

**D 2 D Limited**

**Annual financial statements**

**Registered number 04144412**

**31 December 2019**



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## **Company information**

### **Directors**

M Armitage (appointed 20 January 2020)

D Romijn (appointed 10 October 2020)

S Bardega (resigned 21 September 2020)

P Dyson (resigned 9 December 2019)

K Munford (resigned 11 July 2019)

N Thomas (resigned 5 February 2020)

### **Company secretary**

A Moberly (resigned 29 February 2020)

### **Registered office**

10 Triton Street  
Regent's Place  
London  
NW1 3BF

### **Auditor**

KPMG LLP  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL

## Directors' report

The directors, who served during the year and are shown on page 2, present their report and the Financial Statements of D 2 D Limited ("the Company") for the year ended 31 December 2019.

### Principal activity

The Company is an analytics consultancy company, centred on specialist, web-based tools used by clients to gain market insight.

### Business review

The results of the Company for the year are set out in the Profit and Loss Account and Other Comprehensive Income on page 9. Revenue was up 5.3% in 2019 (8.4% in 2018), and is attributable to a general upturn in business relating to several one-off projects in 2019 that were non-recurring during the previous financial year. The Company made a profit before tax for the financial year of £1,209,000 (2018: £453,000).

The Balance Sheet on page 10 of the Financial Statements shows the Company's financial position. At 31 December 2019 the Company was in a strong net asset position of £7,880,000 (2018: net asset position of £6,876,000).

The directors believe the company has a healthy pipeline, with numerous projects confirmed for 2020.

### Principal risks and uncertainties

The Company's principal risk is from the recovery of amounts owed by trade debtors. This is managed via the Company's credit insurance, ensuring work is not undertaken without formal approval, setting of payment terms in line with Company targets and regular reviewing and follow up of customer collections. The Company oversees the management of its trade debtors via regular monitoring of overdue debts against Company targets.

The Company maintains its liquidity via the careful management and timing of its billing to customers and by ensuring that payment terms with suppliers are aligned to those agreed with its customers.

The Company also faces risk due to economic conditions caused by impacts from Brexit and COVID-19. The Company mitigates this risk through regular monitoring of cash and net working capital positions, taking actions to protect operating margins and preserve cash, where necessary.

### Going concern

The company has net assets of £7,880k (2018: £6,876k) and net current assets of £7,364k (2018: £6,383k). 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

## **Directors' report** *(continued)*

### **Going concern** *(continued)*

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.

### **Proposed dividend**

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

### **Political and charitable contributions**

The Company did not make charitable or political donations during the year (2018: £nil).

### **Research and development**

During the year, the Company did not incur any expenditure on research and development (2018: £nil).

### **Disclosure of information to the auditors**

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.

### **Strategic report**

The Company has elected not to include a strategic report in these annual financial statements, in line with the exemptions available under s414 of the Companies Act 2006.

### **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 International Limited; and
- increased monitoring of cash and net working capital positions.

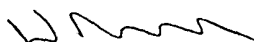
## **Directors' report** *(continued)*

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 14 Subsequent events. Management continues to monitor developments and will take further action to mitigate any impact on the Company's operations as necessary

### **Auditor**

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

By order of the Board



**D Romijn**  
*Director*

Date: 22 April 2021  
10 Triton Street, Regent's Place, London, NW1 3BF

## **Statement of directors' responsibilities in respect of the annual financial statements**

The directors are responsible for preparing the 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 D 2 D Limited**

### **Opinion**

We have audited the financial statements of D 2 D 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.

### **Directors' report**

The Directors are responsible for the Directors' report. Our opinion on the financial statements does not cover these reports and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read 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 Directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.



