

GFK RETAIL AND TECHNOLOGY UK LTD

Annual report and financial statements

Registered number 02450463
31 December 2019



GfK Retail and Technology UK Ltd Company information

Directors	Anthony Norman Philip Offord Bonnie Jones
Company number	02450463
Registered office	Level 18 25 Canada Square Canary Wharf London E14 5LQ
Independent auditor	Deloitte LLP 1 New Street Square London EC4 3HQ

GfK Retail and Technology UK Ltd Company information

Contents

Company information	1
Strategic report	3
Directors' report	8
Statement of directors' responsibilities	10
Independent auditor's report	11
Profit and Loss Account and Other Comprehensive Income	14
Balance sheet	15
Statement of Directors' Responsibilities	16
Notes to the Financial Statements	17

Strategic report

Principal activity

The principal activity of the Company throughout the year was to carry out retail market research with an emphasis on continuous point of sales data.

Business review

Key Performance Indicators (KPIs), which are set at board level, have been devised to allow the Board and shareholders to monitor the company as a whole. The Company monitors KPIs on a regular basis at board level and are as follows:

	2019 £	2018 £
Turnover	31,735,545	31,106,171
Operating loss	(3,471,715)	(1,921,077)
Cash at bank and in hand	296,604	179,125
Days sales outstanding	22	25

Turnover is up by 2% compared to 2018 as the business continues to redevelop and align its product offering to the market. During the year Cogenta, our online price intelligence tool, was wound down as a result of the decision by GfK SE Group to close this service down across the globe. As a result, £4,915,388 of goodwill was written off in the year, which resulted in an operating loss of £3,471,715. Both years have been heavily impacted by significant charges and credits:

- the 2019 operating loss includes a charge of £4,915,388 for impairment of goodwill that arose on a prior year purchase of trade and assets, following a decision in the year to stop sales activities related to this asset, as well as accelerated amortisation of £1,017,461 on related software;
- The 2019 operating losses also included goodwill impairment of £431,703 arising on the acquisition of the trade and assets of Ascent-MI due to lower expectations of future forecast profitability and cash flow;
- the 2018 operating loss included a charge of £4,475,218 relating to the combined impairment and accelerated amortisation of goodwill recognised on other prior year purchases of trade and assets; and
- the 2018 operating loss includes a benefit from the reversal of £815,320 from the Company's restructuring provision because of an update to the Company's planned future headcount requirements during 2018.

In 2018 dividends of £7,376,100 were received from subsidiary undertakings Cogenta Systems Limited and GfK Ascent-MI Limited as part of a capital reduction on these subsidiaries prior to strike off, and were settled in lieu of outstanding payables. In 2018 the Company recorded other losses of £4,014,825 from the impairment of investments in Cogenta Systems Limited, GfK Ascent-MI Limited and GfK U.K. Entertainments Limited prior to the strike off of these subsidiary undertakings. No equivalent items arose in 2019.

Staff numbers were 9.7% lower during the year (2018: 4.1% lower) with an average headcount of 168 (2018: 186). This is part of the overall company reorganisation to develop a more lean, efficient cost base.

The Company has an ambition to become the leading provider of data analytics to the UK technology and consumer durables markets, and continues to invest in new platforms and digital services to our customer base.

The loss for the year, after taxation, amounted to £3,679,084 (2018 profit: £1,137,896).

Strategic report (continued)

Business review (continued)

Net assets decreased from £12,981,116 at 31 December 2018 to £9,302,032 at 31 December 2019 due to the loss for the year. Goodwill has reduced from £8,548,215 in 2018 to £3,201,124 following an impairment to goodwill recognised on the acquisitions of the trade and assets of Cogent Systems Limited and Ascent-MI. Intangible assets reduced from £910,440 to £nil as Cogenta System related software was also written down to nil.

Debtors increased from £14,005,189 to £16,194,399 due to an increase in amounts due from group companies, which increased to £13,615,718 (31 December 2018: £10,937,482). Our external trade debtors decreased to £1,693,604 (31 December 2018: £2,094,404) and cash increased to £296,604 (31 December 2018: £179,125) as a result of clearer cash management, as evidenced by our improvement in days sales outstanding down to 22 (31 December 2018: 25). Days Sales Outstanding (DSO) is an estimate of the number of days it takes a company or organisation to collect its outstanding accounts receivable. This is a KPI for management and will continue to be a key focus going forward. Provisions fell from £846,934 to £130,303 due to adjustment to the onerous lease provision on transition to IFRS 16.

Principal risks and uncertainties

Senior management are aware of their responsibility for managing risks within the business. Risk is regularly reviewed at board level to ensure that risk management is being implemented and monitored effectively.

The board policy is to ensure that the business is run effectively and appropriately, bearing in mind the requirements for timely decision making and commercial reality.

Through management reports, risks are highlighted and monitored to identify potential business risk areas and to quantify and address the risk wherever possible.

The principal risks facing the business are as follows:

1 Business transformation risk

The Company, and the GfK Societas Europaea ("GfK SE") group as a whole, is undergoing a significant strategic shift, having disposed of its Traditional Market Research business in 2018 and building its capability in Digital Market Research, changing its business model in a way that is designed to support innovation, increase market opportunities and drive growth. This transformation carries execution risk, such as the risk of loss of employees, know-how and business capability whilst requiring the development of new skills and capability and products. Our financial performance may be adversely affected as a result. Our competitors in Digital Market Research may have greater financial resources, more advanced research tools and access to more data than we do.

2 Brexit

On 23 June 2016, a referendum in the United Kingdom returned a result in favour of leaving the European Union (commonly referred to as 'Brexit') and on 29 March 2017 the UK government triggered Article 50 of the Lisbon Treaty. On 31 January 2020, the UK left the European Union and entered a transition phase under which it will continue to follow European Union rules and trading arrangements. This transition phase is scheduled to end on 31 December 2020. The future relationship between the UK and the European Union continues to be negotiated. The impact of Brexit is not yet fully determinable, even this close to the end of the transition phase, but may affect areas such as client spend in the event of a slow down in economic growth, as well as our ability to attract and recruit potential employees from the EU and we may experience higher churn amongst existing EU employees. It may also present a risk with respect to General Data Protection Regulation ("GDPR") whose regulations state that the transfer of personal data to a non-EU country is prohibited unless that country has an adequate level of data protection. The UK government has issued a statutory instrument – the Data Protection, Privacy and Electronic Communications (Amendments etc) (EU Exit) Regulations 2019 that amends the UK Data Protection Act 2018 and merges it with the EU GDPR. The EU has yet to issue an adequacy decision on the proposed UK GDPR. The company has a team engaged in ensuring compliance with the latest regulations imposed by the UK government and compliance is monitored on an ongoing basis.

