Dentsu UK Limited

Annual report and financial statements
Registered number 01939690
31 December 2022

Contents

Strategic report

The directors present their strategic report for the year ended 31 December 2022.

Fair review of the business
The results of Dentsu UK Limited ("the Company") for the year are set out in the Profit and Loss Account on page 14. The Company recorded revenue from contracts with customers of £234,043,000 (2021: £143,862,000), together with revenue from management recharges of £68,879,000 (2021: £56,777,000), amounting to total revenue of £302,921,000 (2021: £200,639,000). The loss before tax was £15,018,000 (2021: £50,846,000 loss), which was driven by a combination of factors. In addition to the growth in the Company's underlying operations, the Company continued to make further progress regarding the dentsu Group's business reorganisation and simplification programme. The trade and assets of a number of the Company's subsidiaries and fellow dentsu Group entities were transferred to the Company during the year, all of which contributed to the large, positive movements in revenue, operating profit margin and the overall operating result. Average employee headcount during the year was 2,704 (2021: 1,626).

The Balance Sheet on page 15 of the Financial Statements shows the Company's financial position. At 31 December 2022, the Company had net liabilities of £96,706,000 and net current liabilities of £119,840,000 (2021: (restated) net liabilities of £94,692,000 and (restated) net current liabilities of £130,232,000). The Company's Balance Sheet has been impacted by a change in accounting for common control transactions, as part of the dentsu Group's business reorganisation and simplification programme. Note 22 provides further detail around the prior-year restatement. The directors do not consider the net current liability position to impede the Company's ability to meet its liabilities as and when they fall due, given the financial resources available from within the group headed by Dentsu International Limited. Further detail around going concern can be found in the Directors' report on page 7.

The immediate parent company is Dentsu International Finance and the ultimate parent company is Dentsu Group Inc.

Key performance indicators
Revenue from contracts with customers increased by 62.7% in 2022 (2021: 1.3% decrease). Operating loss margin relating to revenue from contracts with customers improved from -35% in 2021 to -9.6% in 2022.

Section 172(1) statement
A description of how the directors have performed their Section 172 duties during the financial year through stakeholder engagement is included below. These activities are generally undertaken at either a UK- or Group-wide level within the Dentsu International Limited group ("the Group").

Employees

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

Engagement with the workforce is achieved through:

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

Strategic report *(continued)*

Customers

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

Shareholders

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

Principal risks and uncertainties

The Company faces a range of market, strategic, financial, legal, operational and human resource risks. During 2022, there was a continual focus on working capital management and counterparty risks as a result of the shift in the economy. The Company continually reviews the key risks and strives to improve the internal control framework to help mitigate them, where possible. Listed below are what the Company believes to be the principal risk factors and uncertainties faced during the period and the strategies for managing them.

1. Maintaining strong client relationships

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

Potential risk impact
- Loss of profit.
- Subsequent loss of key managers.

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

Risk mitigation actions
- Dedicated client relationship teams are in place, as well as global client management teams established in regional offices.

2. Managing counterparty risk

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

Potential risk impact
- Loss of profit, due to bad debt.

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

Risk mitigation actions
- Due diligence, including assessments of credit risk, is undertaken for all new clients and written contracts must be in place before commencing any significant work.
- Company policy requires credit limits to be imposed for all new commercial clients.

3. Weak macroeconomic conditions in the UK

Risk description
- A weak UK economy may cause clients to reduce media investment and/or discretionary advertising expenditure.

Strategic report *(continued)*

Potential risk impact
- Loss of profit.

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

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

4. Maintaining a sound financial position

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

Potential risk impact
- Lack of funds for current operations and future growth.

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

Risk mitigation actions
- The Company has access to significant funding, via the cash pooling arrangements in place with relationship banks through Dentsu International Limited.
- Daily cash reporting for all operations is maintained.
- Minimum headroom limits are monitored regularly.
- Working capital and cash conversion metrics are monitored regularly.

5. Managing the targeting and pursuit of acquisition opportunities

Risk description
- Acquisitions do not create value and support the Company strategy.

Potential risk impact
- Loss of profit.
- Distraction of management's attention from the core business activities.

Risk management strategy
- To target acquisitions which are aligned with the Company's strategy and culture, as well as ensuring specific financial criteria are met.

Risk mitigation actions
- A pipeline of potential targets is maintained.
- All acquisitions require approval by an internal acquisitions committee chaired by the CEO of Dentsu International Limited. Larger acquisitions require approval from the Dentsu International Limited Board.
- The Company aims to limit the initial consideration, and pay the consideration over time through earn-out payment structures.

6. Ensuring acquisitions are fully integrated

Risk description
- Acquisitions are not integrated successfully.

Potential risk impact
- The economies of scale or access to new income streams expected from acquisitions are not realised, resulting in lost income.

Risk management strategy
- Post-acquisition integration plans are in place for all newly acquired entities to ensure they are integrated into the Company properly and timely.

Strategic report *(continued)*

Risk mitigation actions

- The Company tracks and reports on the integration process tracked at three months and one year following acquisition, and provides additional assistance to any entities requiring more support.
- The Company aims to re-brand acquired businesses within the first full year of ownership.

7. Managing the security of data

Risk description

- Unauthorised access to, or inappropriate use of, client, employee or other confidential data, with a specific emphasis on the General Data Protection Regulation.

Potential risk impact

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

Risk management strategy

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

Risk mitigation actions

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

8. Ensuring legal and regulatory compliance

Risk description

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

Potential risk impact

- Loss of profit.
- Loss of license to operate and/or market.
- Damage to management reputation and credibility.

