

Merkle Marketing Limited

Annual financial statements
Company Registration No. 08528114 (England and Wales)

31 December 2019



Company information

Directors	D Williams B Isenberg M Komaskinski
Secretary	A Moberly (resigned 29 February 2020)
Company number	08528114
Registered office	10 Triton Street Regent's Place London United Kingdom NW1 3BF
Auditor	KPMG LLP 15 Canada Square London E14 5GL

Contents

	Page
Directors' report	2 - 3
Statement of directors' responsibilities in respect of the Annual report and the financial statements	4
Independent Auditors report to the members of Merkle Marketing Limited	5 - 6
Profit and loss account and other comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Notes to the financial statements	10 - 22

Directors' report

Principal activities

From 2019, the principal activity of the Company is that of a holding company. See note 11 for details of subsidiaries.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

- D Williams
- B Isenberg
- M Komaskinski

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2018: Nil).

Research and development

The Company made no research and development investments during the year (2018: Nil).

Financial instruments

The Company does not use derivative financial instruments.

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid or proposed during the year (2018: Nil).

Going concern

Notwithstanding net current liabilities of £87,694,924 as at 31 December 2019, the financial statements have been prepared on a going concern basis, which the directors consider to be appropriate. This is because the Company relies on Dentsu Aegis Network Ltd to provide such financial support as is required to meet its day to day financing requirements, either directly or indirectly. The directors have considered the ability of Dentsu Aegis Network Ltd to provide such financial support as might be required by the Company and accordingly have prepared the financial statements on a going concern basis.

In respect of this financial support, the directors have considered Dentsu Aegis Network Ltd's forecasts, and projections used in the assessment of going concern incorporate the Dentsu Aegis Network Ltd Board of Directors' latest expectations of the impact of the global response to COVID-19 on business operations and results, including a short-term decline in revenue growth and the measures the Group has undertaken to protect operating margins and preserve cash. Significant one-off and non-operating expenditures have also been included related to existing and future acquisition activity and restructuring programmes announced in 2019. The forecasts have been subjected to various downside scenarios representing further declines in revenues, reductions in margin and deterioration of net working capital.

As with any company placing reliance on other Group entities for 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 this support will not continue.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Directors' report *(continued)*

Other information

The registered office is 10 Triton Street, Regent's Place, London, United Kingdom, NW1 3BF.

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 for the financial year 2020.

Small companies note

In preparing this report, the directors have taken advantage of the small companies' exemption provided by section 415A of the Companies Act 2006.

Statement of disclosure to auditor

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

By order of the Board



B Isenberg

Director

Date: 7 September 2020

Statement of directors' responsibilities in respect of the Annual 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Merkle Marketing Limited

Opinion

We have audited the financial statements of Merkle Marketing Limited ("the Company") for the year ended 31 December 2019 which comprise the Profit and loss account and other comprehensive income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Directors' report

The directors are responsible for the Directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Merkle Marketing Limited

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



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

Date: 8 September 2020

Profit and loss account and other comprehensive income

	Notes	2019 £	2018 £
Turnover	3	-	2,459,124
Administrative expenses		(48,908)	(1,920,487)
Operating (loss) / profit	4	(48,908)	538,637
Interest receivable and similar income	6	931,295	-
Interest payable and similar expenses	7	(3,051,759)	(2,920,614)
Loss before taxation		(2,169,372)	(2,381,977)
Tax on loss	8	-	-
Loss for the financial year		(2,169,372)	(2,381,977)
Other comprehensive income		-	-
Total comprehensive loss for the year		(2,169,372)	(2,381,977)

The notes on pages 10 to 22 form an integral part of these financial statements.

Balance sheet

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	9	40,773		73,111	
Investments	10	84,956,339		84,956,339	
		<u>84,997,112</u>		<u>85,029,450</u>	
Current assets					
Debtors	12	261,644		715,858	
Cash at bank and in hand		853		-	
		<u>262,497</u>		<u>715,858</u>	
Creditors: amounts falling due within one year	13	(87,957,421)		(86,273,748)	
Net current liabilities		<u>(87,694,924)</u>		<u>(85,557,890)</u>	
Total assets less current liabilities		<u>(2,697,812)</u>		<u>(528,440)</u>	
Capital and reserves					
Called up share capital	15	21		21	
Profit and loss reserves		(2,697,833)		(528,461)	
Total equity		<u>(2,697,812)</u>		<u>(528,440)</u>	

The Company's financial statements have been prepared in accordance with the provisions applicable to entities subject to the small companies regime.