Strategic report (continued)

Principal risks and uncertainties (continued)

3 Data security

Security of customer, commercial and colleague data poses increasing reputational and financial risk to all businesses. Failure to successfully secure data and systems and inappropriate or usage of information in breach of contract may have a material impact on brand reputation and financial performance. Other associated costs may also be incurred, including potential regulatory fines.

4 Compliance with laws and regulations

The Company operates in a sector that uses freelancer and contractors. Changes in tax laws that take effect from April 2021 will require the Company to determine the employment status of freelancers and contractors, and may expose the Company to penalties and fines in the event of non-compliance. Companies are also required to put in place reasonable procedures to prevent those providing services for or on its behalf from deliberately and dishonestly facilitating tax evasion.

5 Government cutbacks

Before the global pandemic arrived, sustained UK government spending cuts were impacting research budgets across the private and public sector. Once the country successfully administers a vaccine then these cuts may continue as the government seek to repay debt incurred in employment support and business funding during 2020.

GfK Retail and Technology U.K. Ltd, as a part of the GfK SE Group, actively work to mitigate these risks by constantly developing new client offerings and improving our value added proposition. We are leveraging the international footprint of the group to grow existing multi-national clients and our client base. The effect of this is to expand and diversify our exposure to global marketing and research spend.

6 Covid-19

The outbreak of the COVID-19 virus has created an unprecedented level of uncertainty about the UK economy and consequent future earnings of companies over the next 12 months and beyond. The UK government took measures on 23 March 2020 to restrict the movement of people, which in one form or another have persisted throughout 2020. Although latest announcements of vaccine development are promising, it is not yet certain when and how these will be rolled out, and what the impact on the UK economy and workforce will be.

The GfK SE Group has formed a crisis unit to coordinate measures aimed at mitigating the impact of the crisis in addition to relaying experiences and successful measures within the Group. The Company responded to the outbreak by moving all our people to remote working in March 2020, with only a brief return to one of our offices during summer. Our business model does not contain any physical supply chains and the supply of data used in our market insight and research is broad-based, meaning that failure of individual data suppliers would have limited impact on the preparation of reports and studies. Nevertheless, in some parts of our business, we are dependent on data collection in retail stores or through face-to-face meetings which cannot proceed during lockdown. A longer-term interference to public life could severely impact existing business with GfK customers. Customer reaction has been varied and hard to predict. It is anticipated that new business will be severely curtailed under the current conditions and it is not clear for how long the business will be negatively impacted once the lockdown is lifted.

At the time that this annual report is being compiled, the Company and the wider GfK SE Group will suffer a significant adverse impact on sales and earnings in comparison with original pre-Covid budgets. The GfK SE Group and the Company are seeking to proactively deal with the crisis and institute measures necessary to limit the negative consequences.

The Company's liquidity position is closely linked to the wider GfK SE Group as a result of cash pooling arrangements. Due to the uncertainties arising from COVID-19, in approving the consolidated financial statements of the GfK SE Group on 8 April 2020, its directors concluded that a material uncertainty exists with regard to going concern, arising from uncertainties connected to its ability to comply with financial covenants on external borrowings. The directors of the Company have therefore concluded that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. We refer to the comments made in section 1 of the notes to the accounts.

Strategic report (continued)

Section 172 Statement

The Directors are well aware of their duty under s.172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company, (the "s.172(1) Matters").

The Company is part of GfK SE Group ("the Group") and as such complies with all group policies, including the international Code of Conduct 2019 ("the Code"). The Code is publicly available on our website and forms part of the induction process for all new employees. It covers the matters outlined in section 172(1) and forms the bedrock of integrity through which we undertake all actions.

As well as the Code, the Company operates an integrated quality management system which conforms to the requirements of BS EN ISO 9001:2015 Quality Assurance Standard and ISO 20252:2012 International Standard for Market Opinion and Social Research. The Quality Assurance Team via the GfK Quality Management system, is committed to identifying and implementing any changes to ensure that the Company remains compliant in respect of:

- Data Protection Act 2018 / EU General Data Protection (GDPR)
- Information Security
- Quality initiatives
- MRS Code of Conduct
- Fair Data Marque
- Industry Standards ESOMAR
- Supporting Legal & Compliance
- Environmental Issues and Initiatives
- Freedom of Information 2001

As well as the comprehensive implementation and enforcement of these principles, we have taken steps to address the s.172(1) Matters individually as follows:

- The management board of the Company meets on a fortnightly basis – with task forces convened more frequently – to discuss key business decisions from a wide range of perspectives, ensuring long term consequences are properly considered.
- Members of the management board are also members of the regional leadership team, which also convenes regularly. Through this, key updates and insight about the business are shared and discussed.
- As well as providing leadership across all functions, the Group centrally develop all products, consumer insight engines and market research platform tools, which are sold and delivered by UK staff.
- The interests of the employees are maintained through the Employee Consultation forum outlined on page 10, and the GfK SE Works Council.

The formation of the GfK SE Works Council (SE WC) brings together employee representatives from the different European countries in which GfK operates in. In total, there are 22 delegates from across 20 European countries.

Strategic report (continued)

Section 172 Statement (continued)

The SE WC was established in 2008 and constituted in 2009. Each SE WC member is elected for 5 years according to national legislation. Each representative is elected by the employees of their respective country. During the SE WC meetings, representatives are informed and consulted by central management on cross-border issues of concern to GfK's employees. The members of the GfK SE Works Council are obligated to protect the interests of all employees in the Group in Europe and the interests of the Group. The GfK SE WC is the European body which ensures the rights of employees to participation through information and consultation.

