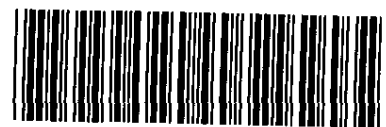


# **Merkle UK One Limited**

Annual financial statements  
Registered number 04238272  
31 December 2021

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## Strategic report

The directors present their strategic report for the year ended 31 December 2021.

### Fair review of the business

The results of Merkle UK One Limited ("the Company") for the year are set out in the Profit and Loss Account on page 10. Turnover increased by 6.9% during 2021 to £67,126,000 (2020: increase of 12.2% to £62,784,000). Profit before tax is lower than the prior year at £4,225,000 (2020: £4,482,000). Expenditure on sales, client management, finance, IT and marketing costs was restricted in 2020, in response to the COVID-19 pandemic, which increased profitability in the prior year. Employee numbers at the end of the year were 309 (2020: 280).

The Balance Sheet on page 11 of the Financial Statements shows the Company's financial position. At 31 December 2021, the Company had net assets of £22,294,000 (2020: net assets of £18,774,000).

The Company provides a range of services in the area of marketing solutions, services and consultancy. The immediate parent company is Merkle Marketing Limited, and the ultimate parent company is Dentsu Group Inc.

### Key performance indicators

- Turnover increased by 6.9% in 2021 (2020: 12.2% increase).
- Profit before tax decreased by 5.7% in 2021 (2020: 49.2% decrease).
- Operating profit reduced by 6.2% in 2021 (2020: 248.3% increase).

### Principal risks and uncertainties

The Company faces a range of market, strategic, financial, legal, operational and human resource risks. During 2021, there was a continued focus on retaining and growing existing clients and cross selling services into group companies. The Company reviews key risks regularly, and strives to improve the internal control framework to help mitigate them, where possible. Listed below are what the Company believes to be the principal risk factors and uncertainties faced during the period and the strategies for managing them.

#### 1. Maintaining strong client relationships

##### *Risk description*

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

##### *Potential risk impact*

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

##### *Risk management strategy*

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

##### *Risk mitigation actions*

- Dedicated client relationship teams are in place.

#### 2. Managing counterparty risk

##### *Risk description*

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

##### *Potential risk impact*

- Loss of profit, due to bad debt.

##### *Risk management strategy*

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

##### *Risk mitigation actions*

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

## Strategic report (continued)

### Principal risks and uncertainties (continued)

#### 3. Weak economic conditions

##### *Risk description*

- Weak economic conditions can cause clients to reduce marketing spend.
- COVID-19 pandemic impact on the economy and, therefore, in our clients' results, can impact our result and put at risk our going concern.

##### *Potential risk impact*

- Loss of profit.

##### *Risk management strategy*

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

##### *Risk mitigation actions*

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

#### 4. Maintaining a sound financial position

##### *Risk description*

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

##### *Potential risk impact*

- Lack of funds for current operations and future growth.

##### *Risk management strategy*

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

##### *Risk mitigation actions*

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

#### 5. Managing the security of data

##### *Risk description*

- Unauthorised access to, or inappropriate use of, client, employee or other confidential data, with a specific emphasis on the General Data Protection Regulation that came into force in early 2018.

##### *Potential risk impact*

- Loss of profit and/or reputational damage.
- Material fines from regulatory bodies resulting from non-compliance.

##### *Risk management strategy*

- Ensure robust IT and financial reporting systems are in place in line with best practice data security and compliance regulations and based on strict internal policies and procedures.

##### *Risk mitigation actions*

- External access to information is protected by the IT security framework which is assessed regularly through vulnerability testing and IT security audits.
- The Company insists on confidentiality clauses in employee and supplier contracts.

## Strategic report (continued)

### Principal risks and uncertainties (continued)

#### 6. Ensuring legal and regulatory compliance

##### *Risk description*

- The Company may be unprepared for legislative and regulatory changes.

##### *Potential risk impact*

- Loss of profit.
- Damage to management reputation and credibility.

##### *Risk management strategy*

- Ensure compliance with a range of legal and contractual requirements around the world.