Risk management strategy

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

Risk mitigation actions

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

Future developments

The directors continue to focus on achieving the strategic targets of the Company, including organic and new business growth and expanding the digital and data strategy.

The Company continues to focus on a number of key areas, which include actions to preserve operating margin and cash, measures to increase liquidity in partnership with Dentsu International Limited and increased monitoring of cash and net working capital positions.

The impact on other areas of the financial statements is discussed in note 21 (Subsequent events). Management continues to monitor developments, and will take further action to mitigate any impact on the Company's operations as necessary.

By order of the Board

N. Storey

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N Storey, *Director*

Date: 1 December 2023

Directors' report

The directors, who served during the year and are shown below, present their report and the financial statements of Dentsu UK Limited ("the Company") for the year ended 31 December 2022.

Principal activity
The Company's divisions and subsidiaries provide a range of services in the area of media communications, the principal of which is the placement of advertising. The Company also receives management recharges for the provision of services to fellow subsidiaries, for services including management services, technical services (e.g. finance, treasury, HR and media investment), client relationship management services, account management services, brand management services and new business/pitching services.

Research and development
The Company is involved in media research and development in order to offer its clients media planning and buying methodology and research data. During the year, the Company spent £2,176,000 on research and development (2021: £2,125,000).

Financial instruments
The Company's policy on the use of financial instruments can be found in note 1.1.

Proposed dividend
There were no dividends paid or declared in 2022 (2021: nil).

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

R Baldwin
P Huijboom
P Pontidas
D Romijn (resigned 5 April 2023)
M Villa Multedo
N Sperrin
N Storey (appointed 13 March 2023)

Company secretary
M Hitchon

Directors' indemnities
The Company's ultimate UK holding company, Dentsu International Limited, has made qualifying third-party indemnity provisions for the benefit of the Company's directors and officers which were made during the year and remain in force at the date of this report.

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

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

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

Employee engagement and business relationships
Information on how the Company engages with its employees and key business relationships can be found in the Strategic report.

Directors' report *(continued)*

Political and charitable contributions
The Company made charitable donations of £69,000 (2021: £31,000) during the year. There were neither political donations, nor any political expenditure incurred.

Corporate governance reporting
The Company's ultimate, UK-incorporated parent company is Dentsu International Limited, which applies many of the principles of the UK Corporate Governance Code 2018. The code applies directly to the UK parent company and so indirectly to subsidiaries, including Dentsu UK Limited. The Group's governance framework and principles are subject to regular review by the board of Dentsu International Limited and the Company's ultimate parent company, Dentsu Group Inc.

The Board considers that the Company's governance is consistent with the Wates Principles, and the Company's approach to each of the six Wates Principles is summarised as follows:

Purpose and leadership
The eight values of the Company are consistent with the broader Group, and are: "dreaming loud", "inspiring change", "teaming without limits", "we all lead", "we make it real", "we climb high", "we choose excitement" and "we are a force for good". We wish to move from beyond innovating the way that brands are built to reaching the never-before in brand development.

The Company's purpose is, through the significant network of the Dentsu International Limited Group, to encourage an environment where people come together in a place where teams form effortlessly, where hearts and minds are open and diversity is the greatest resource, and innovation can come from anyone, anywhere. The Company is also where data, technology and creativity meet in endless possibilities – for the benefit of everyone. Change is embraced as the lifeforce of business, helping it to adapt and thrive, even in the most challenging times.

The Company is committed to ensuring its strategy is articulated and implemented throughout the organisation clearly. In addition, a transparent, Group-wide Speak Up policy exists, to provide all employees a mechanism to report any unethical or inappropriate behaviour.

Board composition
The board is comprised of seven directors, with a broad range of skills, backgrounds and experience, including Media-industry specific, finance and treasury experience, which in turn promotes a higher level of understanding of the Company's business needs and stakeholder interests. The size and composition of the board is considered proportionate to the Company's size, complexity and structure of the wider Group in which the Company operates.

Director responsibilities
The directors have a responsibility to ensure the Company complies with Group-wide policies and procedures. Regarding the assessment of any conflicts of interest, the directors are required to declare any interests – either personally or through any related parties – which conflict, or might conflict, with the interests of the Company or its stakeholders.

Opportunity and risk
The Group's senior management executive committee is well placed to promote the long-term sustainable success of the Company. Opportunities for future growth from acquisitions are assessed by the Group M&A Committee, to ensure such opportunities are in line with the Group's long-term strategy. Significant risks facing the Group are considered by the Group Risk Committee, and risks which are specific to the Company are well considered. Further detail around the Company's approach to the identification, impact quantification and mitigation to the key risks facing the Company are outlined in the Strategic report on page 2.

Remuneration
Remuneration for directors and employees is aligned with business performance, individual performance, behaviours, and the achievement of broader purpose, values and strategy. The Company is a subsidiary entity of the Group headed by Dentsu International Limited, and matters relating to remuneration across the Group are considered by the Dentsu International Limited Compensation Committee.

Directors' report *(continued)*

Stakeholder relationships and engagement
The directors promote effective stakeholder relationships, to ensure these are aligned to the Company's purpose. The Company's primary stakeholders include employees, customers and shareholder, and further information on how the Company engages with key stakeholders can be found in the Strategic report.

Greenhouse gas emissions and energy consumption
The Company has elected not to make separate disclosures in its annual report, as comprehensive disclosures are made within the consolidated accounts of the group headed by Dentsu International Limited.