## **Independent auditor's report to the members of D 2 D Limited**

*(continued)*

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report 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;
- 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](http://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: 22 April 2021

**Profit and Loss Account and Other Comprehensive Income**  
*for the year ended 31 December 2019*

		2019	2018
	<i>Note</i>	£000	£000
Revenue	2	4,355	4,134
Operating expenses	3	<u>(3,179)</u>	<u>(3,706)</u>
<b>Operating profit</b>		<b>1,176</b>	<b>428</b>
Interest receivable and similar income	6	<u>33</u>	<u>25</u>
<b>Profit before tax</b>		<b>1,209</b>	<b>453</b>
Tax on profit on ordinary activities	7	<u>(205)</u>	<u>(118)</u>
<b>Profit for the year</b>		<b><u>1,004</u></b>	<b><u>335</u></b>
Other comprehensive income		<u>—</u>	<u>—</u>
<b>Total comprehensive income for the year</b>		<b><u>1,004</u></b>	<b><u>335</u></b>

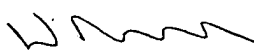
The notes on pages 12 – 24 form an integral part of these financial statements.

The profit and loss account has been prepared on the basis that all operations are continuing operations

**Balance Sheet**  
*as at 31 December 2019*

	Note	2019 £000	2018 £000
<b>Fixed assets</b>			
Intangible assets	8	475	446
Tangible fixed assets	9	—	23
Deferred tax assets	10	41	24
		<u>516</u>	<u>493</u>
<b>Current assets</b>			
Debtors	11	8,010	7,105
Cash at bank and in hand		—	5
		<u>8,010</u>	<u>7,110</u>
<b>Creditors: Amounts falling due within one year</b>	12	<u>(646)</u>	<u>(727)</u>
<b>Net current assets</b>		<u>7,364</u>	<u>6,383</u>
<b>Net assets</b>		<u>7,880</u>	<u>6,876</u>
<b>Capital and reserves</b>			
Called up share capital	13	—	—
Share premium reserve		52	52
Profit and loss account		<u>7,828</u>	<u>6,824</u>
<b>Shareholders' funds</b>		<u>7,880</u>	<u>6,876</u>

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

  
.....  
**D Romijn**  
Director

Date: 22 April 2021  
10 Triton Street, Regent's Place, London, NW1 3BF

Company registered number: 04144412

The notes on pages 12 - 24 form an integral part of these financial statements.

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

	Share Capital £000	Share Premium £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018	–	52	6,478	6,530
Adjustment on initial applications of IFRS 9	–	–	11	11
Adjusted balance at 1 January 2018	–	52	6,489	6,541
Profit for the year	–	–	335	335
Balance at 31 December 2018	–	52	6,824	6,876
Balance at 1 January 2019	–	52	6,824	6,876
Profit for the year	–	–	1,004	1,004
<b>Balance at 31 December 2019</b>	<b>–</b>	<b>52</b>	<b>7,828</b>	<b>7,880</b>

The notes on pages 12 – 24 form an integral part of these financial statements.

## Notes

(forming part of the financial statements)

### 1 Accounting policies

#### Company Information

D 2 D Limited ("the Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 04144412 and the registered address is 10 Triton Street, Regent's Place, London, NW1 3BF.

#### Accounting convention

These financial statements were prepared in accordance with FRS 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 reduced disclosure framework 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, whose registered address is 10 Triton Street, Regent's Place, London, NW1 3BF.

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

- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- 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

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

- Certain disclosures required by IAS 36 *Impairment of Assets* in respect of the impairment of goodwill and indefinite life intangible assets;

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:

## Notes (continued)

### 1 Accounting policies (continued)

- 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 has no impact on these financial statements as the Company holds no leases. )

#### Going concern

The company has net assets of £7,880k (2018: £6,876k) and net current assets of £7,364k (2018: £6,383k). 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 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.

#### Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

Separately acquired intangible assets are capitalised at cost.

