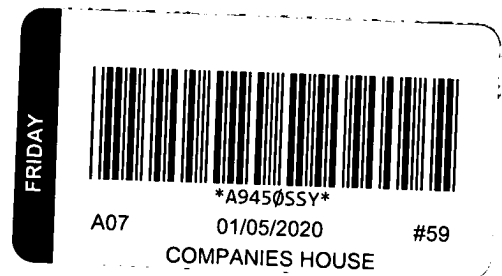


**D 2 D Limited**

Annual report and financial statements

Registered number 04144412

31 December 2018



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## **Company information**

### **Directors**

M Armitage (appointed 20 January 2020)

S Bardega

M Basterfield (resigned 9 February 2018)

P Dyson (resigned 9 December 2019)

K Munford (resigned 11 July 2019)

N Thomas (resigned 5 February 2020)

### **Company secretary**

A Moberly (resigned 29 February 2020)

### **Registered office**

10 Triton Street  
Regent's Place  
London  
NW1 3BF

### **Auditors**

KPMG LLP  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL

## Directors' report

The directors, who served during the year and are shown on page 2, present their report and the Financial Statements of D 2 D Limited ("the Company") for the year ended 31 December 2018.

### Principal activity

D 2 D Limited is an analytics consultancy company, centred on specialist web-based tools used by the clients to gain market insight.

### Business review

The results of the Company for the year are set out in the Profit and Loss Account and Other Comprehensive Income on page 9. Revenue was down 8.4% in 2018, and is attributable to a combination of a general downturn in business relating to several one-off projects in 2017 that were non-recurring during the current financial year. The Company made a profit before tax for the financial year of £453,000 (2017: £1,232,000).

The directors believe the company has a healthy pipeline, with numerous projects confirmed for 2020.

The Company's principal risk is from the recovery of amounts owed by trade debtors. This is managed via the Company's credit insurance, ensuring work is not undertaken without formal approval, setting of payment terms in line with Company targets and regular reviewing and follow up of customer collections. The Company oversees the management of its trade debtors via regular monitoring of overdue debts against Company targets.

The Company maintains its liquidity via the careful management and timing of its billing to customers and by ensuring that payment terms with suppliers are aligned to those agreed with its customers.

### Proposed dividend

There were no dividends paid or declared in 2018 (2017: nil).

### Going concern

The financial statements are prepared on a going concern basis, which the directors believe to be appropriate for the reasons stated below. The Company meets its day to day working capital requirements through its trading and the use of a cash-pooling facility provided by Dentsu Aegis Network Ltd group ("the Group"). The cash pool facility is a Group facility which automatically includes any surplus cash generated by the Company and provides access to that cash on request to enable the Company to pay its obligations as they fall due. The Company has assessed its cash flow forecasts for the period of not less than 12 months from the date of their approval of these financial statements, assuming minimal revenue for that period and is satisfied that the Company has sufficient cash, as long as it can continue to draw down on the funds it has deposited within the cash-pooling facility. The Company is therefore dependent on the Group to ensure that the cash-pooling facility remains available.

The Directors have made suitable enquiries and are satisfied that the Group continues to trade profitably and is expected to be able to manage its cash flows within its current facilities and to be able to renew or replace these facilities as necessary, such that the cash-pooling facility will continue to be made available to the Company. Accordingly, the directors of the Company have a reasonable expectation that the Company will have access to adequate financial resources to pay its liabilities for the 12-month period after the approval of these financial statements. They have therefore concluded that it remains appropriate to prepare the financial statements on a going concern basis.

Notwithstanding the above, the directors recognise that, at the date of approving of these financial statements, given the lockdown measures taken across the globe as a result of the current coronavirus pandemic, there is a possibility that the Group could see a more significant deterioration in demand (and as a result the level of revenue and cash it generates) compared to that which is currently expected. In a severe but plausible downside scenario, the Company would no longer have access to the funds it has deposited within the cash-pooling facility and as a result, would no longer be able to meet its own obligations as and when they fall due.

## Directors' report

(continued)

Based on the above indications, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, this material uncertainty casts significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. These financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

### 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 company. This is achieved through company-wide and departmental meetings, by using e-mail and intranet, through publication of an internal magazine and during individual performance appraisals.