##### *Risk mitigation actions*

- The Company's Legal team, which includes specialist compliance capability, continually monitors changes in regulation with a view to changing company policies and communicating the changes before they come into force.
- Online compliance training packages are developed to supplement face-to-face training.
- The Company has a regulatory intranet, which is utilised as a tracking tool for new and updated regulation and an internal newsletter which updates employees on developments in the area of compliance.

#### Future developments

Building upon the solid platform of services provided by the Company, which have significant market appeal and an increasingly experienced management team, the Company will continue its focus on two core objectives for 2022 fiscal year.

##### Client retention:

Once again client retention is a key objective, and this will be split into three key areas of focus:

- **The quality of solutions delivered:** the Company delivers complex solutions for many clients and with complexity comes a need for superior quality control. Delivering complex solutions that meet the client's requirements and expectations on time, to budget, requires structure, process and discipline.
- **Measurable value:** when clients buy services or solutions from the Company, they are inevitably based on a business need and often supported by a business case with an ROI justification. By understanding and embracing these objectives, the Company is more able to deliver to the expectations of its clients and in most instances can use its experience to influence or enhance the end result. A key objective for the Company is to make this understanding the rule rather than the exception. Understanding and tracking the client's objectives and KPIs will allow the business to be proactive in identifying issues and opportunities.
- **Measuring client satisfaction:** management will use Net Promoter Score ("NPS") as the mechanism to measure client satisfaction. The methodology is used globally and is recognised as an effective tool for this purpose. For the foreseeable future, the business will use NPS results throughout the business to allow team members aligned to specific clients to monitor their performance. This plays an important part in the staff review process.

##### Cross sell and new logo wins:

- This will be achieved by leveraging the new business, client service and solutions teams to use the portfolio of capabilities across the Merkle Group to deliver value add, people-based marketing propositions to help clients retain and grow their client bases.

## Strategic report (continued)

### Section 172(1) statement

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

#### Employees

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

Engagement with the workforce is achieved through:

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

#### Customers

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

#### Shareholders

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

By order of the Board



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

Date: 21 September 2022

## **Directors' report**

The directors, who served during the year and are shown below, present their report and the Financial Statements of Merkle UK One Limited ("the Company") for the year ended 31 December 2021.

### **Principal activity**

The Company provides a range of services in the area of marketing solutions, services and consulting. The Company's main principal activity is that of management consultancy activities basically related to:

- CRM development.
- CRM strategy and implementation.
- Campaign tools implementation.
- Campaign management.

### **Research and development**

There have been no research and development activities in the current or prior year.

### **Engagement with suppliers, customers and others in a business relationship with the Company**

The Company engages with its customers through dedicated client relationship teams, as well as global client management teams established in regional offices to maintain strong customer relationships.

### **Financial instruments**

The Company's derivative financial instruments were immaterial during the year.

### **Proposed dividend**

There were no dividends paid or declared in 2021 (2020: Nil).

### **Directors**

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

B Isenberg

M Komasiński (resigned 8 February 2021)

D Williams (resigned 8 February 2021)

D Romijn (appointed 8 February 2021)

A Stagg (appointed 8 February 2021)

### **Employment policies**

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

The directors are committed to maintain and develop communication and consultation procedures with employees, who in turn are encouraged to become aware of and involve themselves in the performance of their own division and the Company as a whole.

Consultation and involvement policies vary from division to division according to legal consideration and the size of the business.

### **Political and charitable contributions**

The Company made charitable donations of £500 (2020: £567) during the year. There were no political donations, nor any political expenditure incurred.

## Directors' report *(continued)*

### Going concern

The Company has net assets of £22,294,000 (2020: £18,774,000) and net current assets of £21,846,000 (2020: £18,293,000). The financial statements are prepared on a going concern basis, which the directors consider to be appropriate for the reasons stated below.

The Company meets its day-to-day working capital requirements through cash generated from its trading and the use of a cash-pooling facility provided by to participating subsidiaries in the group headed by Dentsu International Limited ("the Group"). The cash-pooling facility involves the daily closing cash position for participating subsidiaries, whether positive or negative, being cleared to £nil via daily bank transfers to / from Dentsu International Limited, and the Company can draw down on the cash pool to enable it to pay its obligations as they fall due, where required.