- Our business relationships with our customers are of paramount importance if we are to provide the tailored, timely insight our business model requires. Key account managers lead the relationships with our major clients and we proactively seek long-term, repeat business with them.
- The Sales Director works closely with the Sales Leadership team to ensure we are managing our client base with the appropriate levels of service. We run an annual NPS (Net Promotor Score) survey with our customers to measure overall sentiment with GfK as a supplier.
- Our dedicated procurement team foster close relationships with our suppliers to ensure quality of service and operations to support the business.
- The management board assess the commercial health of all suppliers and ensure we only work with suppliers who have a strong track record aligned to our own corporate values. As a Market Research company it is critical that our supplier base has the required accreditations whereby we might be using them to support the delivery of client projects.
- We have a multi-disciplined supply chain to support us through the different aspects and provisions of our business. We are committed to ensuring that there is no modern day slavery or human trafficking in our supply chains or in any part of our business.
- We expect our suppliers to comply with our values. This is supported by the Code of Conduct for GfK Suppliers <https://www.gfk.com/supplier/>.

This report was approved by the board and signed on its behalf by:



Bonnie Jones
Director
Date: 11th December 2020

Registered office:
Level 18, 25 Canada Square
Canary Wharf, London, E14 5LQ.

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

Results and dividends

The loss for the year, after taxation, amounted to £3,679,084 (2018 profit: £1,137,896).

There were no dividends paid in 2019 (2018: nil) nor were any dividends proposed after the year end.

Directors

The directors who held office during the year and subsequently, unless otherwise stated, were as follows:

Anthony Norman
Philip Offord (appointed 11 January 2019)
Bonnie Jones (appointed 20 March 2020)
Zakir Ahmed (appointed 23 July 2019 & resigned 20 March 2020)
Alex Pfann (resigned 11 January 2019)

The Company has third party worldwide professional indemnity insurance which provides cover for all Directors up to a liability of £10,000,000 for marketing, advertising and communications; £10,000,000 for special limit claims brought in the USA or Canada; and £5,000,000 of specific cover for claims arising from the production of expert reports to go into Prospectuses. This insurance also covers the directors who are also directors of other GfK SE group companies.

Financial risk management objectives and policies

The Company faces a number of financial risks including liquidity and cash flow risk, and currency risk which are managed as part of the GfK SE Group's risk management objectives and policies, including entering into forward foreign exchange contracts to manage material foreign exchange risks.

Liquidity and cash flow risk

Management in the UK actively monitors all funding requirements for UK group companies, and will manage any financial arrangements needed to meet such requirements. The Company operates as part of the GfK SE Group cash pool. The Company reports a bi-weekly, forward looking 13 week cash flow forecast to the GfK SE Group Treasury team, which monitors and manages cash flow requirements across the Group.

Whilst the Company does not have any third party borrowing, the GfK SE group is funded in part by external debt which is subject to covenant requirements. In the event of non-compliance with these covenant requirements, the Company's access to funding via the group cash pooling arrangements may be adversely affected.

Currency risk

The Company undertakes transactions with other group companies and with third parties in currencies other than sterling, principally the US dollar and the euro as well as holding certain foreign currency denominated assets in these currencies. As a result it is exposed to movements in foreign exchange rates. Decisions to hedge foreign currency exposures are taken in consultation with the GfK SE Group Treasury team. The Company does not use any other derivative financial instruments.

Employee involvement

The board recognises the value of communication with employees at all levels and this is further encouraged by various incentive schemes.

The Company operates an Employee Consultation Forum which comprises of delegates elected from across the UK workforce. The Employee Consultation Forum provides a forum for management to provide information to the workforce and to ascertain the views of the workforce in a meaningful manner on matters that may affect them, as well as providing a recognised forum for joint consideration by management and employees on matters concerning or affecting the organisation which arise in the workplace.

Employees are engaged in the Company's performance through the provision of an annual performance bonus payable to all qualifying staff employed at the end of the year.

The Company holds regular all staff meetings during which key information affecting employees, including the latest financial performance and KPIs as reported in the monthly management accounts, is presented.

Directors' report (continued)

Disabled employees

The company pursues a policy of providing the same employment opportunities for applications for employment from disabled people as to others. As part of its application process, the Company as standard asks applicants of any disabilities they hold, and whether they require any additional support with their application as a result of any disability held. Applicant responses are kept confidential.

Political contributions

The Company made no political donations or incurred any political expenditure during the year.

Future developments

The Company has an ambition to be the leading provider of data analytics to the UK technology and consumer durables markets, and is investing heavily in new products to support these areas. The Company anticipates that future sales generated in these areas will lead to an increase in future turnover and operating profit, though this is dependent on the successful execution of the Company's transformation strategy and short-term prospects are highly uncertain due to the impact of the Covid-19 pandemic. In line with the GfK SE group strategy, the Company's restructuring efforts are continuing, which will result in further site consolidation and rationalisation of roles.

Post balance sheet events

On 11th March 2020 the World Health Organisation declared the spread of the coronavirus Covid-19 a pandemic. For our assessment on the impact of this on the accounts, see the principal risks and uncertainties section of the Strategic Report.

During 2020, management took the strategic decision to fully impair the GfK Ascent-MI travel panel business as the ongoing market conditions triggered by Covid-19 meant the business was unviable in the short term. The business held goodwill with a net book value of £3.2m as at 31st December 2019.

Going concern

Please refer to the principal risks and uncertainties section of the Strategic Report and also Note 1 to the Financial Statements.

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 she/he ought to have taken as a director to make herself/himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

This report was approved by the board and signed on its behalf.



Bonnie Jones
Director

Date: 11th December 2020

Registered office:
Level 18, 25 Canada Square
Canary Wharf, London, E14 5LQ.

Statement of directors' responsibilities

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law), 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of GfK Retail and Technology UK Ltd

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of GfK Retail and Technology U.K. Ltd (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account and other comprehensive income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1.2 in the financial statements, which indicates that the company is dependent on its parent company, GfK Societas Europaea ("GfK SE"), for cash flow as a result of cash pooling arrangements across the GfK SE group. GfK SE is subject to financial covenant tests on its borrowings, which if not satisfied, provide the lenders the right to demand immediate repayment, which GfK SE does not have the financial resources to satisfy without securing additional funding. The global coronavirus pandemic has created an unprecedented level of economic uncertainty and as a result the Group's ability to comply with its financial covenants is uncertain. As stated in note 1.2, these events or conditions, along with the other matters as set forth in note 1.2 to the financial statements, 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of GfK Retail and Technology U.K. Ltd (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.

Independent auditor's report to the members of GfK Retail and Technology U.K. Ltd (continued)

Use of our report

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.



