

Flywheel Digital Limited

Annual Report and Financial Statements
For the year ended 31 December 2021

Registered Number: 06032169



The Directors present their Strategic Report for the year ended 31 December 2021.

Principal activities and future developments

Flywheel Digital Limited ("the Company") is the leading global provider of managed retail and media services to customers on the Amazon and other leading eCommerce platforms. It is intended that the Company will continue with these activities for the foreseeable future.

Results and dividends

The results for the Company show revenue of £7,191,000 (2020: £3,918,000) and a pre-tax profit of £590,000 (2020: £607,000) for the year.

No interim ordinary dividend was paid during the year (2020: £nil). The Directors do not recommend a payment of a final dividend (2020: £nil).

Stakeholder Engagement

Section 172(1) of the Companies Act 2006 requires directors to act in way that promotes the success of the company while having regard to its range of stakeholders. We consider the key stakeholders of the Company to be aligned to that of the Ascential plc Group ("the Group"), being its customers, people, investors and wider society. Please refer to the Ascential plc annual report pages 60-65 for details on engagement with each of these stakeholders.

Principal risks and uncertainties

The Directors consider the following to be the key risks and uncertainties of the Company:

Economic and geopolitical conditions

Across our business we are exposed to the effects of political and economic risks. These include the continued uncertainty from the Covid-19 pandemic, changes in the regulatory and competitive landscape, global supply chain failures, the impact of international trade policy and sanctions, and hostile state action.

Technological change and information security

The Company's products and internal operations depend on custom-designed IT platforms. These platforms require continual development to ensure the services remain competitive. Such technological development carries the risks of poor-quality implementation, delivery delays, and failure to deliver the expected benefits. In addition, customer-facing platforms may be rendered obsolete by newer technologies.

The Company also relies on IT systems to manage its business data, communications and business processes. These systems are also heavily dependent on the internet, both as a means of distribution and for hosting services. These systems could suffer damage or interruption from a variety of causes, which could disrupt the Company's business. Breaches of data security systems and other unauthorised access to the Company's data could damage its reputation and lead to a risk of loss of customers, liability for damages, litigation and more onerous compliance requirements from government regulators.

Reliance on data providers

The Company provides eCommerce analytics products that utilise data from certain key suppliers and sources. A change in availability of this data or the structure of how the data is provided could impact the accuracy or availability of our products and/or increase costs.

Other risks

In addition, the principal risks of the Group, whilst not material to the Company, may indirectly impact the Company. Please refer to the Ascential plc annual report pages 48-55 for further details on these risks and actions taken by the Group to manage the risks:

1. Customer end-market development
2. Competition and substitution
3. New product and capability development
4. Acquisitions and disposals (including integration)
5. People risk
6. Business resilience
7. Financial risk
8. Regulation and compliance

Key performance indicators ("KPIs")

During the course of the year, the Board sets one or more KPIs which are tracked and reviewed at each Board meeting in order to assess performance. The KPI below is useful for the understanding of the development, performance and position of the business.

Profit before interest, tax, exceptional items, depreciation, amortisation and share-based payments ("Adjusted EBITDA") of £1,065,000 (2020: £530,000) provides a measure of the underlying performance of the business.

The KPI above is not defined in the Financial Reporting Standard 101 Reduced Disclosure Framework.

Going concern

The Company holds net current assets of £899,000 as at 31 December 2021, including loans made available by group companies, and therefore the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

Ascential Group Limited has indicated its intention to continue to make available such funds as are needed by the Company for at least the next 12 months from the date of this report. 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.

The Directors have taken into account the recent condensed consolidated interim financial statements of the Ascential plc Group ("the Group") for the six month period to and as at 30 June 2022 (and which were approved 1 August 2022). These are available at www.ascential.com.

Flywheel Digital Limited
Strategic Report
For the year ended 31 December 2021

The financial information for the Group as at and for the six months to 30 June 2022 was prepared on a going concern basis. In making this determination, the Directors of the Group considered the strong condition of the Group's balance sheet, the diversification and digital nature of many of its business models and proactive steps taken historically to provide covenant headroom. Further details in coming to this conclusion are presented in the Group's annual financial information which is available at www.ascential.com.

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.

Approved by the Board on 6 October 2022.



M Gradden
Director

Company registered number: 06032169

The Directors submit their report and financial statements for the year ended 31 December 2021.

Directors

The Directors who held office at any time during or since the end of the financial year are

D Painter
M Gradden

Matters covered in the strategic report

As permitted by paragraph 1A of schedule 7 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008, certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report. The company has therefore omitted the business review and results here.