The directors have assessed the Company's cash flow forecasts for the period of not less than 12 months from the date of the approval of these financial statements ("the going concern assessment period"), including a short-term decline in revenue growth and the measures the Company has undertaken to protect operating margins and preserve cash, and are satisfied that the Company has sufficient cash to meet its liabilities as they fall due during the going concern assessment period, as long as it can continue to draw down on funds from the cash-pooling facility during this period as required. The Company is therefore dependent on the Dentsu International Limited to ensure that the cash-pooling facility remains available to the Company and has sufficient funds in the going concern assessment period.

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

Also, as with any company providing and accessing its funds to/from the cash pool, the directors acknowledge that there can be no certainty that the Group cash-pooling 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 to the Company.

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.


### Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

### Audit exemption

For the year ending 31 December 2021 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

By order of the Board

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

Date: 21 September 2022  
10 Triton Street, Regent's Place, London, NW1 3BF



## **Statement of directors' responsibilities in respect of the strategic report, the director's report and the financial statements**

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Profit and Loss Account and Other Comprehensive Income**  
*for the year ended 31 December 2021*

|  | <i>Note</i> | <b>2021<br/>£000</b> | <b>2020<br/>£000</b> |
|--|-------------|----------------------|----------------------|
| <b>Turnover*</b>                       | 2           | 67,126               | 62,784               |
| Cost of sales                          |             | (28,210)             | (29,405)             |
| <b>Gross profit</b>                    |             | <b>38,916</b>        | <b>33,379</b>        |
| Operating expenses                     |             | (34,778)             | (28,969)             |
| <b>Operating profit</b>                | 3           | <b>4,138</b>         | <b>4,410</b>         |
| Interest receivable and similar income | 6           | 87                   | 72                   |
| <b>Profit before tax</b>               |             | <b>4,225</b>         | <b>4,482</b>         |
| Tax on profit on ordinary activities   | 7           | (705)                | (854)                |
| <b>Profit for the year</b>             |             | <b>3,520</b>         | <b>3,628</b>         |
| Other comprehensive income             |             | —                    | —                    |
| <b>Total comprehensive income</b>      |             | <b>3,520</b>         | <b>3,628</b>         |

The notes on pages 13 – 30 form an integral part of these financial statements.

\* Turnover represents revenue from contracts with customers and other Group entities. Revenue from contracts with customers is derived from fees for advertising services. Revenue is recognised in line with the underlying arrangements with customers and Group entities.

**Balance Sheet**  
*as at 31 December 2021*


|   | <i>Note</i> | <b>2021</b><br><b>£000</b> | 2020<br>£000    |
|---|-------------|----------------------------|-----------------|
| <b>Fixed assets</b>                                   |             |                            |                 |
| Intangible assets                                     | 8           | 1                          | 19              |
| Tangible fixed assets                                 | 9           | 444                        | 459             |
| Investments   | 10          | 3                          | 3               |
|   |             | <b>448</b>                 | <b>481</b>      |
| <b>Current assets</b>                                 |             |                            |                 |
| Debtors   | 11          | 34,015                     | 27,889          |
| Deferred tax assets                                   | 14          | 351                        | 228             |
| Cash at bank and in hand                              |             | 834                        | 856             |
|   |             | <b>35,200</b>              | <b>28,973</b>   |
| <b>Creditors: Amounts falling due within one year</b> | 12          | <b>(13,354)</b>            | <b>(10,680)</b> |
| <b>Net current assets</b>                             |             | <b>21,846</b>              | <b>18,293</b>   |
| <b>Net assets</b>                                     |             | <b>22,294</b>              | <b>18,774</b>   |
| <b>Capital and reserves</b>                           |             |                            |                 |
| Share capital   | 15          | 1,308                      | 1,308           |
| Profit and loss account                               |             | 20,986                     | 17,466          |
| <b>Shareholders' funds</b>                            |             | <b>22,294</b>              | <b>18,774</b>   |

For the year ending 31 December 2021, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

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

  
.....

**D Romijn**  
*Director*

Date: 21 September 2022

Company registered number: 04238272

The notes on pages 13 – 30 form an integral part of these financial statements.