Hadleigh Shekle (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
Date: 11th December 2020

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

	Note	2019 £	2018 £
Turnover	1,2	31,735,545	31,106,171
Cost of sales		(20,772,514)	(23,216,917)
Gross profit		10,963,031	7,889,254
Administrative expenses		(14,434,746)	(9,810,331)
Operating loss	4	(3,471,715)	(1,921,077)
Income from shares in group undertakings	7	-	7,376,100
Investment income	8	145,099	82,740
Other gains and losses	9	-	(4,014,825)
Finance costs	10	(5,555)	(146)
(Loss) / profit before taxation		(3,332,171)	1,522,792
Tax on (loss) / profit	11	(346,913)	(384,896)
(Loss) / profit and comprehensive (loss)/income for the year		(3,679,084)	1,137,896

The accompanying notes on pages 19 to 41 form part of the financial statements.

Balance Sheet at 31 December

	Note	2019 £	2018 £
Non current assets			
Goodwill	12	3,201,124	8,548,215
Intangible assets	12	-	910,440
Tangible assets	13	247,832	437,631
Deferred tax asset	17	246,449	219,451
		<u>3,695,405</u>	<u>10,115,737</u>
Current assets			
Debtors	14	16,194,399	14,005,189
Cash at bank and in hand		296,604	179,125
		<u>16,491,003</u>	<u>14,184,314</u>
Creditors: amounts falling due within one year	15	<u>(8,511,297)</u>	<u>(8,195,638)</u>
Net current assets		<u>7,979,706</u>	<u>5,988,676</u>
Total assets less current liabilities		<u>11,675,111</u>	<u>16,104,413</u>
Creditors: amounts falling due after more than one year	16	<u>(2,242,776)</u>	<u>(2,276,363)</u>
Provisions for liabilities	18	<u>(130,303)</u>	<u>(846,934)</u>
Net assets		<u>9,302,032</u>	<u>12,981,116</u>
Capital and reserves			
Called up share capital	20	2,025,305	2,025,305
Share premium	21	8,603,151	8,603,151
Profit and loss account	20	(1,326,424)	2,352,660
Shareholders' funds		<u>9,302,032</u>	<u>12,981,116</u>

The accompanying notes on pages 19 to 41 form part of the financial statements.

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



Bonnie Jones
Director
Date: 11th December 2020

Registered office:
Level 18, 25 Canada Square
Canary Wharf, London, E14 5LQ.

Statement of Changes in Equity
for the year ended 31 December

	Note	Called up Share capital £	Share Premium £	Profit and loss account £	Total equity £
Balance at 1 January 2018		2,025,305	8,603,151	1,214,764	11,843,220
Total comprehensive income for the year					
Profit for the year		-	-	1,137,897	1,137,897
Balance at 31 December 2018		2,025,305	8,603,151	2,352,660	12,981,116
Balance at 1 January 2019		2,025,305	8,603,151	2,352,660	12,981,116
Total comprehensive loss for the year					
Loss for the year		-	-	(3,679,084)	(3,679,084)
Balance at 31 December 2019		2,025,305	8,603,151	(1,326,424)	9,302,032

The accompanying notes on pages 19 to 41 form part of the financial statements.

Notes to the Financial Statements

for the year ended 31 December

1. Accounting policies

GfK Retail and Technology U.K. Ltd (the "Company") is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. Its registered office is stated on the "Company Information" page. The nature of the Company's operations and its principal activities are set out in the strategic report on page 4.

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group. The ultimate parent undertaking and controlling party is GfK Societas Europaea ("GfK SE") which is registered in Germany. GfK SE is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of GfK SE's consolidated financial statements may be obtained from its registered office (GfK SE, Nordwestring 101, D-90419, Nuremberg, Germany).

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, compensation of key management personnel, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, certain disclosures in respect of revenue from contracts with customers, impairment of assets and certain related party transactions. Where relevant, equivalent disclosures have been given in the group accounts of GfK SE.

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

1.1 Measurement convention

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

1.2 Going concern

The Company has reported a loss for the year of £3,679,084, has net assets of £9,302,032 and has cash balances of £296,604 at 31 December 2019. It relies on funding from the GfK SE group which operates a cash pooling process and has a syndicated credit facility that is subject to covenant tests. In the event that these covenants are not met, the lenders have the ability to demand immediate repayment of loans which GfK SE does not have the financial resources to satisfy without securing additional funding. The Company is a guarantor of these external borrowings. The GfK SE group met its financial covenants in 2019.

Notes to the Financial Statements (continued)

for the year ended 31 December

1. Accounting policies (continued)

1.2 Going concern (continued)

In order to monitor risks linked to liquidity, the GfK SE Management Board is carrying out continuous analyses in respect of short-term capital requirements in the form of rolling cash flow planning at both GfK SE Group and individual company levels. The GfK SE Management Board have performed liquidity assessments under different COVID-19 scenarios. As set out in the Strategic Report, under certain scenarios, with more protracted restrictions to public life, it is possible that the GfK SE Group would not be in a position to comply with its financial covenants.

Whilst the Group would seek to take additional measures to secure external financing and liquidity, for example by renegotiating or temporarily suspending the covenants with the financing banks or seeking state-guaranteed loans, if, contrary to the expectations of the GfK SE Management Board, such attempted measures were to prove unsuccessful, the continuation of business activities would be jeopardised and the Group may not be able to realise its assets or pay its debts in the ordinary course of business. These conditions create a material uncertainty that cast a significant doubt on the Group's – and therefore the Company's – ability to continue as a going concern.

1.3 Turnover

Turnover comprises revenue recognised by the Company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts, and group services provided to the parent company. Turnover 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. The company recognises turnover when it transfers control of a product or service to a customer.

The company has no obligations for returns or refunds once contractual services have been delivered to the customer.

The Company's turnover is recognised in line with IFRS 15 Revenue from Contracts with Customers as follows:

Turnover recognised over time

Turnover from provision of bespoke 'ad hoc' research is recognised as a performance obligation satisfied over time. Turnover is recognised based on the stage of completion of the contract. This is measured using the proportion of total contract value performed based on costs incurred in relation to total anticipated costs due to completion. The Company includes an enforceable right to payment as part of its standard terms with all customers. Anticipated costs include estimates of costs incurred up to the date of 31 December which are best estimates made by the management and can vary from the actual costs incurred at completion. The Company typically receives a portion of the payment on these contracts on signature of the contract for services, with final payment made once the performance obligation has been delivered to the customer.