Insurance of Directors

Throughout the year, Directors' and Officers' liability insurance has been maintained by the ultimate parent company, Ascential plc.

Employment practices

All employment decisions are made irrespective of colour, race, age, nationality, ethnic or national origin, gender, gender identity, mental or physical disabilities, marital status or sexual orientation. For employees who may have a disability, the Group ensures proper procedures and equipment are in place to aid them. When it comes to training, career development and promotion, all employees are treated equally, and job applications are always judged on aptitude. Further details on the Group's policies on engagement and employment practices are set out on pages 56 to 59 of the Ascential plc annual report.

Corporate and Social responsibility

Our Corporate Responsibility framework continues to guide our focus. Our signature activity: supporting young people to thrive in the digital economy, remains vitally important. Our two strategic priorities: Climate Change Resilience and Diversity, Equity & Inclusion remain at the heart of our work.

With a small central team, our ethos is to equip and empower our colleagues across the business to take action on the above within the central frameworks we have established. Engaging with colleagues in our core regions and co-designing our policies, frameworks and programmes is key to success and we have a range of Corporate Responsibility champions across our business who support this area of work.

We work with a range of partners on our Early Talent opportunities, these include Speakers 4 Schools who support virtual work experience, Multiverse who are our Apprenticeship provider and Creative Access who support Internship recruitment in the UK.

Greenhouse gas emissions and energy consumption

During 2021, the Group undertook a qualitative 2 degree Celsius scenario analysis as part of the Taskforce on Climate-related Financial Disclosures to better understand the risks and opportunities of Climate Change on our business operations and wider sector. We reviewed these risks and opportunities across a short, medium and long term view to assess impacts over different time horizons.

The Group assessed the materiality of value chain activities against the 15 scope 3 emissions categories as recommended by the Greenhouse Gas Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting standard. This will inform reporting and emissions reduction measures in future years.

The Group has continued to measure scope 1 and 2 carbon emissions. We've seen a reduction in emissions this year due to Covid-19 restrictions, with fewer offices open and significantly less international travel. As the world re-opens again our focus will be on how we continue to reduce our emissions through proactive measures.

At the end of 2020 we changed our default UK Pension fund to align with our approach of reducing our impact on Climate Change. The fund now has sustainability as a focus and a dedicated Global Responsible Investment Team with significant experience in environmental, social & governance issues who ensures these considerations are taken into account in the design and management of our funds.

Political Donations

The Company did not make any political donations during the year (2020: £nil).

Events after the reporting period

There have been no significant reportable events affecting the Company since the year end.

Disclosure of information to the 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.

Flywheel Digital Limited
Directors' Report
For the year ended 31 December 2021

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.

Approved by the Board of Directors on 6 October 2022 and signed on its behalf by:



M Gradden
Director

Company registered number: 06032169

Flywheel Digital Limited

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements For the year ended 31 December 2021

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;
- 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 Flywheel Digital Limited

Opinion

We have audited the financial statements of Flywheel Digital Limited ("the Company") for the year ended 31 December 2021 which comprise the Profit and loss Account and Other Comprehensive Income, Balance Sheet and 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 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Company will continue in operation.

Independent Auditor's Report to the Members of Flywheel Digital Limited

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, internal audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management and Directors including the EPS target for management remuneration
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. On this audit we do not believe there is a fraud risk related to revenue recognition due to the simplicity and homogeneous nature of revenue transactions and sources.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by unexpected users or with unexpected account pairings.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence. We also held discussions with the Directors and other management regarding the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Independent Auditor's Report to the Members of Flywheel Digital Limited

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and Directors' report

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Independent Auditor's Report to the Members of Flywheel Digital Limited

Directors' responsibilities

As explained more fully in their statement set out on page 8, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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



Ian Griffiths (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London E14 5GL

United Kingdom

6 October 2022

Flywheel Digital Limited**Profit and Loss Account and Other Comprehensive Income**
For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Continuing operations			
Turnover	3	7,191	3,918
Gross profit		7,191	3,918
Administrative expenses		(6,601)	(3,311)
Operating profit	4	590	607
Adjusted EBITDA*		1,065	530
Exceptional items	4	(383)	-
Share-based payments (charge)/ credit	5	(92)	77
Operating profit	4	590	607
Profit before taxation		590	607
Taxation	6	(68)	13
Profit for the year		522	620
Total comprehensive profit for the year		522	620

*Adjusted EBITDA is a non-IFRS measure, defined as the Company's operating profit or loss before expensing or crediting share-based payments and exceptional items.

The notes on pages 16 to 25 form part of these financial statements.