**Statement of Changes in Equity**  
*for the year ended 31 December 2021*

|                             |                       |                                 |                      |
|-----------------------------|-----------------------|---------------------------------|----------------------|
| Balance at 1 January 2020   |                       |                                 |                      |
|                             | Share capital<br>£000 | Profit and loss account<br>£000 | Total equity<br>£000 |
|                             | 1,308                 | 13,838                          | 15,146               |
| Profit for the year         | –                     | 3,628                           | 3,628                |
| Balance at 31 December 2020 | 1,308                 | 17,466                          | 18,774               |

|                                    |                       |                                 |                      |
|------------------------------------|-----------------------|---------------------------------|----------------------|
| Balance at 1 January 2021          |                       |                                 |                      |
|                                    | Share capital<br>£000 | Profit and loss account<br>£000 | Total equity<br>£000 |
|                                    | 1,308                 | 17,466                          | 18,774               |
| Profit for the year                | –                     | 3,520                           | 3,520                |
| <b>Balance at 31 December 2021</b> | <b>1,308</b>          | <b>20,986</b>                   | <b>22,294</b>        |

The notes on pages 13 – 30 form an integral part of these financial statements.

## Notes

(forming part of the financial statements)

### 1 Accounting policies

Merkle UK One Limited (“the Company”) is a private company incorporated, domiciled and registered in England in the UK. The registered number is 04238272 and the registered address is 10 Triton Street, Regent’s Place, London, NW1 3BF.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

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

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

The Company’s ultimate parent undertaking, Dentsu Group Inc., includes the Company in its consolidated financial statements. The consolidated financial statements of Dentsu Group Inc. are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from The Secretary, Dentsu Group Inc., 1-8-1 Higashi-shimbashi, Minato-ku, Tokyo 105-7001. The smallest group in which the results of the Company are consolidated is the group headed by Dentsu International Limited.

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

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

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

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

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

## Notes (continued)

### 1 Accounting policies (continued)

#### Measurement convention

The financial statements are prepared on the historical cost basis except certain financial assets and financial liabilities are measured at fair value. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

#### Going concern

The Company has net assets of £22,294,000 (2020: £18,774,000) and net current assets of £21,846,000 (2020: £18,293,000). The financial statements are prepared on a going concern basis, which the directors consider to be appropriate for the reasons stated below.

The Company meets its day-to-day working capital requirements through cash generated from its trading and the use of a cash-pooling facility provided by to participating subsidiaries in the group headed by Dentsu International Limited ("the Group"). The cash-pooling facility involves the daily closing cash position for participating subsidiaries, whether positive or negative, being cleared to £nil via daily bank transfers to / from Dentsu International Limited, and the Company can draw down on the cash pool to enable it to pay its obligations as they fall due, where required.

The directors have assessed the Company's cash flow forecasts for the period of not less than 12 months from the date of the approval of these financial statements ("the going concern assessment period"), including a short-term decline in revenue growth and the measures the Company has undertaken to protect operating margins and preserve cash, and are satisfied that the Company has sufficient cash to meet its liabilities as they fall due during the going concern assessment period, as long as it can continue to draw down on funds from the cash-pooling facility during this period as required. The Company is therefore dependent on the Dentsu International Limited to ensure that the cash-pooling facility remains available to the Company and has sufficient funds in the going concern assessment period.

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

Also, as with any company providing and accessing its funds to/from the cash pool, the directors acknowledge that there can be no certainty that the Group cash-pooling 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 to the Company.

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.

## Notes (continued)

### 1 Accounting policies (continued)

#### Revenue

The Company recognises revenue when it has a binding contract with a customer. Revenue is recognised as it transfers control of a 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 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.

Revenue is recognised as the performance obligation to which it relates is satisfied. 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
- 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.

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 it 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 with trade receivables and accrued income in the balance sheet.

#### *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.

#### Tangible fixed assets

Tangible fixed assets are stated at deemed 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. Land is not depreciated. The estimated useful lives are as follows:

- Leasehold improvements – over the length of the lease
- Office furniture, fixtures, fittings and equipment – 5 years
- Computers – 3 to 5 years

## Notes (continued)

### 1 Accounting policies (continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

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

#### 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.

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 – 20% to 50% per annum
- Patents and trademarks – Nil to 20% per annum
- Other – 10% to 50% 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 profit and loss account.