Going concern
Notwithstanding net current liabilities of £119,840,000 and net liabilities of £96,706,000 as at 31 December 2022, the financial statements have been prepared on a going concern basis, which the directors consider to be appropriate. The Company meets its day-to-day working capital requirements through cash generated from its trading and the use of a cash-pooling facility provided to participating subsidiaries in the group headed by Dentsu International Limited ("the Group"). The cash-pooling facility involves the daily closing cash position for participating subsidiaries, whether positive or negative, being cleared to £nil via daily bank transfers to / from Dentsu International Limited and the Company can draw down on the cash pool to enable it to pay its obligations as they fall due, where required.

The directors have performed a going concern assessment for the period of not less than 12 months from the date of the approval of these financial statements ("the going concern assessment period"), which indicates that the Company will have sufficient funds through the cash-pooling facility and funding from Dentsu Group Inc. to meet its liabilities as they fall due for that period. Dentsu Group Inc. has indicated its intention to make available such funds as are needed by the Company during the going concern assessment period.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Also, as with any company providing and accessing its funds to/from the cash pool, the directors acknowledge that there can be no certainty that the Group cash-pooling facility will continue, although, at the date of approval of these financial statements, they have no reason to believe that this facility will not continue to be made available to the Company. Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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

Directors' report *(continued)*

Other information
Particulars of significant events which have occurred since the end of the financial year have been included in note 23. As outlined in that note, Company's immediate parent entity, Dentsu International Finance, injected a total of £305,064,000 of additional capital into the Company, to both facilitate the dentsu Group's business reorganisation and simplification programme, and further strengthen the Company's liquidity and general financial position.

Auditor
KPMG LLP has indicated a willingness to continue in office, and a resolution for their reappointment as auditor will be proposed to the sole Member of the Company on the date of signing of these accounts.

By order of the Board

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N Storey
Director

Date: 1 December 2023
10 Triton Street, Regent's Place, London, NW1 3BF

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the annual 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 Dentsu UK Limited.

Opinion

We have audited the financial statements of Dentsu UK Limited ("the Company") for the year ended 31 December 2022 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 2022 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.

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, legal counsel 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/ directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit and the team 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 the management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because transactions are simple and non-complex, with few sources of judgement, and no pressures or incentives for management to commit fraudulent financial reporting through inappropriate revenue recognition were identified.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation of the Company-wide fraud risk management controls.

We also performed procedures including:

Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those containing key words, seldom used accounts, journals with no description, unbalanced entries and journals posted to unrelated accounts.

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, and through discussion with the directors (as required by auditing standards) and from inspection of the Company's regulatory and legal correspondence and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

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, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

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. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, advertising, data protection, commercial and competition laws, regulatory capital and certain aspects of company legislation recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors 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.

Directors' responsibilities

As explained more fully in their statement set out on page [9], 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.

Gemma Hancock

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

Date: 1 December 2023

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2022

	Note	**2022 £000**	2021 £000
Revenue	*2*	**302,921**	200,639
Operating expenses		(325,397)	(257,138)
Operating loss	*3*	**(22,476)**	(56,499)
Dividends received from subsidiaries		34,000	31,234
Gain on sale of investments	*11*	7,168	–
Amounts written off investments	*11*	(3,274)	–
Interest receivable and similar income	*6*	734	–
Interest payable and similar expenses	*7*	(31,170)	(25,581)
Loss before tax		**(15,018)**	(50,846)
Tax credit	*8*	8,057	10,192
Loss for the year		**(6,961)**	(40,654)
Other comprehensive income		–	–
Total comprehensive expense for the year		**(6,961)**	(40,654)

The notes on pages 17 – 39 form an integral part of these financial statements.

Balance Sheet
as at 31 December 2022

	Note	**2022**	*Restated 2021
		£000	£000
Fixed assets			
Intangible assets	*9*	175	3,199
Tangible fixed assets	*10*	3,232	3,871
Investments	*11*	35,189	67,862
		38,596	74,932
Current assets			
Stocks	*12*	4,359	3,650
Debtors	*13*	965,439	885,789
Cash at bank and in hand		35,020	21,369
		1,004,818	910,808
Creditors: Amounts falling due within one year	*14*	(1,124,658)	(1,041,040)
Net current liabilities		**(119,840)**	(130,232)
Total assets less current liabilities		**(81,244)**	(55,300)
Creditors: Amounts falling due after more than one year	*15*	(12,037)	(30,730)
Provisions	*17*	(3,425)	(8,662)
Net liabilities		**(96,706)**	(94,692)
Capital and reserves			
Share capital	*18*	538	538
Share premium		5,294	5,294
Profit and loss account		(52,739)	(45,778)
Merger reserve		(49,799)	(54,746)
Shareholders' funds		**(96,706)**	(94,692)

* Refer to note 22 for details of restatement.

Refer to note 23 for details of further capitalisation of the Company, which occurred after 31 December 2022.

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

N. Storey

....

Date: 1 December 2023

N Storey
Director

Company registered number: 01939690

The notes on pages 17 – 39 form an integral part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2022

	Share Capital	Share Premium	Merger reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
Balance at 1 January 2021	538	5,294	(71)	38,551	44,312
Effect of restatement (see note 22)*	–	–	(63,408)	–	(63,408)
Restated opening balance at 1 January 2021*	538	5,294	(63,479)	38,551	(19,096)
Effect of common control transactions*	–	–	(34,942)	–	(34,942)
Transfer of realised loss on common control transactions*	–	–	43,675	(43,675)	–
Total comprehensive expense for the year	–	–	–	(40,654)	(40,654)
Restated balance at 31 December 2021	538	5,294	(54,746)	(45,778)	(94,692)

	Share Capital	Share Premium	Merger reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
Balance at 1 January 2022	538	5,294	(54,746)	(45,778)	(94,692)
Net effect of common control transactions	–	–	4,947	–	4,947
Total comprehensive expense for the year	–	–	–	(6,961)	(6,961)
Balance at 31 December 2022	**538**	**5,294**	**(49,799)**	**(52,739)**	**(96,706)**

* Refer to note 22 for details of restatement.