Flywheel Digital Limited
Balance Sheet
As at 31 December 2021

	Note	2021 £'000	2020 £'000
Assets			
Non-current assets			
Deferred tax asset	8	109	111
		109	111
Current assets			
Debtors	7	30,677	16,043
		30,677	16,043
Total assets		30,786	16,154
Liabilities			
Current liabilities			
Creditors: amounts falling due within one year	9	(29,778)	(15,668)
		(29,778)	(15,668)
Total liabilities		(29,778)	(15,668)
Net assets		1,008	486
Capital and reserves			
Share capital	10	-	-
Profit and loss account		1,008	486
Shareholders' funds		1,008	486

The financial statements were approved and authorised for issue by the Board on 6 October 2022 and were signed on its behalf by:



M Gradden
Director

Company registered number: 06032169

The notes on pages 16 to 25 form part of these financial statements.

Flywheel Digital Limited
Statement of Changes in Equity
For the year ended 31 December 2020

	Share capital	Share premium	Profit and loss account	Total equity
	£'000	£'000	£'000	£'000
Balance at 1 January 2020	-	-	(134)	(134)
Total comprehensive profit for the year	-	-	620	620
Balance at 31 December 2020	-	-	486	486
Total comprehensive profit for the year	-	-	522	522
Balance at 31 December 2021	-	-	1,008	1,008

The notes on pages 16 to 25 form part of these financial statements.

1. Basis of preparation and accounting policies

Basis of preparation

Flywheel Digital Limited ("the Company") is a company limited by shares and incorporated and domiciled in the United Kingdom. The Company registration number is 06032169 and the registered office address is 33 Kingsway, London, WC2B 6UF.

The financial statements are presented in pounds sterling, which is the Company's functional currency, and have been rounded to thousands except where otherwise indicated.

The financial statements have been prepared on a going concern basis (see further details below) and under the historical cost convention.

Going concern

The Company holds net current assets of £899,000 as at 31 December 2021, including loans made available by group companies, and therefore the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

Ascential Group Limited has indicated its intention to continue to make available such funds as are needed by the Company for at least the next 12 months from the date of this report. 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.

The Directors have taken into account the recent condensed consolidated interim financial statements of the Ascential plc Group ("the Group") for the six month period to and as at 30 June 2022 (and which were approved 1 August 2022). These are available at www.ascential.com.

The financial information for the Group as at and for the six months to 30 June 2022 was prepared on a going concern basis. In making this determination, the Directors of the Group considered the strong condition of the Group's balance sheet, the diversification and digital nature of many of its business models and proactive steps taken historically to provide covenant headroom. Further details in coming to this conclusion are presented in the Group's annual financial information which is available at www.ascential.com.

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.

Accounting policies

The principal accounting policies in the preparation of the financial statements have been applied consistently to both periods presented.

Basis of accounting

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"), the Financial Reporting Standard applicable in the UK and Republic of Ireland as issued by the Financial Reporting Council.

The Company's ultimate parent undertaking, Ascential plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Ascential plc are prepared in accordance with UK adopted International Financial Reporting Standards and are available to the public and may be obtained from 33 Kingsway, London, WC2B 6UF.

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;
- Certain disclosures regarding revenue;
- 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 Ascential plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share-Based Payments in respect of group settled share-based payments;
- 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.

Foreign currency translation

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.

Revenue

Revenue is measured based on the consideration specified in a contract with a customer. If multiple performance obligations exist within a contract, the revenue is allocated to the obligations based on the stand-alone selling price, with any discounts allocated evenly across the obligations. For contracts with rebates and therefore variable consideration, revenue is recognised based on the best estimate of the revenue net of the rebated amount. Revenue is recognised when the Company satisfies the performance obligations.

Digital Subscriptions and Platforms revenue is recognised evenly over the time period for which the subscription services are provided as the customer simultaneously receives and consumes the economic benefit of the service being provided.

Alternative Performance Measures

The financial statements include Alternative Performance Measures, including Adjusted EBITDA, as another measure of profitability of the trading performance of the continuing operations of the Company. Adjusted EBITDA is a non-IFRS measure, defined as the Company's operating profit before expensing depreciation of tangible fixed assets and amortisation of software, exceptional items, amortisation of acquired intangible assets, impairment of tangible fixed assets and software intangibles, share-based payments and one-off finance costs.

Finance costs and income

Finance cost or income is recognised using the effective interest method. The 'effective interest rate' is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset, or the amortised cost of the financial liability.

Income tax

Income tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generate income.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year in which the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

The deferred tax assets and liabilities are only offset where they relate to the same taxing authority and the Company has a legal right to offset.