## Notes (continued)

### 1 Accounting policies (continued)

An internally generated intangible asset arising from the Company's development activities is recognised only if all of the following conditions are met:

- An asset is created that can be identified (such as software and new processes);
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Where these criteria are met, the development expenditure is capitalised at cost. Where they are not met, development expenditure is recognised as an expense in the period in which it is incurred. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

#### Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets (both internally generated and separately acquired) unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Software – 33% per annum
- Other – 10% to 20% per annum

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement.

#### Development costs

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or services. The expenditure capitalised includes the costs of the materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

#### Tangible fixed assets

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

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- Office furniture, fixtures, equipment and vehicles – 20% per annum

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

#### 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.

## Notes (continued)

### 1 Accounting policies (continued)

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.

#### Deferred tax

The key area of judgement in respect of deferred tax accounting is 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, assessment is required of whether it is probably that there will be suitable future taxable profits against which any deferred tax assets can be utilised.

#### Revenue

The Company's major sources of revenue are from advertising and media services including creative, planning 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'. 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.

#### Assets and liabilities related to contracts with customers

Contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date. These are presented within trade receivables and accrued income and mainly represent accrued income where a performance obligation has been satisfied but the right to consideration is conditional and has not yet been billed. Deferred income balances presented within Trade and other payables in the balance sheet are considered contract liabilities.

#### 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. All of the Company's financial assets are classified and subsequently measured at amortised cost described below:

##### 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



## Notes (continued)

### 1 Accounting policies (continued)

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**

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.

#### **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.

#### **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.

## Notes (continued)

### 1 Accounting policies (continued)

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

#### Interest receivable and similar income

Interest income is recognised on an accruals basis which is earned on deposits held with group undertakings.

#### 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.

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 following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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.

## Notes (continued)

### 2 Revenue

The Company operates in one business segment, being project fees and one geographical segment, being the United Kingdom and Ireland. The analysis of the Company's revenue for the year from continuing operations by geographical market is as follows:

	2019 £000	2018 £000
UK & Europe	4,355	4,134
	<u>4,355</u>	<u>4,134</u>

#### Assets and liabilities related to contracts with customers

Contract assets balances recognised as at 31 December 2019 total £555,000 (2018: £935,000). These balances are presented within Trade receivables and Accrued income and mainly represent accrued income where a performance obligation has been satisfied but the right to consideration is conditional and has not yet been billed. Deferred income balances presented within Trade and other payables in the balance sheet are considered contract liabilities. There have been no significant changes in contract asset and liability balances.

#### Revenue recognised in relation to contract liabilities

Revenue recognised in the reporting period that had been included in the contract liability balance at the beginning of the period was £46,000 (2018: £613,000). Revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods is immaterial.

#### Unsatisfied long-term performance obligations

The amount disclosed does not include variable consideration which is constrained. As permitted under IFRS 15, a practical expedient has been applied and the transaction price allocated to unsatisfied performance obligations for contracts with an expected duration of less than one year is not disclosed.

#### Assets recognised from costs to obtain or fulfil a contract

As at 31 December 2019 and 31 December 2018, there are no material contract assets in relation to the costs to obtain or fulfil contracts with customers.

### 3 Expenses and auditors' remuneration

Included in the Profit and loss account are the following:

	2019 £000	2018 £000
Auditor's remuneration	10	10
Amortisation expense	221	338
Depreciation expense	4	13
	<u>235</u>	<u>361</u>

There are no amounts receivable by 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 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, was as follows:

	2019 No.	2018 No.
Marketing consultants	<u>32</u>	<u>33</u>

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	2,210	2,551
Social security costs	243	265
Other pension costs – contributions	97	84
	<u>2,550</u>	<u>2,900</u>

### 5 Directors' remuneration

	2019 £000	2018 £000
Directors' remuneration	303	392
Company contributions to money purchase schemes	21	–
	<u>324</u>	<u>392</u>

During the year the number of directors who were receiving retirement benefits was as follows:

	2019 No.	2018 No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

### 6 Interest receivable and similar income

	2019 £000	2018 £000
Interest receivable from deposits held with group undertakings	<u>33</u>	<u>25</u>