Turnover recognised at a point in time

Turnover from the sale of panel data to clients is recognised at a point in time in line with the performance obligations defined in the contractual arrangement agreed with the customer. Performance obligations are typically provided to customers in the form of a report, or through access to market data via a portal service, in varying frequencies as defined in the contract for services. Each delivery to the client is treated as a separate performance obligation of the contract. The Company typically receives payment for these services on a quarterly basis in arrears from the first month following signature of the contract.

Barter arrangements

The Company has arrangements with a number of UK retailers with whom it provides services in exchange for the retailers' market data. The Company has assessed that it has control over such market data which is accounted for as non-cash consideration received from the customer. Such non-cash consideration is measured at fair value. When the fair value of the non-cash consideration cannot be reasonably estimated, the consideration is measured indirectly by reference to the estimated stand-alone selling price of the goods or services promised to the customer in exchange for the consideration.

Group services revenue

For turnover related to group services provided to the parent company, turnover is recognised over time as the services are performed and are invoiced monthly.

Notes to the Financial Statements (continued)

for the year ended 31 December

1. Accounting policies (continued)

1.4 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency 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.

1.5 Non-derivative financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Non-derivative financial instruments comprise investments in equity securities, trade and other debtors, cash and cash equivalents, amounts owed by and to group undertakings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Trade and other creditors

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

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Investments

Investments in subsidiaries are carried at cost less, where appropriate, provisions for impairment.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Notes to the Financial Statements (continued)

for the year ended 31 December

1. Accounting policies (continued)

1.6 Tangible fixed assets

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

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

- plant and equipment - 4 to 5 years
- fixtures and fittings - 4 to 5 years
- office equipment - 3 years

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Improvements to leasehold properties are written off over the life of the lease or 40 years, whichever is less.

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

1.7 Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses.

Software licences

Acquired software licenses are stated at cost less accumulated amortisation and impairment. Software is amortised on a straight-line basis. The estimated useful life is as follows:

- Software licences - 3 years

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

1.8 Provisions

A provision is recognised 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 determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1.9 Expenses

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Notes to the Financial Statements (continued)

for the year ended 31 December

1. Accounting policies (continued)

1.10 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 deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

1.11 Impairment of non-financial assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

1.12 Impairment of financial assets

The Company recognises a loss allowance for expected credit losses ("ECL") on trade debtors and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade debtors and contract assets. The ECL on these financial assets is estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Notes to the Financial Statements (continued)

for the year ended 31 December

1. Accounting policies (continued)

1.12 Impairment of financial assets (continued)

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

1.13 Critical judgements and estimates in applying accounting policies

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, turnover and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors that are considered relevant. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Turnover

Turnover from provision of bespoke 'ad hoc' research is recognised as a performance obligation satisfied over time. Turnover is recognised based on the stage of completion of the contract. Determination of the stage of completion requires the use of estimates of the total costs and anticipated costs to be incurred up to the balance sheet date. The extent of estimation typically is higher on longer-term contracts or where the Company is in the early stages of delivery.

The Company has arrangements with a number of UK retailers with whom it provides services in exchange for the retailers' market data. The Company has assessed that it has control over such market data which is accounted for as non-cash consideration received from the customer. Such non-cash consideration is measured at fair value. When the fair value of the non-cash consideration cannot be reasonably estimated, the consideration is measured indirectly by reference to the estimated stand-alone selling price of the goods or services promised to the customer in exchange for the consideration. The amount of revenue recorded on such arrangements is £1,369,933 (2018: £214,633).

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill

At 31 December 2019, the Company reported goodwill with a net book value of £3,201,124 (2018: £8,548,215), calculated as the initial fair value of net assets in excess of their carrying value on acquisition less accumulated impairment and amortisation charges. Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which the goodwill has been allocated. The value in use requires the entity to estimate future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The Company conducts an annual comparison of the value in use of internally generated goodwill against the carrying value at the reporting date. After conducting this review at 31 December 2019, the Company identified an impairment loss against the carrying value of goodwill recognised on the acquisition of the trade and assets of Cogenta Systems Limited of £4,915,388 (2018: £3,373,990) and Ascent-MI Limited of £431,703 (2018: nil). As a result the carrying value of goodwill is sensitive to any adverse changes in assumptions which would give rise to an additional impairment.

During 2020, management took the strategic decision to fully impair the GfK Ascent-MI travel panel business as the ongoing market conditions triggered by Covid-19 meant the business was unviable in the short term.

Notes to the Financial Statements (continued)

for the year ended 31 December

1. Accounting policies (continued)

1.14 Adoption of new and revised Standards

First-time application of standards or interpretations

IFRS 16 - Leases

IFRS 16 introduces new or amended requirements for accounting for leases. This standard replaces the existing accounting requirements on leases, including IAS 17 "Leases", and IFRIC 4 "Determining whether an arrangement includes a lease". Significant changes with regard to accounting by lessees arise from the fact that no distinction is made between operating leases and finance leases. With the exception of short-term leases or leases for leased assets of minor value, a right-of-use asset and a lease liability must be recognised at the inception of a lease.

IFRS 16 introduces a new definition of a lease. The change in definition mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The date of initial application of IFRS 16 for the Company was 1 January 2019. As permitted by IFRS 16 paragraph C5(b), the Company has elected to apply the cumulative catch up approach on adoption. As a result comparative information is not restated and for the year ended 31 December 2018 leases continue to be accounted for in accordance with IAS 17, "Leases". For the comparative period, payments (excluding costs for services and insurance) made under operating leases are recognised in profit and loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as a reduction of rental expense on a straight-line basis over the lease term.

Under the cumulative catch up approach, the Company has recognised the cumulative effect of initial application at 1 January 2019 by adjusting balances as at that date. On adoption, the Company has applied the following practical expedients:

- it has not reassessed whether a contract is or contains a lease as at 1 January 2019. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered into or changed before 1 January 2019.
- it has taken the recognition exemption available for lessees in respect of leases of low-value assets. On leases to which the exemption has been applied, no adjustment is required on transition.
- it has taken the practical expedient not to recognise right-of-use assets or lease liabilities in respect of leases previously classified as operating leases for which the lease term ends within 12 months of the date of initial application (i.e. during 2019): i.e. short-term leases.
- it has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 in the balance sheet immediately before the date of initial application as an alternative to performing an impairment review.
- it has applied a single discount rate to a portfolio of similar leases.
- it has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.
- it has excluded initial direct costs in the valuation of the right of use assets at the time of first application.