### Political and charitable contributions

The Company did not make charitable or political donations during the year (2017: £nil).

### Research and development

During the year, the Company did not incur any expenditure on research and development (2017: £1,450).

### Disclosure of information to the auditor

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

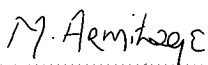
### Future developments

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

### 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

  
.....  
M Armitage

Director

Date: 27 April 2020

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

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

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

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

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

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

## **Independent auditor's report to the members of D 2 D Limited**

### **Opinion**

We have audited the financial statements of D 2 D Limited for the year ended 31 December 2018 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 2018 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.

### **Material uncertainty related to going concern**

We draw attention to note 1 to the financial statements which sets out the basis upon which the Directors are satisfied that the Company is a going concern. Given the inherent risks associated with the availability of the cash-pool facility given the lockdown measures taken across the globe as a result of the current coronavirus pandemic which are impacting the Group's trading and its funding position, there can be no assurance that the Group's existing cash-pool facility will continue to be made available to the Company. These conditions, along with the other matters explained in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

### **Directors' report**

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

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

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

## **Independent auditor's report to the members of D 2 D Limited**

*(continued)*

### **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 5, 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](http://www.frc.org.uk/auditorsresponsibilities).

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

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



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

Date: 27 April 2020

**Profit and Loss Account and Other Comprehensive Income**  
for the year ended 31 December 2018

		<b>2018</b>	2017
	<i>Note</i>	<b>£000</b>	£000
Revenue	2	<b>4,134</b>	4,511
Operating expenses	3	<u>(3,706)</u>	<u>(3,300)</u>
<b>Operating profit</b>		<b>428</b>	<b>1,211</b>
Interest receivable and similar income	6	<u>25</u>	<u>21</u>
<b>Profit before tax</b>		<b>453</b>	1,232
Tax on profit on ordinary activities	7	<u>(118)</u>	<u>(443)</u>
<b>Profit for the year</b>		<b><u>335</u></b>	<b><u>789</u></b>
Other comprehensive income		<u>–</u>	<u>–</u>
<b>Total comprehensive income for the year</b>		<b><u>335</u></b>	<b><u>789</u></b>

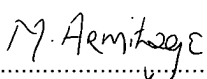
The notes on pages 11 – 23 form an integral part of these financial statements.

31 December 2018

**Balance Sheet**  
as at 31 December 2018

	Note	2018 £000	2017 £000
<b>Fixed assets</b>			
Intangible assets	8	446	564
Tangible fixed assets	9	23	33
Deferred tax assets	10	24	14
		<u>493</u>	<u>611</u>
<b>Current assets</b>			
Debtors	11	7,105	7,133
Cash at bank and in hand		5	6
		<u>7,110</u>	<u>7,139</u>
<b>Creditors: Amounts falling due within one year</b>	12	<u>(727)</u>	<u>(1,220)</u>
<b>Net current assets</b>		<u>6,383</u>	<u>5,919</u>
<b>Net assets</b>		<u>6,876</u>	<u>6,530</u>
<b>Capital and reserves</b>			
Called up share capital	13	–	–
Share premium reserve		52	52
Profit and loss account		6,824	6,478
<b>Shareholders' funds</b>		<u>6,876</u>	<u>6,530</u>

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

  
.....  
M Armitage  
Director

Date: 27 April 2020

The notes on pages 11 – 23 form an integral part of these financial statements.

**Statement of Changes in Equity**  
for the year ended 31 December 2018

	Share Capital £000	Share Premium £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2017	–	52	5,689	5,741
Profit for the year	–	–	789	789
Balance at 31 December 2017	–	52	6,478	6,530

	Share Capital £000	Share Premium £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018	–	52	6,478	6,530
Adjustment on initial applications of IFRS 9	–	–	11	11
Adjusted balance at 1 January 2018	–	52	6,489	6,541
Profit for the year	–	–	335	335
Balance at 31 December 2018	–	52	6,824	6,876

The notes on pages 11 – 23 form an integral part of these financial statements.