## Notes (continued)

### 7 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	245	128
Adjustments in respect of prior periods	(23)	–
<b>Deferred tax</b>		
Charge for the year	(17)	(37)
Adjustment in respect of prior periods	–	27
Tax on profit on ordinary activities	<u>205</u>	<u>118</u>

#### (b) Reconciliation of effective tax rate

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK: 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
<b>Profit on ordinary activities before taxation</b>	<u>1209</u>	<u>453</u>
Tax using the UK corporation tax rate of 19% (2018: 19%)	230	86
Adjustments in respect of prior years	(23)	27
Deferred tax rate change	(3)	4
Non-deductible expenses	1	1
Tax charge on ordinary activities	<u>205</u>	<u>118</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)

### 8 Intangible assets

	<b>Software</b>
	<b>£000</b>
<b>Cost</b>	
Balance at 1 January 2019	1,520
Additions	250
Reclassification	(249)
Balance at 31 December 2019	<u><u>1,521</u></u>
<b>Amortisation</b>	
Balance at 1 January 2019	1,074
Charge for the year	221
Reclassification	(249)
At 31 December 2019	<u><u>1,046</u></u>
<b>Net book value</b>	
At 31 December 2018	<u><u>446</u></u>
At 31 December 2019	<u><u>475</u></u>

## Notes (continued)

### 9 Tangible fixed assets

	Long leasehold and leasehold improvements	Office furniture, equipment and motor vehicles	Total
	£000	£000	£000
<b>Cost</b>			
At 1 January 2019	43	45	88
Disposals	(43)	(45)	(88)
At 31 December 2019	<u>-</u>	<u>-</u>	<u>-</u>
<b>Depreciation</b>			
At 1 January 2019	25	40	65
Depreciation charge for the year	-	4	4
Disposals	(25)	(44)	(69)
At 31 December 2019	<u>-</u>	<u>-</u>	<u>-</u>
<b>Carrying amount</b>			
At 31 December 2018	<u>18</u>	<u>5</u>	<u>23</u>
At 31 December 2019	<u>-</u>	<u>-</u>	<u>-</u>

### 10 Deferred tax assets

	2019	2018
	£000	£000
Deferred Tax Assets	<u>41</u>	<u>24</u>

The deferred tax asset is in respect of other short-term timing differences.

### 11 Debtors

	2019	2018
	£000	£000
Trade debtors	417	447
Amount due from related parties	6,965	5,589
Prepayments	68	72
Accrued income	555	935
Other debtors	5	62
	<u>8,010</u>	<u>7,105</u>

## Notes (continued)

### 12 Creditors: amounts falling due within one year

	2019 £000	2018 £000
UK Corporation tax payable	373	409
Other taxation and social security	118	96
Other payables	–	22
Accruals	60	154
Deferred income	95	46
	<u>646</u>	<u>727</u>

### 13 Allotted, called up and fully paid shares

	2019		2018	
Share capital	Number	£000	Number	£000
Ordinary A shares of £0.01 each	1,639	–	1,639	–
Ordinary B shares of £0.01 each	800	–	800	–
	<u>2,439</u>	–	<u>2,439</u>	–

### 14 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 Directors 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 results 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.



## **Notes** *(continued)*

### **14 Subsequent events** *(continued)*

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.

### **15 Ultimate parent company and parent company of larger group**

D 2 D Limited is a wholly owned subsidiary of Dentsu London Limited. The smallest group in which the results of the Company are consolidated is that headed by Dentsu International Limited, whose registered address is 10 Triton Street, Regent's Place, London, United Kingdom, NW1 3BF.

The ultimate parent company and controlling party is Dentsu Group Inc., a company incorporated in Tokyo and registered in Japan. The consolidated financial statements of these groups can be obtained from: The Secretary, Dentsu Group Inc., 1-8-1 Higashi-shimbashi, Minato-ku, Tokyo 105-7001.