The notes on pages 10 to 22 form an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 7th September 2020 and are signed on its behalf by:



B Isenberg

Director

Company Registration No. 08528114

Statement of changes in equity

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2018		21	1,853,516	1,853,537
Year ended 31 December 2018:				
Loss for the year		-	(2,381,977)	(2,381,977)
Other comprehensive income		-	-	-
Total comprehensive loss for the year		-	(2,381,977)	(2,381,977)
Balance at 31 December 2018		21	(528,461)	(528,440)
Year ended 31 December 2019:				
Loss for the year		-	(2,169,372)	(2,169,372)
Other comprehensive income		-	-	-
Total comprehensive loss for the year		-	(2,169,372)	(2,169,372)
Balance at 31 December 2019		21	(2,697,833)	(2,697,812)

The notes on pages 10 to 22 form an integral part of these financial statements.

Notes to the financial statements

1 Accounting policies

Merkle Marketing Limited ("the Company") is a private company limited by shares domiciled and registered in England and Wales. The registered office is 10 Triton Street, Regent's Place, London, United Kingdom, 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 Aegis Network Ltd.

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;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- 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 IAS 36 *Impairment of Assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and
- 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.

Measurement convention

The financial statements are prepared on the historical cost basis.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Going concern

Notwithstanding net current liabilities of £87,694,924 as at 31 December 2019, the financial statements have been prepared on a going concern basis, which the directors consider to be appropriate. This is because the Company relies on Dentsu Aegis Network Ltd to provide such financial support as is required to meet its day to day financing requirements, either directly or indirectly. The directors have considered the ability of Dentsu Aegis Network Ltd to provide such financial support as might be required by the Company and accordingly have prepared the financial statements on a going concern basis.

In respect of this financial support, the directors have considered Dentsu Aegis Network Ltd's forecasts, and projections used in the assessment of going concern incorporate the Dentsu Aegis Network Ltd Board of Directors' latest expectations of the impact of the global response to COVID-19 on business operations and results, including a short-term decline in revenue growth and the measures the Group has undertaken to protect operating margins and preserve cash. Significant one-off and non-operating expenditures have also been included related to existing and future acquisition activity and restructuring programmes announced in 2019. The forecasts have been subjected to various downside scenarios representing further declines in revenues, reductions in margin and deterioration of net working capital.

As with any company placing reliance on other Group entities for 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 this support will not continue.

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.

New accounting policies applicable from 1 January 2019

- **IFRS 16 (Leases)** - In January 2016, the IASB published IFRS 16 Leases. This standard replaces IAS 17 Leases and applies to annual reporting periods beginning on or after 1 January 2019. The standard has been endorsed by the EU – see below for further information.

Leases

IFRS 16 (Leases) became mandatory on 1 January 2019, replacing IAS 17 (Leases). At that date Merkle Marketing Limited held one operating lease for a period less than 12 months. As such, the company availed of paragraph 6 of IFRS 16 and did not recognise a lease liability at that date. The company continued to account for operating leases under IAS 17.

At 31 December 2019, the Company had annual commitments under non-cancellable operating leases of £Nil (2018 : £17,000).

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease rentals are charged to the income statement over the lease term on a straight-line basis. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability and recognised as a reduction of rental expense on a straight-line basis over the term of the lease

Notes to the financial statements (continued)

1 Accounting policies (continued)

Revenue

In 2018 Merkle Marketing Limited ceased as a trading entity and became a holding company for investments listed in note 11. This policy relates to 2018. The Company recognises revenue in accordance with the 5-step model established under IFRS 15 'Revenue from contracts with customers'. Further information on how the Company recognises revenue is outlined below.

The Company recognises revenue when it has a binding contract with a customer. Revenue is recognised as it transfers control of a product or service to a customer. Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties where the Company is acting as an agent. The Company acts as a principal when the services are controlled by the Company prior to being transferred to customers. An assessment of key indicators including pricing discretion, inventory risk and primary responsibility, is performed to establish if the Company is an agent or a principal in a particular contract.