#### Impairment of tangible and intangible assets

At each reporting end date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.



## Notes (continued)

### 1 Accounting policies (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### Cash at bank and in hand

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### Financial assets

##### *Classification and measurement of financial assets*

All financial assets, unless it is a trade receivable without a significant financing component, 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.

##### *Financial assets at amortised cost*

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

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

All receivables are categorised as amortised cost.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through other comprehensive income (FVOCI) are initially measured at fair value, and subsequently measured at fair value with movements in fair value recorded in other comprehensive income. Financial assets (equity and debt securities) classified and measured at FVOCI should meet the criteria below:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

## Notes (continued)

### 1 Accounting policies (continued)

#### Financial assets (continued)

##### *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 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 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 balances are included net in note 11 as part of "Amounts owed from related parties". The Company does not offset other financial assets and liabilities where there is no legally enforceable right to do so.

#### Financial liabilities and equity

##### *Classification and measurement*

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

##### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss (FVPL) are either designated in this category, or they are held for trading, such as an obligation for securities borrowed in a short sale which are required to be returned in the future. Derivatives are also categorised as 'held for trading' unless they are designated as hedges. Subsequent to initial recognition, financial liabilities at fair value through profit or loss measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

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

Other financial liabilities measured at amortised cost using the effective interest method are non-derivative financial liabilities which are not designated on initial recognition as liabilities at fair value through profit or loss.

Any subsequent interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares are classified as equity instruments. Equity instruments issued by the Company are recorded at the value of proceeds received, net of direct issue costs.

The Company's activities expose it to certain financial risks including changes in foreign currency exchange rates and interest rates. The Company uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures where they are considered to be significant. The Company does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are held at fair value at the balance sheet date. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

##### *Intra-group financial instruments*

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect,

## Notes (continued)

### 1 Accounting policies (continued)

the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

#### 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.

#### Employee benefits

##### Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

##### Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

##### Defined contribution plans

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

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. The assets of the plan are held separately from the Company in independently administered funds.

## Notes (continued)

### 1 Accounting policies (continued)

#### Leases

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

##### *As a lessee*

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

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- 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, 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 fixed assets' and lease liabilities in 'Creditors' in the Balance Sheet.

##### *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

## Notes (continued)

### 1 Accounting policies (continued)

#### Leases (continued)

The Company has applied COVID-19-Related Rent Concessions – Amendment to IFRS 16. The Company applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Company applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Company chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Company assesses whether there is a lease modification.

For contracts where the Company has chosen to apply the practical expedient, rent waivers granted have been treated as variable lease payments, and therefore a credit has been recognised in the profit and loss account

#### Foreign exchange

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.

#### Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance expense on shares classified as liabilities and *finance expense on lease liabilities recognised in profit or loss using the effective interest method, unwinding of the discount on provisions*, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Other interest receivable and similar income includes interest receivable on funds invested, interest income on lease receivables and net foreign exchange gains.

Interest receivable and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

## Notes (continued)

### 1 Accounting policies (continued)

#### Critical accounting estimates and judgements

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

#### *Key sources of estimation uncertainty*

##### *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.

## Notes (continued)

### 2 Turnover

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

| <b>Geographical market:</b> | <b>2021</b>          | 2020                 |
|-----------------------------|----------------------|----------------------|
|                             | <b>£000</b>          | £000                 |
| UK & Europe                 | 65,851               | 59,110               |
| Rest of the World           | 1,275                | 3,674                |
|                             | <u><b>67,126</b></u> | <u><b>62,784</b></u> |

### Turnover analysed by class of business:

|                                   | <b>2021</b>          | 2020                 |
|-----------------------------------|----------------------|----------------------|
|                                   | <b>£000</b>          | £000                 |
| Management consultancy activities | <u><b>67,126</b></u> | <u><b>62,784</b></u> |

### Assets and liabilities related to contracts with customers

Contract asset balances recognised at 31 December 2021 total £3,641,000 (2020: £1,721,000). These balances are presented within Debtors and mainly represent accrued income where a performance obligation has been satisfied but the right to consideration is conditional and has not yet been billed.

