

Acquity Customer Insight Limited

**Directors' report and financial
statements**

Registered number 07266006

Year ended 30 April 2014

THURSDAY



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Directors' report

The directors present their directors' report and financial statements for the year ended 30 April 2014.

Principal activities

The principal activity of the Company was the provision of data and analytical services.

Financial instruments

The Company's principal financial instruments comprise bank balances, an invoice discounting facility, an overdraft facility, trade creditors and trade debtors. The main purpose of these instruments is to ensure there is always a suitable amount of working capital available for the Company to utilise.

Trade debtors are managed in respect of credit and cash flow risk by the implementation and adherence to robust credit control procedures.

Liquidity risk is managed by ensuring sufficient funds are available to meet amounts when they fall due.

Proposed dividend

The directors do not recommend the payment of a dividend (2013: £Nil).

Directors

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

M J H Brown

M G Runacus

A Silver (resigned 20 June 2013)

C B L Watson (resigned 4 November 2014)

I M Scoffield (appointed 13 May 2014)

Directors' report *(continued)*

Employees

The Company employed an average of 16 people during the period (2013: 23).

Political contributions

The Company made no political (2013: £Nil) donations during the period.

Disclosure of information to auditor

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

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



I M Scoffield
Group Chief Financial Officer

Farringdon Place
20 Farringdon Road
London
United Kingdom
EC1M 3HE

26 January 2015

Statement of directors' responsibilities in respect of the Directors' Report and the 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 the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 judgments 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 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 Acquity Customer Insight Limited

We have audited the financial statements of Acquity Customer Insight Limited for the year ended 30 April 2014, set out on pages 6 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 April 2014 and of its loss for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Karma Communications Debtco Limited
(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report

Adrian Wilcox (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB

29 January 2015

Profit and loss account
for the year ended 30 April 2014

	<i>Note</i>	Year to 30 April 2014 £	13 months to 30 April 2013 £
Turnover	<i>1</i>	4,138,778	4,555,234
Cost of sales		(2,329,831)	(2,646,680)
Gross profit		1,808,947	1,908,554
Administrative expenses – <i>operating</i>		(1,773,257)	(1,983,800)
Administrative expenses – <i>depreciation</i>		(9,717)	(19,799)
Administrative expenses – <i>amortisation</i>		(24,720)	(26,783)
Administrative expenses – <i>exceptional items</i>	<i>5</i>	(4,192)	(108,111)
Total administrative expenses		(1,811,886)	(2,138,493)
Operating loss	<i>2</i>	(2,939)	(229,939)
EBITDA before exceptional items*		35,690	(75,246)
EBIT before exceptional items**		1,253	(121,828)
Interest receivable and similar income		-	-
Interest payable and similar charges		(3,261)	(7,548)
Loss on ordinary activities before taxation		(6,200)	(237,487)
Tax on profit on ordinary activities	<i>4</i>	3,887	6,130
Loss for the financial period	<i>11</i>	(2,313)	(231,357)

All results arise from continuing operations.

The Company has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 8 to 15 form part of these financial statements.

*EBITDA defined as earnings before interest, tax, depreciation and amortisation.

**EBIT defined as earnings before interest and tax.

Balance sheet

At 30 April 2014

	Note	£	30 April 2014 £	£	31 April 2013 £
Fixed assets					
Intangible assets	6		22,668		47,388
Tangible assets	7		15,235		11,453
			<hr/>		<hr/>
			37,903		58,841
Current assets					
Debtors	8	559,860		1,557,634	
Cash at bank and in hand		140,592		12,233	
			<hr/>	<hr/>	
		700,452		1,569,867	
Creditors: amounts falling due within one year	9	(1,691,505)		(2,579,545)	
			<hr/>	<hr/>	
Net current liabilities			(991,053)		(1,009,678)
			<hr/>		<hr/>
Net liabilities			(953,150)		(950,837)
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	10		1		1
Profit and loss account	11		(953,151)		(950,838)
			<hr/>		<hr/>
Shareholders' deficit	12		(953,150)		(950,837)
			<hr/>		<hr/>

The notes on pages 8 to 15 form part of these financial statements.

The financial statements were approved by the board of directors on 26 January 2015 and were signed on its behalf by:



I M Scoffield
Group Chief Financial Officer

Company registered number: 07266006

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with United Kingdom applicable accounting standards and under the historical cost accounting rules.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that its results are included in the published consolidated financial statements of its ultimate parent company Karma Communications Holdings Limited, which are publicly available (see note 14).

As the Company is a wholly owned subsidiary of Karma Communications Holdings Limited, the ultimate parent company, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

The company changed year end from March to April during previous financial period to align with the ultimate parent company, Karma Communications Holdings Limited, so the prior period presented is 13 months from 1 April 2012 to 30 April 2013.

Going concern

The Company's accounts show a loss after tax for the period ended 30th April 2014 of £2,313 (2013: £231,357), net current liabilities of £991,053 (2013: £1,009,678) and a net liabilities position of £953,150 (2013: £950,837).