Most of the Company's contracts include many interconnected activities which are provided to the customer. In most instances, these activities are not considered distinct, or represent a series of activities which are substantially the same with the same pattern of transfer to the customer. As such, these activities are accounted for as a single performance obligation. However, when there are contracts with activities which are capable of being distinct, these are recognised as separate performance obligations. Where there are contracts with multiple performance obligations, the transaction price is allocated to the separate performance obligations based on relative stand-alone selling prices.

Revenue is recognised as the performance obligation to which it relates is satisfied. Most of the Company's revenue is recognised over time. When the Company recognises revenue over time it uses an appropriate measure, commensurate to the pattern of transfer of the service to the customer, to determine the rate of revenue recognition. These include:

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

Costs of obtaining a contract are expensed as the vast majority of the Company's contracts run for 12 months or less.

Tangible fixed assets

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

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

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

- Leasehold buildings – over the period of the lease
- Leasehold improvements – 10% to 20% per annum or over the period of the lease, if shorter
- Office furniture, fixtures, equipment and vehicles – 10% to 50% per annum

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

Notes to the financial statements (continued)

1 Accounting policies (continued)

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.

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.

Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is exempt under FRS101 from the disclosure requirements of IFRS 13.

Financial assets

Classification and measurement of financial assets

All financial assets are initially measured at fair value. Management determines the classification and subsequent measurement of the financial asset based on the contractual terms at the initial recognition date. All of the Company's financial assets are classified and subsequently measured at amortised cost described below:

Financial assets at amortised cost

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

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

All of the Company's financial assets, which includes trade and other receivables and cash, are categorised and valued at amortised cost. The amortised cost is reduced by impairment losses. Interest 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.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss

The Company classifies the following financial assets and derivative financial assets at fair value through profit or loss (FVPL). Financial assets carried at FVPL are initially recorded at fair value. Any subsequent changes in fair value is recorded in profit or loss:

- Debt investments that do not qualify for measurement at either amortised cost or fair value through other comprehensive income (FVOCI).
- Equity investments that are held for trading, and
- Equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

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 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.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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

Offsetting of balances within financial assets

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

Financial liabilities and equity

Classification and measurement

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

Financial liabilities 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. Subsequent to initial recognition, financial liabilities at fair value through profit or loss is measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Financial liabilities and equity (continued)

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.

Cash at bank and in hand

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or fixed assets.

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

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

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.

The contributions are recognised as an expense when they fall due. Amounts not paid are shown as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 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

(Applies to 2018 only as the Company became a holding company and did not trade in 2019).

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.

Recoverability of receivables

The likelihood of collection of trade receivables also requires judgement to be applied. The Company monitors the levels of provisioning required based on historical trends and by detailed review of individually significant balances. The Company establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability, the directors consider factors such as the aging of receivables, past experience of recoverability, and the credit profile of individual or groups of customers.

Notes to the financial statements (continued)

3 Revenue

	2019 £	2018 £
Turnover analysed by class of business		
Sales under cost plus agreement	-	2,459,124
	<u> </u>	<u> </u>
	2019 £	2018 £
Turnover analysed by geographical market		
Rest of the World	-	2,459,124
	<u> </u>	<u> </u>

4 Operating profit

	2019 £	2018 £
Operating profit for the year is stated after:		
Exchange Loss / (Gain)	4,727	(36,809)
Depreciation of owned tangible fixed assets	32,338	39,558
	<u> </u>	<u> </u>

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £4,727 (2018: (£36,809)).

The fees payable to the company's auditor for the audit of the company's financial statements in 2019 is £12,177 (2018: (£12,177)).

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019 Number	2018 Number
Marketing Solutions Operating Group	-	15
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	6,568	1,368,785
Social security costs	-	177,769
Contributions to defined contribution plans	-	31,633
	<u> </u>	<u> </u>
	6,568	1,578,187

Directors' remuneration is nil for the period ended 31 December 2019 and 2018 because the directors are employed and remunerated by other companies within the Group.