On first-time application of IFRS 16, the Company recognised lease liabilities for leases previously classified as operating leases under IAS 17, measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as of 1 January 2019. As permitted by IFRS 16 paragraph c8(b)(ii), right of use assets were recognised at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application.

Notes to the Financial Statements (continued)

for the year ended 31 December

1. Accounting policies (continued)

1.14 Adoption of new and revised Standards (continued)

IFRS 16 – Leases (continued)

Lease liabilities comprise the present value of the following lease payments:

- fixed lease payments less any lease incentives;
- variable lease payments linked to an index, initially measured using the index at the commencement date;
- lease payments, including any option exercise price, where it is reasonably certain that the Company will exercise such extension options;
- penalties relating to the termination of a lease, if the lease term takes into account that the termination option will be exercised; and
- any residual value guarantees.

Lease agreements for real estate often contain extension and termination options. The exercise or non-exercise of such options is reflected when determining the term of the agreement and, if reasonably certain, the lease term is adjusted accordingly.

Subsequent measurement of the lease liability is carried out by increasing the carrying amount by the accrued interest on the lease liability and by reducing the carrying amount for lease payments made. Interest is determined using an effective interest method and recognised in the income statement over the lease term.

Rights of use assets are measured at cost, which comprises the amount of the initial measurement of the lease liability as well as any lease payments made before or at the time the leased asset is made available for use, less any incentives received and any initial direct costs incurred by the lessee.

Subsequently, right of use assets are depreciated on a straight-line basis over the shorter of the useful life and the term of the underlying lease agreement and, if necessary, they are subject to an impairment in accordance with the requirements of IAS 36. The depreciation of the right of use asset is allocated to the corresponding functional costs.

If a lease or the term of a lease has changed, the lease liability is remeasured by discounting the adjusted lease payments using an updated interest rate. The corresponding right of use asset is adjusted accordingly.

As soon as changes in an index affect the lease rate, the lease liability and the right of use assets are adjusted accordingly. The adjusted lease payments are discounted using an unchanged discount rate.

As a practical expedient, the Company has elected not to separate lease and non-lease components for all right of use assets, other than those related to land and buildings, meaning that lease and non-lease components are both recognised in the balance sheet.

Payments for short-term leases with a term of less than 12 months and for leases of low value assets are expensed in the income statement on a straight-line basis.

The weighted average incremental borrowing rate applied to lease liabilities recognised in the balance sheet on 1 January 2019 is 2.4%.

Notes to the Financial Statements (continued)

for the year ended 31 December

1. Accounting policies (continued)

IFRS 16 - Leases (continued)

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the balance sheet at the date of initial application.

Impact on retained earnings as at 1 January 2019	£
Operating lease commitments at 31 December 2018	593,032
Effect of discounting the above amounts	(7,054)
Lease liabilities recognised at 1 January 2019	<u>585,978</u>

The Company has recognised £nil right-of-use assets and £585,978 of lease liabilities upon transition to IFRS 16. The difference of £585,978 arose as a previously recognised provision for onerous leases as at 31 December 2018 was recorded against the initial value of the right-of-use asset on adoption at 1 January 2019.

IFRIC 23 - Uncertainty over Income Tax Treatments

The Company has adopted IFRIC 23 for the first time in the current year, effective from 1 January 2019. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Company to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
- If yes, the Company is required to determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
- If no, the Company is required to reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

Adoption of IFRIC 23 had no material impact on the financial statements.

Other accounting standards, amendments and interpretations made effective in the year

No other accounting standards, amendments or interpretations made effective from 1 January 2019 had a material impact on the financial statements.

2. Turnover

	2019 £	2018 £
By geographical market		
United Kingdom	10,731,257	9,553,664
Rest of European Union	19,220,850	18,895,643
Rest of World	1,783,438	2,656,864
	<u>31,735,545</u>	<u>31,106,171</u>
	2019 £	2018 £
By timing of revenue recognition		
Contractual services recognised at a point in time	26,938,667	25,130,832
Contractual services recognised at over time	4,796,878	5,975,339
	<u>31,735,545</u>	<u>31,106,171</u>

Notes to the Financial Statements (continued)

for the year ended 31 December

2. Turnover (continued)

	2019 £	2018 £
By client		
Services provided to external parties	12,737,965	11,484,682
Services provided to group undertakings	18,997,580	19,621,489
	<u>31,735,545</u>	<u>31,106,171</u>

3. Transaction price allocated to remaining performance obligations

	2019 £	2018 £
Due within one year	21,511,054	9,848,073
Due within more than one year but less than five years	10,224,491	1,035,833
	<u>31,735,545</u>	<u>10,883,906</u>

The Company's turnover is recognised in line with IFRS 15 Revenue from Contracts with Customers as per the the accounting policies in note 1.3.

There was £nil (2018: £nil) revenue recognised in the current period from performance obligations satisfied or partially satisfied in the previous period.

4. Operating loss

Operating loss is started after charging the following:

	Note	2019 £	2018 £
Amortisation of intangible assets	12	1,017,461	302,889
Impairment of goodwill	12	5,347,091	3,373,990
Depreciation of tangible fixed assets	13	212,110	206,984
Foreign exchange losses / (gains)		72,326	836
Impairment loss on trade receivables	14	113,486	76,195
Operating lease charges		-	146,085
Expenses in connection with lease agreements on low value or	24	43,248	-
Research and development costs		669,725	54,264
		<u>669,725</u>	<u>54,264</u>

Auditor's remuneration

	2019 £	2018 £
Fees payable to Deloitte LLP for the audit of the Company's annual accounts	59,765	67,166
	<u>59,765</u>	<u>67,166</u>

The Company made no payments during the year (2018: £nil) in respect of fees payable to Deloitte LLP for the provision of non-audit services.

Notes to the Financial Statements (continued)

for the year ended 31 December

5. Staff numbers and costs

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

	2019 No.	2018 No.
Market Research	164	178
Administration	4	8
	168	186

The aggregate payroll costs of these persons were as follows:

	2019 £	2018 £
Wages and salaries	10,240,580	9,576,156
Social security costs	1,273,543	1,040,464
Contributions to defined contribution plans	507,702	419,756
	12,021,825	11,036,376

In addition, the Company made payments for severance for £38,957 during the year (2018: £310,484).

Defined contribution plans

The company contributes to a Group Personal Pension Plan and to an Executive Pension Plan on behalf of eligible employees.

The total expense relating to these plans in the current year was £507,702 (2018: £419,756).