Contract liability balances recognised at 31 December 2021 total £3,399,000 (2020: £2,954,000). These balances relate to advanced consideration received but not recognised as revenue at the period end.

#### Unsatisfied long-term performance obligations

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

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

As at 31 December 2021 and 31 December 2020, there are no material contract assets in relation to the costs to obtain or fulfil contracts with customers

### 3 Expenses and auditor's remuneration

Included in the Profit and Loss Account are the following:

|  | <b>2021</b>      | 2020              |
|--|------------------|-------------------|
|  | <b>£000</b>      | £000              |
| Depreciation and amortisation expenses                             | 466              | 719               |
| Auditor's remuneration for the audit of these financial statements | –                | 60                |
| Exchange losses  | <u><b>45</b></u> | <u><b>153</b></u> |

**Notes** *(continued)*

**4 Staff numbers and costs**

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

|                       | <b>2021</b> | 2020 |
|-----------------------|-------------|------|
|                       | <b>No.</b>  | No.  |
| Office and management | <b>309</b>  | 280  |

The aggregate payroll costs of these persons were as follows:

|                                     | <b>2021</b>   | 2020   |
|-------------------------------------|---------------|--------|
|                                     | <b>£000</b>   | £000   |
| Wages and salaries                  | 22,621        | 18,973 |
| Social security costs               | 2,436         | 2,418  |
| Other pension costs - contributions | 1,189         | 1,178  |
|                                     | <b>26,246</b> | 22,569 |

**5 Directors' remuneration**

|   | <b>2021</b> | 2020 |
|---|-------------|------|
|   | <b>£000</b> | £000 |
| Directors' remuneration                               | 260         | 423  |
| Company contributions to defined contribution schemes | 25          | 8    |
|   | <b>285</b>  | 431  |

**6 Other interest receivable and similar income**

|                        | <b>2021</b> | 2020 |
|------------------------|-------------|------|
|                        | <b>£000</b> | £000 |
| <b>Interest income</b> |             |      |
| Other interest income  | <b>87</b>   | 72   |



## Notes (continued)

### 7 Taxation

#### (a) Recognised in the profit and loss account

|   | 2021<br>£000 | 2020<br>£000 |
|---|--------------|--------------|
| <i>UK Corporation Tax</i>                         |              |              |
| Current tax on income for the period              | 825          | 910          |
| Adjustments in respect of prior periods           | (16)         | 7            |
|   | <u>809</u>   | <u>917</u>   |
| <i>Deferred Tax</i>                               |              |              |
| Origination and reversal of temporary differences | (104)        | (63)         |
| Changes in tax rate                               | —            | —            |
|   | <u>(104)</u> | <u>(63)</u>  |
| Total tax charge                                  | <u>705</u>   | <u>854</u>   |

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

The current tax amount for the period differs from the standard rate of corporation in the UK applied to the loss before tax.

The differences are reconciled below:

|   | 2021<br>£000 | 2020<br>£000 |
|---|--------------|--------------|
| Profit before tax   | <u>4,225</u> | <u>4,482</u> |
| Expected tax charge based on UK corporation tax rate of 19% (2020: 19%) | 803          | 852          |
| Effect of expenses not deductible in determining taxable profit         | 1            | —            |
| Income not taxable  | —            | —            |
| Adjustment in respect of prior years                                    | (16)         | 7            |
| Effect of change in UK corporation tax rate                             | (78)         | (19)         |
| Fixed asset differences   | 1            | 9            |
| Other tax adjustments, reliefs and transfers                            | (6)          | 5            |
| Tax charge on ordinary activities                                       | <u>705</u>   | <u>854</u>   |

#### (c) Change in corporation tax rate

The Government announced in the 2021 Budget that the corporation tax rate will remain at 19% until 1 April 2023 when it will then be increased to 25%.