## Notes

(forming part of the financial statements)

### 1 Accounting policies

D 2 D Limited ("the Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 04144412 and the registered address is 10 Triton Street, Regent's Place, London, NW1 3BF.

These financial statements were prepared in accordance with FRS 101 *Reduced Disclosure Framework* ("FRS 101").

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

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

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

- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity

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

- Certain disclosures required by IAS 36 *Impairment of Assets* in respect of the impairment of goodwill and indefinite life intangible assets;

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

### Measurement convention

The financial statements are prepared on the historical cost basis.

## Notes (continued)

### 1 Accounting policies (continued)

#### Going concern

The financial statements are prepared on a going concern basis, which the directors believe to be appropriate for the reasons stated below. The Company meets its day to day working capital requirements through its trading and the use of a cash-pooling facility provided by Dentsu Aegis Network Ltd group ("the Group"). The cash pool facility is a Group facility which automatically includes any surplus cash generated by the Company and provides access to that cash on request to enable the Company to pay its obligations as they fall due. The Company has assessed its cash flow forecasts for the period of not less than 12 months from the date of their approval of these financial statements, assuming minimal revenue for that period and is satisfied that the Company has sufficient cash, as long as it can continue to draw down on the funds it has deposited within the cash-pooling facility. The Company is therefore dependent on the Group to ensure that the cash-pooling facility remains available.

The Directors have made suitable enquiries and are satisfied that the Group continues to trade profitably and is expected to be able to manage its cash flows within its current facilities and to be able to renew or replace these facilities as necessary, such that the cash-pooling facility will continue to be made available to the Company. Accordingly, the directors of the Company have a reasonable expectation that the Company will have access to adequate financial resources to pay its liabilities for the 12-month period after the approval of these financial statements. They have therefore concluded that it remains appropriate to prepare the financial statements on a going concern basis.

Notwithstanding the above, the directors recognise that, at the date of approving of these financial statements, given the lockdown measures taken across the globe as a result of the current coronavirus pandemic, there is a possibility that the Group could see a more significant deterioration in demand (and as a result the level of revenue and cash it generates) compared to that which is currently expected. In a severe but plausible downside scenario, the Company would no longer have access to the funds it has deposited within the cash-pooling facility and as a result, would no longer be able to meet its own obligations as and when they fall due.

Based on the above indications, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, this material uncertainty casts significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. These financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

#### 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 probably 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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 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:

- Office furniture, fixtures, equipment and vehicles – 20% per annum

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

#### 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.

#### Deferred tax

The key area of judgement in respect of deferred tax accounting is the assessment of the expected timing and manner of realisation or settlement of the carrying amounts of assets and liabilities held at the balance sheet date. In particular, assessment is required of whether it is probable that there will be suitable future taxable profits against which any deferred tax assets can be utilised.

#### Revenue

The Company has applied the following new standards and amendments for the first time for the year commencing 1 January 2018.

#### IFRS 15 'Revenue from Contracts with Customers (from 1 January 2018)

IFRS 15 introduces a five-step approach to the timing and measurement of revenue recognition based on performance obligations identified in contracts with customers. The timing of recognition of revenue, as well as presentational considerations, are now driven by the transfer of control of goods and services rather than the IAS 18 'Revenue' requirements related to risk and reward.

Under the new standard, the assessment of whether an entity acts as principal or agent is based on whether the entity controls goods or services before they are transferred to the customer. The standard identifies the following indicators to assist in the assessment of control: primary responsibility for contract fulfilment, inventory risk and pricing discretion. Where such goods and services are controlled by the entity before transfer, the entity is acting as principal and presents the revenue and costs in respect of the goods or services gross in the profit and loss account.

The Company has elected to use the cumulative effect method for transition to IFRS 15, however the cumulative effect on the timing and measurement of revenue as of the commencement date of the standard is not material. Comparative periods have not been adjusted and continue to be reported under IAS 18 'Revenue'.

## Notes (continued)

### 1 Accounting policies (continued)

The Company has performed an assessment of agent versus principal under IFRS 15. The directors have agreed the Company acts as agent and as a result, it is agreed there is no change to the presentation of the financial statements.