The directors have considered the factors that impact the Company's future development, performance, cash flows and financial position along with Company's current liquidity in forming their opinion on the going concern basis.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Company has support from the ultimate parent company, Karma Communications Holdings Limited, which has confirmed that there is no intention to ask for repayment of amounts due to itself and other group companies in the foreseeable future, and not less than 12 months from the date of signing the audit report.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

The estimated useful life of the Company's goodwill is 5 years.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures and fittings	-	33% straight line
Computer equipment	-	33% straight line

Notes (continued)

1 Accounting policies (continued)

Impairment of fixed assets and goodwill

The carrying amounts of the Company's goodwill and assets are reviewed for impairment annually or when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Taxation

Taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

Interest bearing borrowings

Immediately after issue debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs. The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount.

Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Retainer fee income is recognised on a straight-line basis over the term of the contract.

Project income and associated costs are recognised on a percentage completion basis in accordance with UITF 40.

Turnover is generated in the United Kingdom from the provision of data and analytical services.

Notes (continued)

2 Operating loss

	Year to 31 April 2014 £	13 months to 30 April 2013 £
<i>The operating loss is stated after charging</i>		
Amortisation – intangible fixed assets	24,720	26,783
Depreciation - tangible fixed assets owned by the Company	9,717	19,799
Operating lease rentals	3,510	5,563
Exceptional items (note 5)	4,192	108,111
	<hr/>	<hr/>
Auditor's remuneration	8,240	8,000
	<hr/>	<hr/>

Auditor's remuneration with respect to non-audit services has been disclosed in the consolidated financial statements of Karma Communications Holdings Limited, the ultimate parent company.

3 Staff numbers and costs

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

	Number of employees 2014 No.	2013 No.
Client services	16	23
	<hr/>	<hr/>
	16	23
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	Year to 31 April 2014 £	13 months to 30 April 2013 £
Wages and salaries	1,272,661	1,457,706
Social security costs	79,960	70,688
Pension costs	9,808	3,625
	<hr/>	<hr/>
	1,362,429	1,532,019
	<hr/>	<hr/>

During the year, no directors received any emoluments for their services as director of Acquity Customer Insight Limited.

Notes (continued)

4 Taxation

<i>Analysis of charge in period</i>	Year to 30 April 2014	13 months to 30 April 2013
	£	£
<i>UK Corporation Tax</i>		
UK Corporation tax on loss for the period	-	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	(4,686)	(6,131)
Effect of tax rate change on opening balances	799	1
Tax credit on loss on ordinary activities	<u>(3,887)</u>	<u>(6,130)</u>

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2013: higher) than the standard rate of corporation tax in the UK 22.84% (2013: 23.92%). The differences are explained below.

	Year to 30 April 2014	13 months to 30 April 2013
	£	£
Loss on ordinary activities before tax	<u>(6,200)</u>	<u>(237,487)</u>
Loss on ordinary activities at standard rate of corporation tax in the UK of 22.84% (2013:23.92%)	(1,416)	(56,807)
Expenses not deductible for tax purposes	499	936
Depreciation in excess of capital allowances	171	4,502
Group Relief surrendered	-	56,514
Unrelieved tax losses and other deductions arising in the period	746	4,645
Other short term timing differences	-	(9,790)
Current Tax charge for the period	<u>-</u>	<u>-</u>

At 30 April 2014, there were recognised deferred tax assets at 20% of £10,017 (2013: 23%; £6,130).

Factors that may affect future current and total tax charges

On 21 March 2012, the Chancellor announced a reduction in the main rate of UK corporation tax from 24% to 23% with effect from 1 April 2013. On 2 July 2013, further reductions in the UK corporation tax rate from 23% to 21% with effect from 1 April 2014 and then from 21% to 20% with effect from 1 April 2015 were substantively enacted.

The deferred tax balance at 30 April 2014 has been calculated based on the rate of 20% and the effect of this rate reduction as at 31 April 2014 has been included in the figures above.

5 Exceptional items

	Year to 31 April 2014	13 months to 30 April 2013
	£	£
Restructuring costs	4,192	69,644
Contingent bonus	-	52,090
Deal costs	-	20,794
Recovery of debt previously written off	-	(34,417)
	<u>4,192</u>	<u>108,111</u>

Notes (continued)

6 Intangible fixed assets

	Goodwill £
<i>Cost</i>	
At beginning of period	123,617
	<hr/>
At end of period	123,617
	<hr/>
<i>Amortisation</i>	
At beginning of period	76,229
Charged in period	24,720
	<hr/>
At end of period	100,949
	<hr/>
<i>Net book value</i>	
At 30 April 2014	22,668
	<hr/>
At 30 April 2013	47,388
	<hr/>

In the year ended 31 March 2011, the Company acquired the trade and certain assets of Acquity Limited, for a consideration of £148,617. The fair value of the assets acquired was £25,000, which related to tangible fixed assets, resulting in the recognition of £123,617 in goodwill.

Goodwill is amortised over a period of 5 years, which the directors believe reflects the useful economic life of the assets acquired.