The notes on pages 17 – 39 form an integral part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Dentsu UK Limited ("the Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 01939690 and the registered address is 10 Triton Street, Regent's Place, London, NW1 3BF. The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is itself a wholly owned subsidiary of Dentsu International Limited.

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 accounting standards in conformity with the requirements of the Companies Act 2006, ("Adopted IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Dentsu Group Inc., includes the Company in its consolidated financial statements. The consolidated financial statements of Dentsu Group Inc. are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from The Secretary, Dentsu Group Inc., 1-8-1 Higashi-shimbashi, Minato-ku, Tokyo 105-7001. The smallest group in which the results of the Company are consolidated is the group headed by Dentsu International Limited, whose registered address is 10 Triton Street, Regent's Place, London, NW1 3BF. The consolidated financial statements of Dentsu International Limited are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("IFRS") and are available to the public and may be obtained from UK Companies House filings.

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

- a 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;
- Disclosures of transactions with a management entity that provides key management personnel services to the Company;
- Certain disclosures in relation to revenue from contracts with customers (IFRS 15); and
- Certain disclosures in relation to leases (IFRS 16).

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:

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

Notes *(continued)*

1 Accounting policies *(continued)*

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

1.1 Financial instruments

Financial assets

Classification and measurement of financial assets
All financial assets, unless it is a trade receivable without a significant financing component, are initially measured at fair value. Management determines the classification and subsequent measurement of the financial asset based on the contractual terms at the initial recognition date. The classifications and subsequent measurement include the following:

Financial assets at amortised cost

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

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

All receivables are categorised as amortised cost.

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

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

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

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

Debt investments at FVOCI – these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI – these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Notes *(continued)*

1 Accounting policies *(continued)*

1.1 Financial instruments *(continued)*

Financial assets *(continued)*

Financial assets at fair value through profit or loss
All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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 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.

Investments in subsidiaries are carried at cost less impairment accounted for in accordance with IFRS 9. These assets, other than derivatives designated as hedging instruments, are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents.

Impairment of financial assets
The Company considers evidence of impairment for these assets at both an individual asset and a collective level at each reporting date. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified.

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

Offsetting of balances within financial assets
Where the company has a legally enforceable right and there is an intention to settle on a net basis in line with IAS 32, the respective assets and liabilities of the company are presented net.

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 initially and subsequently at amortised cost using the effective interest method or at FVPL. The classifications include the following:

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

Notes *(continued)*

1 Accounting policies *(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.

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

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

Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

1.2 Measurement convention
The financial statements are prepared on the historical cost basis except certain financial assets and financial liabilities are measured at fair value.

1.3 Going concern
Notwithstanding net current liabilities of £119,840,000 and net liabilities of £96,706,000 as at 31 December 2022, the financial statements have been prepared on a going concern basis, which the directors consider to be appropriate. The Company meets its day-to-day working capital requirements through cash generated from its trading and the use of a cash-pooling facility provided to participating subsidiaries in the group headed by Dentsu International Limited ("the Group"). The cash-pooling facility involves the daily closing cash position for participating subsidiaries, whether positive or negative, being cleared to £nil via daily bank transfers to / from Dentsu International Limited and the Company can draw down on the cash pool to enable it to pay its obligations as they fall due, where required.

The directors have performed a going concern assessment for the period of not less than 12 months from the date of the approval of these financial statements ("the going concern assessment period"), which indicates that the Company will have sufficient funds through the cash-pooling facility and funding from Dentsu Group Inc. to meet its liabilities as they fall due for that period. Dentsu Group Inc. has indicated its intention to make available such funds as are needed by the Company during the going concern assessment period.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Also, as with any company providing and accessing its funds to/from the cash pool, the directors acknowledge that there can be no certainty that the Group cash-pooling facility will continue, although, at the date of approval of these financial statements, they have no reason to believe that this facility will not continue to be made available to the Company. Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes *(continued)*

1 Accounting policies *(continued)*

1.4 Intangible assets

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

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

Separately acquired intangible assets are capitalised at cost.

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

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

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

1.5 Amortisation

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

- Software – 20% to 50% per annum
- Patents and trademarks – Nil to 20% per annum
- Other – 10% to 50% per annum

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 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
- IT hardware – 20% to 50% per annum

1.7 Stocks

Stocks are stated at the lower of cost and net realisable value, and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

1.8 Contingent deferred consideration

Deferred consideration liabilities are discounted to their fair value in accordance with IFRS 3 and IAS 37. The difference between fair value of these liabilities and the actual amounts payable is charged to the income statement as a notional finance cost.

The amount of deferred consideration is recognised according to the formulae agreed at the time of acquisition, and normally relates to the future earnings of the acquired entity. Estimates of the expected future earnings of the acquired entity therefore affect the valuation of deferred consideration. The liability for deferred consideration is reviewed at each balance sheet date and revaluation entries are applied, if required, to deferred consideration or profit or loss in accordance with the Company's accounting policies.

1.9 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.10 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the company. The Company measures goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Notes *(continued)*

1 Accounting policies *(continued)*

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable balances arising in the periods beginning after 1 January 2016 is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

For contingent consideration balances arising in the periods beginning before 1 January 2016: Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

For acquisitions of subsidiaries and businesses under the common control of the Dentsu Group Inc. group, the Company has elected to adopt the book value method for acquisitions; in these situations, businesses are transferred for the book value of the assets.