Trade and other debtors

Trade debtors are recognised initially at fair value and subsequently measured at amortised cost, less loss allowances.

Loss allowances are calculated for lifetime expected credit losses. Expected credit losses are a probability weighted estimate of credit losses and are calculated based on actual historical credit losses over the past three years and adjusted to reflect differences between the historical credit losses and the Company's view of the economic conditions over the expected lives of the debtors. The amount of the loss is recognised in the income statement. When a trade debtor is uncollectible, it is written off against the allowance account for trade debtors. Subsequent recoveries of amounts previously written off are credited to the income statement.

Reimbursable debtors include amounts due from customers for pass-through costs principally in relation to the purchase of media on their behalf. These costs comprise amounts paid to external suppliers which are charged directly to clients. The amounts due to external suppliers in these relationships are recognised in other creditors.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

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.

Pension and other post-employment benefits

The Company operates a defined contribution pension scheme. Contributions payable are charged to the income statement and included in employee costs as an operating expense as incurred.

Share-based payments

Certain employees (including directors) of the Company receive part of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares of the ultimate parent company, Ascential plc.

Where the Company grants options over its ultimate parent company's shares to employees, it accounts for the transaction as a cash-settled share-based payment and recognises an employee benefits expense and an increase in the intercompany creditor.

2. Critical accounting judgements

The preparation of these financial statements requires management to exercise judgement in applying the Company's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The actual future outcomes may differ from these estimates and give rise to material adjustments to the reported results and financial position of the Company. Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the year in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgement or complexity and assumptions or estimation are set out below and in more detail in the related notes.

Critical accounting judgements

Alternative Performance Measures

The Company uses alternative performance measures which are not defined or specified under IFRS and removes adjusting items to present an adjusted result. Adjusting items include amortisation and impairment of acquired intangibles, share-based payments, one-off financing costs and exceptional items. The classification of exceptional items requires significant management judgement to determine the nature and presentation of such transactions. Exceptional items are those which are considered significant by virtue of their nature, size or incidence. The Board view this as a relevant analysis to assist the reader in their understanding of the underlying performance and financial results of the Company. Note 4 provides an analysis of exceptional items.

3. Turnover

i) Disaggregation of turnover

An analysis of revenue by geographical market is given below:

	2021	2020
	£'000	£'000
United Kingdom	4,898	2,718
Europe	1,983	1,120
Asia Pacific	310	80
Total	7,191	3,918

An analysis of the Company turnover by category is as follows:

	2021	2020
	£'000	£'000
Digital subscriptions and platforms	7,191	3,918
Total	7,191	3,918

Flywheel Digital Limited
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i) **Contract balances**

The following table provides information about receivables and contract assets from contracts with customers.

		2021	2020
	Note	£'000	£'000
Receivables, which are included within debtors	7	1,706	1,152
Contract assets – accrued income	7	321	306

4. Operating profit

Operating profit is stated after charging:

		2021	2020
	Note	£'000	£'000
Employee costs	5	5,067	2,660
Net foreign exchange loss		51	169
Implementation of new ERP and Salesforce instance		383	-
Fees for the audit of the Company		6	6

None of the Directors received any remuneration for their qualifying services to the Company (2020: none). The Directors' services were incidental to their service to the Group as a whole and no allocation has been made to the Company.

5. Employee numbers and costs

(a) Employees

The average monthly number of staff (including Directors) employed by the Company during the year is as follows:

By job function	2021	2020
Cost of sales	65	32
Sales and Marketing	4	1
Other	4	1
Total	73	34

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(b) Costs		
	2021	2020
	£'000	£'000
Wages and salaries	4,376	2,427
Social security costs	452	228
Share-based payments (credit) / charge	92	(77)
Pension costs	147	82
Total	5,067	2,660

(c) Pension costs

The Company participates in a defined contribution pension scheme. The assets of the scheme are held by independent custodians and are kept entirely separate from the assets of the Company. No loans have been made by the scheme to the Company and no shareholdings of the scheme have been used as security for any loans to the Company. The pension charge represents contributions due from the employer. During the year it amounted to £147,000 (2020: £82,000). The pension scheme is administered by Ascential Group Limited, an intermediate parent undertaking.

(d) Share-based payments

Certain employees of the Company receive part of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares of the ultimate parent company, Ascential plc. Refer the Ascential plc 2021 Annual Report, note 8, for details of the type of share-based payment arrangements and the general terms and conditions of each arrangement.