Contributions totalling £81,000 (2018: £66,000) were payable to the fund at the balance sheet date.

6. Directors' remuneration

	2019 £	2018 £
Directors' remuneration	222,929	183,164
Company contributions to money purchase pension plans	17,836	30,800
	240,765	213,964

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £222,929 (2018: £183,164) and company pension contributions of £17,836 (2018: £30,800) were made to a money purchase scheme on his behalf.

During the year, the highest paid director did not exercise any share options or received shares under a long-term incentive scheme (2018: £nil).

Other directors of the Company are being remunerated by a fellow subsidiary, GfK UK Limited. Director emoluments which were paid by GfK UK Limited were £283,000 (2018: £186,000) which included Company pensions contribution.

Therefore the total remuneration for all directors totalled as £523,765 (2018: £399,964).

Notes to the Financial Statements (continued)
for the year ended 31 December

Notes to the Financial Statements (continued)

7. Income from shares in group undertakings

	2019 £	2018 £
Dividends received from subsidiary undertakings	-	7,376,100
	<u>-</u>	<u>7,376,100</u>

8. Investment income

	2019 £	2018 £
Interest receivable from group undertakings	145,099	82,740
	<u>145,099</u>	<u>82,740</u>

9. Other gains and losses

	2019 £	2018 £
Impairment of investment in subsidiary undertakings	-	4,014,825
	<u>-</u>	<u>4,014,825</u>

10. Finance costs

	2019 £	2018 £
Interest payable to group companies	-	146
Interest on lease liabilities	5,555	-
	<u>5,555</u>	<u>146</u>

Notes to the Financial Statements (continued)

for the year ended 31 December

11. Taxation

Recognised in the profit and loss account

	2019 £	2018 £
UK corporation tax		
Current tax on income for the year	566,995	327,495
Adjustments in respect of prior year	(188,401)	(147,244)
Foreign tax	5,530	-
Total current tax	384,124	180,251
Deferred tax		
Origination and reversal of temporary differences	(182,650)	246,814
Adjustment in respect for prior year	124,418	(16,567)
Tax rate differences	21,021	(25,602)
Total deferred tax	(37,211)	204,645
Tax on profit	346,913	384,896

Reconciliation of effective tax rate

	2019 £	2018 £
(Loss)/profit before tax	(3,332,171)	1,522,792
Tax using the UK corporation tax rate of 19% (2018: 19%)	(633,112)	289,330
Adjustments in respect of prior years	(63,983)	(163,811)
Non-deductible expenses for tax purposes	1,009,681	1,623,562
Income not taxable	-	(1,351,000)
Tax rate differences	21,021	(25,602)
Effect of overseas tax rates	4,478	-
Deferred tax asset not recognised	8,828	12,417
Total tax expense	346,913	384,896

Factors affecting the future tax credit/charge:

We have prepared the deferred tax position with a closing tax rate of 17% on the basis that any deferred assets or liabilities released or settled are likely to reverse after April 2020. However, in the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements and the rate of 17% is used.

Notes to the Financial Statements (continued)

for the year ended 31 December

12. Intangible fixed assets

	Goodwill £	Software £	Licenses £	Total £
Cost				
Balance at 1 January 2019	14,883,039	2,238,564	2,121,982	19,243,585
Additions	-	107,021	-	107,021
Disposal	-	(1,517,158)	-	(1,517,158)
Balance at 31 December 2019	14,883,039	828,427	2,121,982	17,833,448
Accumulated amortisation and impairment				
Balance at 1 January 2019	6,334,824	1,328,124	2,121,982	9,784,930
Impairment for the year	5,347,091	-	-	5,347,091
Amortisation for the year	-	1,017,461	-	1,017,461
Disposal	-	(1,517,158)	-	(1,517,158)
Balance at 31 December 2019	11,681,915	828,427	2,121,982	14,632,324
Net book value				
Balance at 31 December 2018	8,548,215	910,440	-	9,458,655
Balance at 31 December 2019	3,201,124	-	-	3,201,124
Amortisation and impairment charge				
			2019 £	2018 £
Cost of sales			-	302,889
Administrative expenses			6,364,552	4,475,218
			6,364,552	4,778,107

The Company conducts an annual review of goodwill for impairment, by comparing its value in use against the carrying value at the reporting date. In conducting this review the Company calculates an estimated net present value of the estimated future cash flows expected to arise from the respective cash-generating unit after applying a suitable discount rate. The Company's goodwill arises on two cash generating units, represented by the former trade and assets of GfK Ascent-MI and of Cogenta Systems. The carrying value of their goodwill at 31 December 2019 is £3,201,124 and £nil (2018: £8,548,215 and £910,440) respectively.

Assumptions regarding future cash flows are based upon actual results in prior periods, adjusted to reflect management's view of expected developments based upon market conditions. The value in use calculations are based on cash flow projections for the five years ending 31 December 2024, and are most sensitive to the following assumptions:

- Discount rates – these reflect management's assessment of the time value of money and the risks specific to the unit's assets, based on an appropriate Weighted Average Cost of Capital (WACC) adjusted for tax, reflecting management's estimate of the specific risk profile associated with the cash flow projections. The pre-tax discount rate applied to the cash flow projections of both cash-generating units was 7.09%.
- Long-term growth rate – a long term growth rate of 2% has been applied to cash flows for 2025 onwards for both cash-generating units.

Notes to the Financial Statements (continued)

for the year ended 31 December

12. Intangible fixed assets (continued)

Following the decision to close down our online price intelligence tool services, the goodwill in Cogenta of £4,915,388 is fully impaired during the year.

GfK Ascent-MI comprises the Company's database services products for the travel sector. After conducting this review at 31 December 2019, goodwill for Ascent-MI has been determined to have a recoverable amount of £3,201,124. The Company has recorded an impairment charge for Ascent-MI for £431,703 due to lower expectations of future forecast profitability and cash flow.

During 2020, management took the strategic decision to fully impair the GfK Ascent-MI travel panel business as the ongoing market conditions triggered by Covid-19 meant the business was unviable in the short term.

13. Tangible fixed assets

	Plant & equipment £	Fixtures & Fittings £	Total £
Cost			
Balance at 1 January 2019	597,200	831,345	1,428,545
Additions	22,311	-	22,311
Balance at 31 December 2019	619,511	831,345	1,450,856
Depreciation and impairment			
Balance at 1 January 2019	481,623	509,291	990,914
Depreciation charge for the year	80,488	131,622	212,110
Balance at 31 December 2019	562,111	640,913	1,203,024
Net book value			
At 31 December 2018	115,577	322,054	437,631
At 31 December 2019	57,400	190,432	247,832

The right of use asset on 1 January 2019 and 31 January 2019 is £nil. Please refer to Note 24.