Any resultant apparent impairments in the carrying value of investments arising from a hive-up of trade and assets under common control are accounted for directly in equity, within the Merger reserve. Where the carrying value of an investment exceeds the net book value of the net assets acquired, a debit to the Merger reserve arises. Such balances are considered to be unrealised losses in nature, and a notional goodwill impairment assessment is performed annually, to identify any balances that require transferring to distributable reserve balances, ensuring the Merger reserve represents non-distributable reserves only.

Where the net book value of the net assets acquired exceeds the carrying value of an investment and the consideration is subsequently waived by the transferee, a credit to the Merger reserve arises. Such balances are considered to be unrealised gains in nature.

1.11 Revenue

Revenue comprises amounts from contracts with customers and management recharges. Revenue from contracts with customers is derived from arrangements involving fees for advertising services, commissions on media placements, performance-related revenue or a combination of the three, as agreed upon with each third-party customer. Revenue is recognised in line with the underlying arrangements with customers. Management recharges are derived from services provided by the Company to other Group entities. Management recharges are recognised at the point of the provision of the services.

1.11(a) Revenue from contracts with customers

The Company's major sources of revenue are from advertising and media investments managed by the Company on behalf of clients, together with fees earned for media projects and market research services. 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 transaction prices based on relative stand-alone selling prices.

Notes *(continued)*

1 Accounting policies *(continued)*

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

When revenue is in the form of a retainer, it is a stand-ready obligation to perform services on an ongoing basis over the life of the contract, and it is recognised over time on a straight-line basis, unless there is high seasonality. If there are high levels of seasonality, then the retainer revenue is recognised over time in proportion to the level of time spent of the total expected time for the contract.

When revenue is in the form of commissions, revenue is recognised over time as the media airs or is published, depending on the form of the media.

Contracts may include variable consideration, such as performance related fees, which are part of the transaction price. Such fees are recognised in line with the revenue recognised in respect of the underlying performance obligation, to the extent that is not highly probable to result in a significant reversal.
Costs of obtaining a contract are expensed as the vast majority of the Company's contracts run for 12 months or less.

Costs incurred on behalf of clients and other third-party costs that have not yet been billed to clients are considered receivables under IFRS 15 and therefore are presented as accrued income in the Balance Sheet.

The Company may receive volume rebates from certain suppliers for transactions entered into with customers. Customer contracts and local law determine whether such rebates are retained by the company or transferred to the customer. If rebates are retained by the Company, they are recognised in line with the revenue recognised in respect of the underlying performance obligation, and if transferred to customers, they are recorded as a liability until settled.

1.12 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Deferred incentives

Liabilities are held in respect of deferred incentive payments to certain employees in relation to the Company's long-term incentive schemes. The payment of these incentives is conditional on continued employment for specific periods and, in certain cases, on business performance.

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.

Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy,

Notes *(continued)*

1 Accounting policies *(continued)*

it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

1.13 Foreign currency

The Company's functional currency and presentation currency is pounds sterling. Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are

retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

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

1.14 Expenses

Interest receivable and Interest payable

Interest receivable and similar income includes interest receivable on funds invested and net foreign exchange gains.

Interest payable and similar expenses include interest payable recognised in profit or loss using the effective interest method, and net foreign exchange losses that are recognised in the profit and loss account.

1.15 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.16 Leases

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

As a lessee

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

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, plus an estimate of costs

Notes *(continued)*

1 Accounting policies *(continued)*

to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss. The Company presents right-of-use assets that do not meet the definition of investment property in 'Tangible fixed assets' and lease liabilities in 'Creditors' in the Balance Sheet.

Short-term leases and leases of low-value assets
The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

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

Notes *(continued)*

2 Revenue

The analysis of the Company's revenue from contracts with customers for the year from continuing operations by geographical market is as follows:

Geographical market:

	2022 £000	2021 £000
UK	126,611	104,096
Europe	45,182	31,291
Rest of the World	62,250	8,475
	234,043	143,862

Revenue by activity:

	2022 £000	2021 £000
Communication services	43,105	36,174
Digital services	76,673	18,245
Planning and buying services	114,265	89,443
Revenue from contracts with customers	**234,043**	143,862
Management recharges	68,878	56,777
	302,921	200,639

Assets and liabilities related to contracts with customers

Contract asset balances recognised at 31 December 2022 total £5,349,000 (2021: £6,497,000). These balances are presented within Debtors and mainly represent accrued income where a performance obligation has been satisfied but has not yet been billed.

Contract liability balances recognised at 31 December 2022 total £17,024,000 (2021: £10,338,000). These balances relate to advanced consideration received but not recognised as revenue at the period end.

Revenue recognised in relation to contract liabilities
Revenue recognised in the reporting period that had been included in the contract liability balance at the beginning of the period was £9,948,000 (2021: £9,708,000). Revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods is £nil (2021: £nil).

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

Assets recognised from costs to obtain or fulfil a contract
As at 31 December 2022 and 31 December 2021, there are no material contract assets in relation to the costs to obtain or fulfil contracts with customers.

Notes *(continued)*

3 Operating loss and auditor's remuneration

Included in the Profit and Loss Account are the following:

	2022	2021
	£000	£000
Depreciation expense	1,617	1,763
Amortisation expense	600	1,572
Research and development costs	2,176	2,125
Cost of restructuring	10,753	8,595
Exchange differences	(412)	(285)

Auditor's remuneration:

	2022	2021
	£000	£000
Audit of these financial statements	**585**	445

The fees above include audit fees of other Group entities borne by the Company and not re-charged.