#### Revenue Disclosure

The Company's major sources of revenue are from advertising and media services including creative, planning and other ad-hoc project and consulting services. The Company recognises revenue in accordance with the 5-step model established under IFRS 15 'Revenue from contracts with customers'. 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.

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 within Trade receivables and Accrued income in the balance sheet.

#### Financial instruments (from 1 January 2018)

##### Financial assets

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

All financial assets are initially measured at fair value. Management determines the classification and subsequent measurement of the financial asset based on the contractual terms at the initial recognition date. The classifications and subsequent measurement include the following:

###### **Classification as trade receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Current trade receivables do not carry any interest charge. Interest may be charged on overdue balances.

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

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

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

All receivables are categorised as amortised cost.

## **Notes** *(continued)*

### **1 Accounting policies** *(continued)*

#### **Financial assets** *(continued)*

##### **Impairment of financial assets**

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

Additionally, the Company has Trade and Other Receivables that are subject to IFRS 9's new expected credit loss model. Therefore, the Company was required to amend its impairment methodology for Trade and Other Receivables.

The impact of the change in impairment methodology on the Company's retained earnings and equity is disclosed in consolidated statement of changes in equity.

While cash and cash equivalents and some of other financial assets (non-current and current) measured at amortised cost such as loan receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. This resulted in an increase in the loss allowance on 1 January 2018 by £11,000.

##### **Offsetting of balances within financial assets**

In line with IAS 32, the Company has a legally enforceable right, and there is an intention to settle on a net basis, through signed legal agreements, to offset cash deposits and overdrafts that are in cash-pool arrangements with relationship banks. The Company does not offset other financial assets and liabilities where there is no legally enforceable right to do so.

##### **Financial liabilities and equity**

###### ***Classification and measurement***

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

## Notes (continued)

### 1 Accounting policies (continued)

#### 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.

#### 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.

#### Amortisation

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

- Software – 33% per annum
- Other – 10% to 20% 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 income statement.

## **Notes** *(continued)*

### **1 Accounting policies** *(continued)*

#### **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.

#### **Development costs**

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or services. The expenditure capitalised includes the costs of the materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

#### **Interest receivable and similar income**

Interest income is recognised on an accruals basis which is earned on deposits held with group undertakings.

## Notes (continued)

### 2 Revenue

The Company operates in one business segment, being project fees and one geographical segment, being the United Kingdom and Ireland. The analysis of the Company's revenue for the year from continuing operations by geographical market is as follows:

	2018 £000	2017 £000
UK & Europe	4,134	4,511
Rest of the World	–	–
	<u>4,134</u>	<u>4,511</u>

#### Assets and liabilities related to contracts with customers

Contract assets balances recognised as at 31 December 2018 total £935,000 (as at 1 January 2018: £1,574,000). These balances are presented within Trade receivables and Accrued income and mainly represent accrued income where a performance obligation has been satisfied but the right to consideration is conditional and has not yet been billed. Deferred income balances presented within Trade and other payables in the balance sheet are considered contract liabilities. There have been no significant changes in contract asset and liability balances.

#### 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 £613,000. Revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods is immaterial.

#### Unsatisfied long-term performance obligations

The amount disclosed does not include variable consideration which is constrained. 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 2018, there are no material contract assets in relation to the costs to obtain or fulfil contracts with customers.

### 3 Expenses and auditors' remuneration

Included in the Profit and loss account are the following:

	2018 £000	2017 £000
Auditor's remuneration	10	10
Amortisation expense	338	199
Depreciation expense	13	14
Research and development costs	–	1
	<u>–</u>	<u>1</u>

There are no amounts receivable by the Company's auditor and its associates in respect of services to the Company other than the audit of the Company's financial statements.