6. Tax

	2021	2020
	£'000	£'000
Current tax charge		
UK corporation tax on profit for the year	66	102
Adjustments in respect of prior periods	-	(22)
Total current tax charge	66	80
Deferred tax credit (Note 8)		
Current year charge/(credit)	37	(53)
Impact of rate changes	(35)	(6)
Adjustments in respect of prior years	-	(34)
Total deferred tax charge/(credit)	2	(93)
Total tax charge/(credit)	68	(13)

Factors affecting the tax charge for the current year:

The tax assessed for the period is lower (2020: lower) than the standard rate of corporation tax in the UK. The difference between tax as per the financial statements and tax at the UK standard rate is explained below:

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	2021	2020
	£'000	£'000
Profit before tax	590	607
Expected tax charge / (credit) at 19% (2020: 19%)	112	115
Impact of rate changes	(35)	(6)
Non-deductible permanent items	17	-
Share based payments tax deductions in excess of accounts charge	(26)	(66)
Adjustments in respect of prior years	-	(56)
Total tax charge/(credit) for the year	68	(13)

7. Debtors

	2021	2020
	£'000	£'000
Trade debtors	1,706	1,152
Amounts receivable from Group undertakings	4,682	1,626
Contract assets – accrued income	321	306
Reimbursable debtors	23,854	12,959
Other taxation and social security	114	-
Total	30,677	16,043

The Company shows all amounts receivable from Group undertakings offset in line with IAS 32 Financial Instruments: Presentation due to its intention to settle amounts on a net basis and as such all amounts are due within one year.

Amounts due from Group undertakings are unsecured and are repayable on demand.

Included within reimbursable debtors are amounts due from customers for pass-through costs principally in relation to the purchase of media with the corresponding liability reflected in reimbursable creditors. The Company is responsible for the credit risk associated with these transactions and therefore recognises the gross amounts in reimbursable debtors and reimbursable creditors.

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8. Deferred Tax

	2021 £'000	2020 £'000
Short term timing differences	109	111
Total deferred tax asset	109	111

	2021 £'000	2020 £'000
Balance at the start of the period	111	18
Impact of rate changes	35	6
Deferred tax credit in profit and loss account for the period	(37)	87
Total deferred tax asset	109	111

The deferred tax asset has arisen as a result of short-term timing differences, which includes the impact of share-based payments. The Directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset and therefore the asset has been recognised in these financial statements.

The UK Government enacted changes to the UK tax rate during the year which will result in the UK tax rate increasing to 25% from 1 April 2023. As a result, we have revalued our UK deferred tax assets and liabilities to 25% to the extent they are forecast to unwind after this date. This has resulted in a net credit to the income statement of £35,000.

The UK Government presented its mini-budget on 23 September 2022. The budget proposed a reversal of the UK corporate tax rate increase from 19% to 25% from 1 April 2023. At the time of publishing, this proposal is yet to be enacted. When enacted, our deferred tax assets and liabilities will be revalued accordingly.

9. Creditors: falling due within one year

	2021 £'000	2020 £'000
Trade creditors	48	-
Amounts payable to Group undertakings	21,536	3,162
Other taxation and social security	1,570	453
Accruals	453	395
Deferred income	10	-
Reimbursable creditor	6,161	11,658
Total	29,778	15,668

Amounts due from Group undertakings are unsecured, are not interest-bearing, and are repayable on demand.

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Included within reimbursable creditors are amounts due from customers for pass-through costs principally in relation to the purchase of media with the corresponding asset reflected in reimbursable debtors. The Company is responsible for the credit risk associated with these transactions and therefore recognises the gross amounts in reimbursable debtors and reimbursable creditors.

10. Share capital

	2021	2020
	£	£
Allotted, issued and fully paid		
100 ordinary shares of £0.01 each	1	1
Closing balance	1	1

There was no interim dividend paid in 2021 (2020: £nil).

11. Commitments and contingencies

During the year the Company was a member of the Group cash pooling arrangement. This allows the Group to combine the liquidity of companies within the Group in order to distribute such cash centrally as required.

The Company is registered with H.M. Revenue & Customs as a member of the Ascential Group Limited VAT Group and is therefore jointly and severally liable on a continuing basis for amounts owing by other members of the Group in respect of their value added tax liabilities.

The Company had no capital commitments at 31 December 2021 (2020: £nil).

12. Related party transactions

The Company is exempt from disclosing related party transactions as it is wholly owned by a member of Ascential plc group.

13. Ultimate parent company

The immediate and controlling parent undertaking is Ascential Group Limited, a company incorporated in England and Wales.

The ultimate controlling party at 31 December 2021 was Ascential plc, a company incorporated in England and Wales. The results of the Company are included in the consolidated financial statements of Ascential plc. Copies of Ascential plc accounts can be obtained from the Company Secretary at the registered address of Ascential plc.