4 Staff numbers and costs

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

	2022	2021
	No.	No.
Direct functions staff	2,246	1,285
Admin staff	458	341
Total staff during the year	**2,704**	1,626

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£000	£000
Wages and salaries	133,714	83,465
Social security costs	17,386	10,690
Other pension costs – contributions	6,828	6,192
	157,928	100,347

A long-term incentive bonus scheme is in place and the charge associated with the year ended 31 December 2022 is £5,842,000 (2021: £11,656,000).

Notes *(continued)*

5 Directors' remuneration

	2022	2021
	£000	£000
Directors' remuneration	3,016	2,457
Company contributions to money purchase schemes	14	–
	3,030	2,457

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

	2022	2021
	No.	No.
Accruing benefits under money purchase pension scheme	**6**	6

The aggregate of remuneration and amounts receivable under long-term incentive schemes of the highest-paid director was £1,241,000 (2021: £618,000), and company pension contributions of £0 (2021: £0) were made to a money purchase scheme on their behalf.

6 Interest receivable and similar income

	2022	2021
	£000	£000
Other interest income	734	–

7 Interest payable and similar expense

	2022	2021
	£000	£000
Other interest payable	1,309	429
Interest payable on loans held with group undertakings	8,117	4,148
Fair value movements on deferred consideration	21,744	21,004
	31,170	25,581

Notes *(continued)*

8 Taxation

(a) Recognised in the profit and loss account

	2022	2021
	£000	£000
UK Corporation Tax		
Current tax credit for the period	8,086	12,220
Adjustments in respect of prior periods	1,831	–
Foreign tax paid	(1,904)	(2,028)
Deferred Tax	44	–
Adjustment in respect of prior periods	–	–
Total tax credit on ordinary activities	**8,057**	10,192

(b) Change in corporation tax rate

The Government announced in the 2022 Budget that the corporation tax rate will remain at 19% until 1 April 2023, when it will then be increased to 25%.

(c) Reconciliation of effective tax rate

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022	2021
	£000	£000
Loss before tax	(15,018)	(50,846)

	2022	2021
	£000	£000
Loss excluding taxation		
Tax using the UK corporation tax rate of 19% (2021: 19%)	2,853	9,661
Non-deductible expenses	(5,559)	(4,539)
Derecognition of deferred tax asset	44	–
Capital allowances in excess of depreciation	953	1,151
Income not subject to tax	9,371	6,463
Adjustment in respect of prior year – current and deferred	1,831	–
Deduction relief	(1,904)	(2,028)
Tax losses not recognised	–	–
Other timing differences not recognised	468	(516)
Tax credit on ordinary activities	**8,057**	**10,192**

At 31 December 2022, the Company has a gross unrecognised deferred tax asset in respect of trading losses carried forward of £41,440,000 (2021: £28,883,000).

Notes *(continued)*

9 Intangible assets

	Goodwill	Patents and trademarks	Development costs and software	Total
	£000	£000	£000	£000
Cost				
Balance at 1 January 2022 (restated*)	–	27	6,538	6,565
Additions	–	–	194	194
Disposals	–	–	(3,947)	(3,947)
Balance at 31 December 2022	–	27	2,785	2,812
Amortisation				
Balance at 1 January 2022 (restated*)	–	26	3,340	3,366
Amortisation charge for the year	–	–	600	600
Disposals	–	–	(1,329)	(1,329)
Balance at 31 December 2022	–	26	2,611	2,637
Net book value				
At 31 December 2021 (restated*)	–	1	3,198	3,199
At 31 December 2022	–	**1**	**174**	**175**

* Refer to note 22 for details of restatement.

Notes *(continued)*

10 Tangible fixed assets

	Long leasehold and leasehold improvements	IT Hardware	Furniture and equipment	Right-of-use assets	Total
	£000	**£000**	**£000**	**£000**	**£000**
Cost					
Balance at 1 January 2022	4,300	172	968	3,252	8,692
Additions	371	166	–	3,863	4,400
Disposals	(232)	–	(16)	–	(248)
Sublease	–	–	–	(3,252)	(3,252)
Balance at 31 December 2022	4,439	338	952	3,863	9,592
Depreciation					
Balance at 1 January 2022	3,812	36	914	59	4,821
Depreciation charge for the year	416	69	29	1,103	1,617
Disposals	(3)	–	(16)	–	(19)
Sublease				(59)	(59)
Balance at 31 December 2022	4,225	105	927	1,103	6,360
Net book value					
At 31 December 2021	488	136	54	3,193	3,871
At 31 December 2022	**214**	**233**	**25**	**2,760**	**3,232**

The additions to right-of-use assets relate to the novation of leases during the year to the Company, as part of the Company's business reorganisation and simplification programme. See note 11 for further details.

Notes *(continued)*

11 Investments

	Subsidiaries
	£000
Cost	
At 1 January 2022 (restated)	67,862
Additions	6,100
Disposal of investments	(38,773)
At 31 December 2022	35,189
Carrying Amount	
At 31 December 2022	35,189
At 31 December 2021 (restated*)	67,862

* Refer to note 22 for details of restatement.

The additions to investments relates to the Company's 100% acquisition of the share capital of John Brown Media FZ-LLC.

The disposals of investments relate to the elimination of investment balances, as part of the Company's business reorganisation and simplification programme. Several subsidiaries transferred their trade and assets to the Company at net book value, and continued to trade as an operating division of the Company from the date of transfer. The transfer to Merger reserve represents the excess of the cost of investments held by the Company and the subsidiaries' net assets. Details of the subsidiaries and date of the trade transfers are included in the table below:

Subsidiary	Date of trade transfer
Dentsu Edinburgh Limited	1 January 2022
Dentsu Leeds Limited	1 January 2022
Dentsu Manchester Limited *	4 July 2022
BJL Group Limited	1 September 2022
Whitespace (Scotland) Limited	1 September 2022
John Brown Magazines Limited	1 October 2022
D 2 D Limited	1 December 2022

**Indirect subsidiary: Dentsu Manchester Limited shares were 100% owned by Carat Media Limited, a direct subsidiary of the Company.*

In addition to the subsidiary trade transfers noted above, the Company also acquired the trade and assets, at net book value, of two other dentsu entities. Amnet Limited transferred its trade and assets on 13 September 2022 and Gleam Futures Limited transferred its trade and assets on 1 December 2022.