Notes to the financial statements (continued)

6 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Other interest income	-	-
Income from investments in Subsidiaries		
Dividends received	931,295	-
Total income	<u>931,295</u>	<u>-</u>

7 Interest payable and similar expenses

	2019 £	2018 £
Interest on bank overdrafts and loans	-	-
Interest payable to group undertakings	3,051,759	2,920,614
	<u>3,051,759</u>	<u>2,920,614</u>

8 Taxation

The actual charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £	2018 £
Loss before taxation	(2,169,372)	(2,381,977)
Taxation charge in the financial statements	<u>-</u>	<u>-</u>

Notes to the financial statements (continued)

9 Tangible fixed assets

	L/term Leasehold improvements	Plant and equipment	Fixtures and fittings	Computers	Total
	£	£	£	£	£
Cost					
At 1 January 2019 and 31 December 2019	34,901	14,366	25,243	81,962	156,472
Depreciation and impairment					
At 1 January 2019	7,808	7,711	8,063	59,779	83,361
Depreciation charged in the year	3,841	4,789	3,606	20,102	32,338
At 31 December 2019	11,649	12,500	11,669	79,881	115,699
Carrying amount					
At 31 December 2019	23,252	1,866	13,574	2,081	40,773
At 31 December 2018	27,094	6,655	17,180	22,183	73,111

10 Investments

	Notes	2019 £	2018 £
Investments in subsidiaries	11	84,956,339	84,956,339

The investment in each subsidiary is assessed for impairment annually.
No impairment is indicated.

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 January 2019	84,956,339
Additions	-
At 31 December 2019	84,956,339
Carrying amount	
At 31 December 2019	84,956,339
At 31 December 2018	84,956,339

Notes to the financial statements (continued)

11 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Registered office key	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Merkle SL	A	Computer consultancy activities	Ordinary		100.00
Comet Solutions Holdings Limited	B	Computer consultancy activities	Ordinary	100.00	
Merkle UK One Limited	B	Management consulting activities	Ordinary	100.00	
Merkle UK Three Limited	B	Digital Marketing and related analytics	Ordinary	100.00	
Merkle UK Two Limited	B	Computer consultancy activities	Ordinary		100.00

Registered Office addresses:

A Av. Diagonal 177, 7a planta, 08018, Barcelona, Spain

B 10 Triton Street, Regent's Place, London, NW1 3BF

Effective 14 January 2020, Comet Solutions Holding Limited and Merkle UK Two Limited were dissolved.

Periscopix France, SARL was dissolved on 10 September 2018

12 Debtors

	2019	2018
Amounts falling due within one year	£	£
Amounts owed by group undertakings	216,900	684,274
Other debtors	19,124	5,964
Prepayments and accrued income	25,620	25,620
	<u>261,644</u>	<u>715,858</u>

Notes to the financial statements (continued)

13 Creditors: amounts falling due within one year

	2019 £	2018 £
Amounts owed to group undertakings	87,683,519	85,445,739
Taxation and social security	66,912	542,792
Other creditors	158,197	159,079
Accruals and deferred income	48,793	126,138
	<u>87,957,421</u>	<u>86,273,748</u>

Included in amounts due to group undertakings are loans with principal amounts totalling £80,806,519 bearing interests at rate of Bank of England plus 3%. The loans are repayable on demand. Additionally, Merkle Marketing Limited is part of the group Cash Pool owing £6,877,000. The remaining amounts owed to group undertakings are accrued interests amounting £258,766.

14 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution	-	31,633
	<u>-</u>	<u>31,633</u>

At 31 December 2019 contributions amounted to £Nil (2018: £31,633).

15 Share capital

	2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
21 (2018: 21) Ordinary shares of £1 each	<u>21</u>	<u>21</u>

The company has one class of ordinary shares which carry voting rights but no right to fixed income.

16 Ultimate controlling party

The immediate parent undertaking is Merkle International Holdings LLC, a company incorporated in the United States.

The ultimate parent undertaking is Dentsu Group Inc., a company incorporated in Japan.

The smallest group that prepares publicly available accounts in which the company is consolidated is Dentsu Aegis Network Ltd. Copies of the group financial statements are available from 10 Triton Street, Regent's Place, London, United Kingdom, NW1 3BF.

The largest group that prepares publicly available accounts in which the company is consolidated is Dentsu Group Inc. Copies of the group financial statements are available from its head office 1-8-1 Higashi-shimbashi, Minato-ku, Tokyo 105-7001, Japan.

Notes to the financial statements (continued)

17 Events after the reporting date

COVID-19

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

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

As at the date of signing these financial statements, the full duration and impact of the COVID-19 pandemic remains unclear. The Company has not incurred any material losses on receivables due to COVID-19, and no further information has been identified that suggests significant adjustments are currently required to forward-looking loss allowance assumptions applied as at 31 December 2019.