## Notes (continued)

### 8 Intangible assets

|                                  | Software<br>£000 | Total<br>£000 |
|----------------------------------|------------------|---------------|
| <b>Cost</b>                      |                  |               |
| Balance at 1 January 2021        | 356              | 356           |
| Additions                        | –                | –             |
| Disposals                        | –                | –             |
| Balance at 31 December 2021      | <u>356</u>       | <u>356</u>    |
| <b>Amortisation</b>              |                  |               |
| Balance at 1 January 2021        | 337              | 337           |
| Disposals                        | –                | –             |
| Amortisation charge for the year | 18               | 18            |
| Balance at 31 December 2021      | <u>355</u>       | <u>355</u>    |
| <b>Net book value</b>            |                  |               |
| At 31 December 2020              | <u>19</u>        | <u>19</u>     |
| At 31 December 2021              | <u>1</u>         | <u>1</u>      |

### 9 Tangible fixed assets

|                                  | Leasehold<br>improvements<br>£000 | Fixtures<br>and<br>fittings<br>£000 | Computers<br>£000 | Other<br>Fixed<br>Assets<br>£000 | Right of<br>use asset<br>£000 | Total<br>£000 |
|----------------------------------|-----------------------------------|-------------------------------------|-------------------|----------------------------------|-------------------------------|---------------|
| <b>Cost</b>                      |                                   |                                     |                   |                                  |                               |               |
| Balance at 1 January 2021        | 214                               | 83                                  | 2,438             | 5                                | 295                           | 3,035         |
| Additions                        | –                                 | –                                   | 433               | –                                | –                             | 433           |
| Disposals                        | (214)                             | (83)                                | (8)               | –                                | (295)                         | (600)         |
| Balance at 31 December 2021      | <u>–</u>                          | <u>–</u>                            | <u>2,863</u>      | <u>5</u>                         | <u>–</u>                      | <u>2,868</u>  |
| <b>Depreciation</b>              |                                   |                                     |                   |                                  |                               |               |
| Balance at 1 January 2021        | 179                               | 76                                  | 2,105             | 1                                | 215                           | 2,576         |
| Disposals                        | (214)                             | (83)                                | (8)               | –                                | (295)                         | (600)         |
| Depreciation charge for the year | 35                                | 7                                   | 324               | 2                                | 80                            | 448           |
| Balance at 31 December 2021      | <u>–</u>                          | <u>–</u>                            | <u>2,421</u>      | <u>3</u>                         | <u>–</u>                      | <u>2,424</u>  |
| <b>Net book value</b>            |                                   |                                     |                   |                                  |                               |               |
| At 31 December 2020              | <u>35</u>                         | <u>7</u>                            | <u>333</u>        | <u>4</u>                         | <u>80</u>                     | <u>459</u>    |
| At 31 December 2021              | <u>–</u>                          | <u>–</u>                            | <u>442</u>        | <u>2</u>                         | <u>–</u>                      | <u>444</u>    |

## Notes (continued)

### 10 Investments

|                             | 2021     | 2020     |
|-----------------------------|----------|----------|
|                             | £000     | £000     |
| Investments in subsidiaries | <u>3</u> | <u>3</u> |

The investment in each subsidiary is assessed for impairment annually.

No impairment is indicated.

### Movements in fixed asset investments

|                          | Shares in<br>Group<br>Undertaking<br>£000 |
|--------------------------|---|
| <b>Cost or valuation</b> |   |
| At 1 January 2021        | 3   |
| Additions                | <u>—</u>                                  |
| At 31 December 2021      | <u>3</u>                                  |
| <b>Carrying amount</b>   |   |
| At 31 December 2021      | <u>3</u>                                  |
| At 31 December 2020      | <u>3</u>                                  |

Details of the Company's subsidiary investments at 31 December 2021 are as follows:

| Name of undertaking | Registered office key | Nature of business              | Class of shares held | % Held |          |
|---------------------|-----------------------|---------------------------------|----------------------|--------|----------|
|                     |                       |                                 |                      | Direct | Indirect |
| Merkle, S.L.        | A                     | Computer Consultancy Activities | Ordinary             | 100    |          |

Registered office address:

A: Av. Diagonal 177, 7<sup>th</sup> floor, 08018, Barcelona, Spain

### 11 Debtors

|                                   | 2021          | 2020          |
|-----------------------------------|---------------|---------------|
|                                   | £000          | £000          |
| Trade debtors                     | 5,727         | 9,889         |
| Accrued income                    | 3,641         | 1,721         |
| Amounts owed from related parties | 23,333        | 15,050        |
| Prepayments                       | 1,314         | 1,229         |
|                                   | <u>34,015</u> | <u>27,889</u> |

Trade debtors above are classified as loans and receivables and are therefore measured at amortised cost.