During the year, the Company sold its investment in David Wood & Associated GmbH to another Group entity, which resulted in a £7,168,000 gain on disposal. The Company also impaired its investment in John Brown Media FZ-LLC by £3,274,000, as part of the Company's business reorganisation and simplification programme. Both of these amounts are reflected in profit and loss for the year.

Notes *(continued)*

11 Investments *(continued)*

The Company holds equity share capital in the following subsidiary undertakings as at 31 December 2022, all of which affected the profit or net assets of the Company:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Ownership 2022	Ownership 2021
Carat Media Limited	Parent undertaking	UK	100%	100%
D 2 D Limited	Data analytics	UK	100%	100%
Dentsu Edinburgh Limited *	Placement of advertising	UK	100%	100%
Dentsu Leeds Limited *	Placement of advertising	UK	100%	100%
Isobar Commerce Global Limited	Retail services	UK	100%	100%
Poster Management (N.I) Limited	Placement of advertising	Northern Ireland	100%	100%
Whitespace (Scotland) Limited *	Placement of advertising	UK	100%	100%
B2B International Ltd	Consulting services	UK	100%	100%
Hallco 990 Limited **	Placement of advertising	UK	100%	100%
RE:Production Limited	Placement of advertising	UK	100%	100%
Paragon Digital Services Limited	Placement of advertising	UK	100%	100%
John Brown Magazines Limited *	Publishing	UK	100%	100%
Dentsu Ireland Holdings Limited	Placement of advertising	Ireland	100%	100%
AGL UK Investments Limited	Placement of advertising	UK	100%	100%
Gleam Futures LLC	Talent Management	USA	100%	100%
Dentsu Croatia d.o.o.	Placement of advertising	Croatia	100%	100%
John Brown Media FZ-LLC	Publishing	United Arab Emirates	100%	0%
David Wood & Associates GmbH	Strategic communication services	Germany	0%	100%

* Subsidiary was in members voluntary liquidation as at 31 December 2022.
** Active proposal to strike off subsidiary in progress as at 31 December 2022.

Notes *(continued)*

12 Stocks

At 31 December 2022, the cost of preparing deliverables to clients where the deliverables will only be provided to the client after the reporting date amounts to £4,359,000 (2021: £3,650,000).

13 Debtors

	2022 **£000**	Restated 2021 £000
Trade debtors	284,686	235,612
Amounts owed from group entities	466,639	477,912
Other debtors	5,746	7,611
Corporation tax receivable	12,351	13,445
Prepayments	4,679	2,903
Accrued income	191,338	148,306
	965,439	885,789

Debtors include amounts owed from group entities of £0 (2021: £113,389,000) due after more than one year.

14 Creditors: amounts falling due within one year

	2022 **£000**	Restated 2021 £000
Lease liabilities (see note 16)	2,333	802
Trade creditors	138,602	84,753
Amounts due to group entities	494,904	562,411
Taxation and social security	17,832	20,443
Other creditors	112,064	93,787
Accruals	302,648	253,514
Deferred income	17,024	10,338
Deferred consideration	39,251	14,992
	1,124,658	1,041,040

15 Creditors: amounts falling due after more than one year

	2022 **£000**	2021 £000
Lease liabilities (see note 16)	4,796	2,545
Long-term bonus scheme	7,241	10,081
Deferred consideration	–	18,104
	12,037	30,730

Notes *(continued)*

16 Lease liabilities

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2022 were as follows:

	Total £000
Within 1 year	2,333
2 to 5 years	4,057
More than 5 years	363
	6,753
Less finance charge	(263)
	6,490

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

	2022 £000	2021 £000
Interest expense on lease liabilities	263	50

	2022 £000	2021 £000
Total cash outflow for leases	2,151	662

17 Provisions

	Restructuring Provision £000	Legal & Compliance Provision £000	Property Provision £000	Total £000
Balance at 1 January 2022	2,417	6,245	–	8,662
Provisions made during the year	471	–	1,796	2,267
Provisions utilised during the year	(751)	(5,938)	–	(6,689)
Provisions reversed during the year	(815)	–	–	(815)
Balance at 31 December 2022	1,322	307	1,796	3,425

At 31 December 2022, the Company has provisions amounting to £3,425,000 (2021: £8,662,000), relating to restructuring, legal and dilapidation provisions. During 2020, a restructuring programme was introduced to accelerate the implementation of the Group's new business model and deliver improvements and efficiencies for the Group's business and clients. As at the reporting date, the Company expects that the provision would be utilised in 2023.

In respect of employee-related provisions, key assumptions applied in the calculation of the provision include local legislation in respect of severance payments and average employee salaries. There is uncertainty in respect of the value and timing of payments pending the results of employee consultation and other regulatory procedures. Final payments may therefore differ from the initial estimates recorded.

Property-related provisions relate to accelerated dilapidation costs, and other costs associated with terminating existing property rental leases.

Notes *(continued)*

The legal provision represents the directors' best estimate of the likely cost associated with various claims, disputes and other contractual and compliance matters to which the Company is party, or which are still being investigated as at the balance sheet date.