**Notes** (continued)

**4 Staff numbers and costs**

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

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
Marketing consultants	<b>33</b>	<b>38</b>

The aggregate payroll costs of these persons were as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	2,551	2,362
Social security costs	265	275
Other pension costs – contributions	84	82
	<b>2,900</b>	<b>2,719</b>

**5 Directors' remuneration**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Directors' remuneration	392	392
Company contributions to money purchase schemes	–	2
	<b>392</b>	<b>394</b>

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

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
Accruing benefits under money purchase pension scheme	<b>2</b>	<b>2</b>

**6 Interest receivable and similar income**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Interest receivable from deposits held with group undertakings	<b>25</b>	<b>21</b>

**Notes** (continued)

**7 Taxation**

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

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<i>UK Corporation Tax</i>		
Current tax on income for the period	128	258
Adjustments in respect of prior periods	–	171
<b>Deferred tax</b>		
Charge for the year	(37)	(17)
Adjustment in respect of prior periods	27	31
	<b>118</b>	<b>443</b>
Tax on profit on ordinary activities	<b>118</b>	<b>443</b>

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

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK: 19% (2017: 19.25%). The differences are explained below:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Profit on ordinary activities before taxation</b>	<b>453</b>	<b>1,232</b>
Tax using the UK corporation tax rate of 19% (2017: 19.25%)	86	237
Adjustments in respect of prior years	27	202
Deferred tax rate change	4	2
Non-deductible expenses	1	2
	<b>118</b>	<b>443</b>
Tax charge on ordinary activities	<b>118</b>	<b>443</b>

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

The main rate of corporation tax for 2018 is 19%, however the UK Government enacted legislation which will reduce the rate to 17% from 1 April 2020. It is expected that this will reduce any future current tax charge accordingly.

**Notes** (continued)

**8 Intangible assets**

	<b>Software</b>
	<b>£000</b>
<b>Cost</b>	
Balance at 1 January 2018	1,300
Additions	<u>220</u>
Balance at 31 December 2018	<u><u>1,520</u></u>
<b>Amortisation</b>	
Balance at 1 January 2018	736
Charge for the year	<u>338</u>
At 31 December 2018	<u><u>1,074</u></u>
<b>Net book value</b>	
At 31 December 2017	<u><u>564</u></u>
<b>At 31 December 2018</b>	<u><u><b>446</b></u></u>

**Notes** (continued)

**9 Tangible fixed assets**

	Long leasehold and leasehold improvements	Office furniture, equipment and motor vehicles	Total
	£000	£000	£000
<b>Cost</b>			
At 1 January 2018	43	43	86
Additions	–	2	2
At 31 December 2018	<u>43</u>	<u>45</u>	<u>88</u>
<b>Depreciation</b>			
At 1 January 2018	17	35	52
Depreciation charge for the year	8	5	13
At 31 December 2018	<u>25</u>	<u>40</u>	<u>65</u>
<b>Carrying amount</b>			
At 31 December 2017	<u>25</u>	<u>8</u>	<u>33</u>
At 31 December 2018	<u>18</u>	<u>5</u>	<u>23</u>

**10 Deferred tax assets**

	2018	2017
	£000	£000
Deferred Tax Assets	<u>24</u>	<u>14</u>

The deferred tax asset is in respect of depreciation in excess of capital allowances, tax losses and other short-term timing differences.

**11 Debtors**

	2018	2017
	£000	£000
Trade debtors	447	823
Amount due from related parties	5,589	4,657
Prepayments	72	72
Accrued income	935	1,574
Other debtors	62	7
	<u>7,105</u>	<u>7,133</u>

**Notes** (continued)

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

	<b>2018</b>	2017
	<b>£000</b>	£000
UK Corporation tax payable	409	281
Other taxation and social security	96	178
Other payables	22	16
Bank overdraft	–	20
Accruals	154	112
Deferred income	46	613
	<u>727</u>	<u>1,220</u>

**13 Allotted, called up and fully paid shares**

	<b>2018</b>		2017	
	Number	£	Number	£
<b>Share capital</b>	1,639	16	1,639	16
Ordinary A shares of £0.01 each	800	8	800	8
Ordinary B shares of £0.01 each	<u>2,439</u>	<u>24</u>	<u>2,439</u>	<u>24</u>

**14 Subsequent events**

There are no subsequent events.

**15 Ultimate parent company and parent company of larger group**

D 2 D Limited is a wholly owned subsidiary of Dentsu Aegis London Limited. The smallest group in which the results of the Company are consolidated is that headed by Dentsu Aegis Network Ltd, 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.