Impairment tests on goodwill are performed annually or when indicators for impairment are identified. The impairment charge is the amount by which the carrying value exceeds the recoverable value. The recoverable value is the higher of the fair value less cost to sell and the value in use.

The discounted cash flow ("DCF") method is used to determine the value in use. In the DCF method the estimated future cash flows are discounted to their present value using a discount rate, determined as the Group's after-tax weighted average cost of capital that reflects the current market assessment of the time value of money and the risk of the asset. The estimated cash flows for the coming year are based on the annual budget approved by the Board of the parent company.

Cash flows for a subsequent four-year period are extrapolated using expected annual revenue growth rates for each CGU and EBITDA margins. For all businesses a 2% short-term revenue growth rate was used while EBITDA margins are expected to stay flat.

A growth rate of 2% has then been applied beyond the formal five-year period, into perpetuity, with the value-in-use calculation based on an extrapolation of the budgeted cash flow for future years. The after-tax discount rate applied in discounting projected cash flows to net present value is 9.5%.

The review process resulted in no impairment of goodwill for the current year (2013: £nil) recognised in the Profit and loss account.

A sensitivity analysis was performed by changing the parameters that have the biggest impact on the recoverable amounts: the after-tax discount rate and the long-term growth rate. No impairments to the goodwill were identified in this analysis.

Notes (continued)

7 Tangible fixed assets

	Fixtures and fittings	Computer equipment	Total
<i>Cost</i>	£	£	£
At beginning of period	25,000	30,983	55,983
Additions	-	13,499	13,499
Disposals	-	(21,014)	(21,014)
At end of period	<u>25,000</u>	<u>23,468</u>	<u>48,468</u>
 <i>Depreciation</i>			
At beginning of period	25,000	19,530	44,530
Charge for period	-	9,717	9,717
Disposals	-	(21,014)	(21,014)
At end of period	<u>25,000</u>	<u>8,233</u>	<u>33,233</u>
 Net book value			
At 30 April 2014	<u>-</u>	<u>15,235</u>	<u>15,235</u>
 At 0 April 2013	<u>-</u>	<u>11,453</u>	<u>11,453</u>

8 Debtors

	2014	2013
	£	£
Trade debtors	359,462	628,513
Amounts owed by group undertakings	47,553	669,418
Other debtors	55,050	246,989
VAT	-	6,584
Prepayments and accrued income	87,778	-
Deferred tax asset (note 4)	10,017	6,130
	<u>559,860</u>	<u>1,557,634</u>

9 Creditors: amounts falling due within one year

	2014	2013
	£	£
Bank loans and overdrafts	168,698	177,295
Trade creditors	260,995	523,224
Amounts owed to group undertakings	1,026,928	1,670,071
Social security and other taxes	71,880	-
Accruals and deferred income	143,399	188,425
Other creditors	19,605	20,530
	<u>1,691,505</u>	<u>2,579,545</u>

The figure of £168,698 included in bank loans is secured on the trade debtors of the company.

Notes (continued)

10 Called up share capital

	2014 £000	2013 £000
<i>Allotted, called up and fully paid</i>		
1 Ordinary share of £1 each	1	1
	<hr/>	<hr/>
	1	1
	<hr/>	<hr/>

11 Reserves

	Profit and loss account £
At beginning of period	(950,838)
Loss for the period	(2,313)
	<hr/>
At end of period	(953,151)
	<hr/>

12 Reconciliation of movement in shareholders' deficit

	2014 £
Opening shareholders' deficit	(950,837)
Loss for the period	(2,313)
	<hr/>
Closing shareholders' deficit	(953,150)
	<hr/>

13 Operating lease commitments

At 30 April 2014 the Company had annual commitments under non-cancellable operating leases as follows:

	Plant and Machinery	
	2014 £	2013 £
Expiry date		
Less than 1 year	-	-
Between 2 and 5 years	-	6,748
	<hr/>	<hr/>
	-	6,748

Notes (continued)

14 Related party disclosures

The Company is a subsidiary undertaking of Karma Communications Holdings Limited, a company incorporated in Great Britain. The consolidated financial statements of this group are available to the public and may be obtained from Farringdon Place, 20 Farringdon Road, London, UK, EC1M 3HE.

As at 30 April 2014, the majority shareholder of Karma Communications Holdings Limited is Phoenix Equity Nominees Limited. Phoenix Equity Nominees Limited is a nominee company that holds shares on behalf of the Limited Partners that constitute Phoenix Equity Partners 2010 LP, and co-investors that constitute Phoenix Equity Partners Limited 2010 GP LP. These are private collective investment schemes advised by Phoenix Equity Partners 2010 Guernsey Limited, the ultimate controlling party for Karma Communications Holdings Group and its subsidiaries.

The accounts of Phoenix Equity Partners 2010 Guernsey Limited (which do not reflect the consolidation of the group) are available from the Company Secretary at 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, Channel Islands, GY1 2HL.

15 Post balance sheet events

There were no post balance sheet events.