## Notes (continued)

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

|                                | 2021<br>£000  | 2020<br>£000  |
|--------------------------------|---------------|---------------|
| Trade creditors                | 640           | 615           |
| Lease liability (see note 15)  | —             | 102           |
| Deferred income                | 3,399         | 2,954         |
| Accruals                       | 3,376         | 1,230         |
| Taxation and social security   | 2,963         | 3,386         |
| Amounts due to related parties | 2,976         | 2,393         |
|                                | <u>13,354</u> | <u>10,680</u> |

### 13 Deferred tax assets

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period.

|  | Short-term<br>timing<br>differences<br>£000 | Fixed asset<br>timing<br>differences<br>£000 | Total<br>£000 |
|--|---|--|---------------|
| Deferred tax asset at 31 December 2020 | (21)  | (207)  | (228)         |
| Additions 2021                         | (14)  | (5)  | (19)          |
| Credit to profit or loss               | (25)  | (79)   | (104)         |
| Deferred tax asset at 31 December 2021 | <u>(60)</u>                                 | <u>(291)</u>                                 | <u>(351)</u>  |

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

|                     | 2021<br>£000 | 2020<br>£000 |
|---------------------|--------------|--------------|
| Deferred tax assets | <u>351</u>   | <u>228</u>   |

## Notes (continued)

### 14 Capital and reserves

| Share capital  | Ordinary Shares |               |
|--|-----------------|---------------|
| In thousands of shares   | 2021            | 2020          |
| On issue at 1 January  | 13,081          | 13,081        |
| On issue at 31 December – fully paid                                       | <u>13,081</u>   | <u>13,081</u> |
|  | 2021            | 2020          |
|  | £000            | £000          |
| <i>Allotted, called up and fully paid</i><br>Ordinary shares of £0.10 each | <u>1,308</u>    | <u>1,308</u>  |
|  | <u>1,308</u>    | <u>1,308</u>  |

The shares have full voting rights and are not redeemable.

### 15 Leases

#### (a) Leases as a lessee

The Company leased a building for its office, known as The Colston Tower, situated in Colston Avenue, Bristol. The termination date of this lease agreement was 28 September 2021.

#### *Right-of-use assets*

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as property, plant and equipment (see note 9):

|                                  | Land and<br>buildings<br>£000 | Total<br>£000 |
|----------------------------------|-------------------------------|---------------|
| Net book values                  |                               |               |
| Balance at 1 January 2020        | 188                           | 188           |
| Depreciation charge for the year | (108)                         | (108)         |
| Balance at 31 December 2020      | 80                            | 80            |
| Balance at 1 January 2021        | 80                            | 80            |
| Depreciation charge for the year | (80)                          | (80)          |
| Balance at 31 December 2021      | <u>—</u>                      | <u>—</u>      |

#### *Amounts recognised in profit or loss*

The following amounts have been recognised in profit or loss for which the Company is a lessee:

|                                       | 2021<br>£000 | 2020<br>£000 |
|---------------------------------------|--------------|--------------|
| Interest expense on lease liabilities | 1            | 7            |

## Notes (continued)

### 15 Leases (continued)

#### (a) Leases as a lessee (continued)

|                               | 2021<br>£000 | 2020<br>£000 |
|-------------------------------|--------------|--------------|
| Total cash outflow for leases | 136          | 136          |

#### Lease liabilities

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2021 were as follows:

|                   | Total<br>£000 |
|-------------------|---------------|
| Within 1 year     | –             |
| 2 to 5 years      | –             |
| More than 5 years | –             |
|                   | <hr/> – <hr/> |

### 16 Ultimate parent company and parent company of larger group

The immediate parent company is Merkle Marketing Limited, a company registered in England and Wales. 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.

### 17 Subsequent events

There were no significant events subsequent to 31 December 2021 that have not been disclosed elsewhere in the financial statements of the Company.