18 Capital and reserves

Share capital	**Ordinary Shares**	
In thousands of shares	**2022**	2021
On issue at 1 January	10,755	10,755
Shares issued during the year	–	–
On issue at 31 December – fully paid	**10,755**	10,755

	2022 **£000**	2021 £000
Allotted, called up and fully paid		
Ordinary shares of £0.05 each (2021: ordinary shares of £0.05 each)	**538**	538

19 Guarantees

The Company is party to a composite cross guarantee with certain other group companies as well as other subsidiaries of the parent undertaking, Dentsu International Limited, in order to secure banking facilities. Under the terms of this guarantee, each company is jointly and severally liable for any liability to Dentsu International Limited's bankers, which cannot be met by the company in whose name the liability exists.

20 Contingent liabilities

The Company may be subject to legal claims or regulatory inquiries as a result of its activities, including media audits by customers, media companies or sub-contractors. In addition, the Company's internal legal and compliance team regularly perform reviews to confirm that contractual terms and internal policies are being complied with. Whilst the timing and ultimate quantum of settlement of these matters remains uncertain, based on findings to date and external legal advice received the Directors do not currently anticipate that the outcomes individually, or in aggregate, will have a material adverse effect on the accounts or operations of the Company over and above the provisions currently recorded. However, as is inherent in any such matters there is a risk that the outcomes may be different and unfavourable to the Company.

21 Ultimate parent company and parent company of larger group

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

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

Notes *(continued)*

22 Prior year restatement

During 2022, management identified that £63,408,000 of intangible balances should have instead been presented as equity balances as at 1 January 2021; the Company did not apply the acquisition method of accounting, as part of the Company's legal entity restructuring programme activity prior to 1 January 2021, therefore these balances should not have been recognised as goodwill. As a result, the Intangible assets balance was overstated and the Merger reserve balance was understated by £63,408,000 as at 1 January 2021.

Management also identified £34,942,000 of investment balances at 31 December 2021 that should have been eliminated as at 31 December 2021, to reflect the Company's legal entity restructuring programme activity during the course of the 2021 financial year. As a result, the Investments balance was overstated and the Merger reserve balance was understated by £34,942,000 as at 31 December 2021.

During 2022, management also reperformed the notional goodwill assessment as at 31 December 2021, of goodwill that would have arisen in the Company's legal entity restructuring programme activity, had goodwill been recognised, rather than a balance taken to the Merger reserve, to include additional operating expenses which should have been considered when assessing the future cash flows of the Company's trading divisions. Following this reassessment, management identified a notional impairment of £43,675,000 and reclassified this amount from the Merger reserve to the profit and loss account as at 31 December 2021, to include only non-distributable balances in the Merger reserve.

Management also identified that intra-company transactions were not eliminated and were presented in the Balance Sheet as gross receivables and payables. As a result, both intercompany debtors and creditors were overstated by £153,323,000 as at 31 December 2021.

The Company has therefore restated the prior year comparatives in the Balance Sheet to reflect the adjustments outlined above. These adjustments had a £nil impact on the 2021 profit and loss of the Company.

The following summarises the net impact of the above on the Company's financial statements:

Balance Sheet as at 31 December 2021 (summarised)

	As previously reported	Prior year adjustment	As restated
	£000	£000	£000
Intangible assets	66,607	(63,408)	3,199
Investments	102,804	(34,942)	67,862
Total fixed assets	173,282	(98,350)	74,932
Creditors: Amounts falling due within one year	(1,194,363)	153,323	(1,041,040)
Debtors	1,039,112	(153,323)	885,789
Net assets/(liabilities)	3,658	(98,350)	(94,692)
Total assets less current liabilities	43,050	(98,350)	(55,300)
Merger reserve	(71)	(54,675)	(54,746)
Profit and loss account	(2,103)	(43,675)	(45,778)
Shareholders' funds	3,658	(98,350)	(94,692)

The overall impact on the net assets at 1 January 2021 was a decrease of 63,408,000.

Notes *(continued)*

23 Subsequent events

In July 2023, the trade and assets of B2B International Ltd (a direct subsidiary of the Company), David Wood & Associates Limited (a fellow Group company) and Merkle UK Three Limited (a fellow Group company) were transferred at net book value to the Company, as part of the Company's business reorganisation and simplification programme.

During 2023, the Company's immediate parent entity, Dentsu International Finance, injected a total of £305,064,000 of additional capital into the Company, to both facilitate the dentsu Group's business reorganisation and simplification programme, and further strengthen the Company's liquidity and general financial position.

24 Accounting estimates and judgements

The Company makes estimates and judgements concerning the future, and the resulting estimates may, by definition, vary from the related actual results. The directors consider the critical accounting estimates and judgements to be:

Revenue recognition
Judgement is required in selecting the appropriate timing. 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.

Impairment
In determining whether an impairment loss has arisen on goodwill or intangible assets, the Company makes judgements over the value-in-use of its cash-generating units. In calculating the value-in-use of a cash-generating unit, the Company makes estimates of future forecast cash flows and discount rates to derive a net present value of these cash flows and determine if an impairment has occurred. Key areas of judgement include the forecasted revenue growth and operating margins, as well as the determination of the long-term growth rate applicable to each cash-generating unit.

Deferred consideration in respect of acquisitions
The Company determines the amount of deferred consideration to be recognised according to the formulae agreed at the time of acquisition, normally related to the future earnings of the acquired entity. Estimates of the expected future earnings of the acquired entity therefore affect the valuation of deferred consideration. The key area of judgement in calculating the carrying value of deferred consideration relates to the expected future cashflows of the acquired entity.

25 Common control transactions

Refer to note 11 for details around the common control transactions which occurred during the year.