
Leases (see note 13)	<u>312,154</u>	<u>-</u>

13. FINANCIAL LIABILITIES - BORROWINGS

	2019	2018
	£	£
Current:		
Leases (see note 14)	<u>215,661</u>	<u>-</u>
Non-current:		
Leases (see note 14)	<u>312,154</u>	<u>-</u>

Terms and debt repayment schedule

	1 year or less	1-2 years	2-5 years	Totals
	£	£	£	£
Leases	<u>215,661</u>	<u>222,721</u>	<u>89,433</u>	<u>527,815</u>

14. LEASING

Lease liabilities

Minimum lease payments fall due as follows:

	2019	2018
	£	£
Gross obligations repayable:		
Within one year	229,881	-
Between one and five years	319,314	-
	<u>549,195</u>	<u>-</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2019**

Lease liabilities continued

	2019 £	2018 £
Finance charges repayable:		
Within one year	14,220	-
Between one and five years	<u>7,160</u>	<u>-</u>
	<u>21,380</u>	<u>-</u>
Net obligations repayable:		
Within one year	215,661	-
Between one and five years	<u>312,154</u>	<u>-</u>
	<u>527,815</u>	<u>-</u>

Operating leases not capitalised

IFRS 16 (Leases) became mandatory on 1 January 2019, replacing IAS 17 (Leases). At that date Dentsu Aegis Edinburgh held nil operating leases. Nil were for periods less than one year and nil were of a low value lease. As such, 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 2019, the Company had annual commitments under non-cancellable operating leases of £ nil (31 December 2018, Non-cancellable operating lease of £nil).

15. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			2019 £	2018 £
Number:	Class:	Nominal value:		
98,168	Ordinary	£1	<u>98,168</u>	<u>98,168</u>

16. RESERVES

	Retained earnings £
At 1 January 2019	6,613,384
Profit for the year	1,497,690
Dividends	<u>(4,500,000)</u>
At 31 December 2019	<u>3,611,074</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2019**

17. CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 2019 (2018: none).

18. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

Dentsu Aegis Edinburgh Limited is a wholly owned subsidiary of Dentsu Aegis London Limited, a company incorporated in Great Britain and registered in England and Wales. The ultimate parent undertaking and controlling party is Dentsu Inc., a company incorporated in Tokyo and registered in Japan

Dentsu 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 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 Aegis Network Ltd.

19. POST BALANCE SHEET 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 Companies 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.