14. Debtors

	Note	2019 £	2018 £
Trade debtors		1,693,604	2,094,404
Amounts owed by group undertakings		13,509,858	10,937,482
Contract assets	19	830,267	716,172
Other debtors		10,501	14,418
Prepayments		150,169	242,713
		16,194,399	14,005,189

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

Notes to the Financial Statements (continued)

for the year ended 31 December

15. Creditors: amounts falling due within one year

	Note	2019 £	2018 £
Trade creditors		402,099	364,384
Amounts owed to group undertakings		3,312,773	3,546,105
Contract liabilities	19	1,820,527	1,353,705
Corporation tax		566,995	349,013
Taxation and social security taxes		569,148	475,353
Other creditors		1,335,124	1,116,038
Accruals		389,455	991,040
Lease liability		115,176	-
		8,511,297	8,195,638

Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment.

16. Creditors: amounts falling due after more than one year

	2019 £	2018 £
Amounts owed to group undertakings	2,242,776	2,212,910
Accruals	-	63,453
	2,242,776	2,276,363

Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment.

17. Deferred tax assets

Deferred tax assets and liabilities are attributable to the following:

	2019 £	2018 £
Accelerated capital allowances	35,486	134,630
Other temporary differences	210,963	84,821
Deferred tax assets	246,449	219,451

The company has reported taxable profits for the year and is expecting to have sufficient future taxable profits in the future to recover the deferred tax asset recognised.

Notes to the Financial Statements (continued)

for the year ended 31 December

18. Provisions

	LT Incentive plan £	Dilapidation provision £	Onerous lease £	Restructuring provision £	Total £
Balance at 1 January 2019	24,577	73,568	676,447	72,342	846,934
Charged during the year	-	46,464	-	-	46,464
Used during the year	(14,306)	-	-	(72,342)	(86,648)
Released during the year	-	-	(90,469)	-	(90,469)
IFRS 16 opening adjustment (see note 1.14)	-	-	(585,978)	-	(585,978)
Balance at 31 December 2019	10,271	120,032	-	-	130,303

The LT incentive plan provisions are in relation to a long term incentive plan that has been established for certain employees and is expected to be utilised in the next year.

A provision is made for contractual obligations to perform restoration on certain leasehold properties on exit. The amount provided represents the directors' estimate of restoration costs; the amount finally payable will be determined based on negotiation and assessment with the Company's landlords. The provision is expected to be utilised within 6 years.

The provision of the onerous lease has been partially offset against the right-of-use asset on transition to IFRS 16, whilst the other components (service charges and business rates) of the onerous lease provision have been released to profit following the surrender of the property back to the landlord.

19. Contract assets and contract liabilities

	2019 £	2018 £
Contract assets	830,267	716,172
Contract liabilities	1,820,527	1,353,705

Contract assets represent work performed on bespoke ad hoc research or panel or syndicated data where performance is either partially complete or fully complete where no amounts have been invoiced or amounts invoiced to date are less than the amount of turnover recognised and represent the entity's right to consideration for the services transferred to date. Amounts previously recognised as contract assets are reclassified to trade debtors at the point at which it is invoiced to the customer.

The Company typically receives a portion of the payment on signature of the contract for services which is immediately classified as a contract liability and recognised within turnover at a point in time in line with the delivery of the performance obligations as stated in the contract. A contract asset arises at any point whenever turnover recognised based delivery of the performance objectives is in excess of the amounts billed to the customer. Final payment is typically made once the performance obligation has been delivered to the customer.

Contract liabilities represent amounts billed on bespoke ad hoc research or panel or syndicated data in advance of performance obligations being satisfied.

Included in turnover for the year ended 31 December 2019 is an amount of £1,353,705 (2018: £2,227,217) that was recognised in the contract liability balance at the beginning of the year.

Notes to the Financial Statements (continued)

for the year ended 31 December

20. Capital and reserves

Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
2,025,305 ordinary shares of £ 1 each	2,025,305	2,025,305

Called-up share capital represents the nominal value of shares that have been issued. The Company has one class of ordinary shares which carry no right to fixed income. The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

The profit and loss reserve represents cumulative profits or losses net of dividends paid and other adjustments.

21. Share premium account

	Share premium £
Balance at 1 January 2019 and 31 December 2019	8,603,151

22. Related parties

During the year, the company entered into transactions with other members of the GfK SE group. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose such transactions with fellow wholly-owned subsidiaries.

23. Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of GfK Retail and Technology U.K. Holding Ltd. Its registered office is as set out on page 2 of these financial statements.

The ultimate undertaking and controlling party is GfK Societas Europaea ("GfK SE") which is registered in Germany. GfK SE is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of GfK SE's consolidated financial statements may be obtained from their registered office at Nordwestring 101, D-90419, Nuremberg, Germany.

24. Leases

The Company is the lessee of office space under long-term lease agreements. The material lease agreements in GfK Retail and Technology UK Limited are lease agreements for land and buildings. The lease expires in March 2021. The average term of the lease is 1.25 years.

The Company had no residual value guarantees or sale-and-lease-back transactions, nor lease agreements with restrictions or conditions (covenants).

The Company holds low value leases for cars and equipment which have been disclosed as an expense as part of administrative expenses.

In the prior year, the Company had no material finance lease agreements as per IAS 17.

Following adoption of IFRS 16, the following rights of use and lease liabilities are now reported on the balance sheet.

Notes to the Financial Statements (continued)

for the year ended 31 December

24. Leases (continued)

Right of use asset

	2019 £
Land and Buildings	
Right of use – capitalisation	585,978
Reduction due to previously recorded onerous lease provision (see below)	(585,978)
	<hr/>
Right of use as at 1 st January 2019	-
	<hr/>
Right of use as at 31 st December 2019	-
	<hr/>

Lease liabilities

	2019 £
Under 1 year	117,156
	<hr/>

The profit and loss account shows the following amounts in connection with lease agreements:

	2019 £	2018 £
Interest on lease liabilities	5,555	-
Expenses in connection with lease agreements on low value or short term assets	43,248	-
	<hr/>	<hr/>

Within the scope of operating lease agreements, the payments listed in the following table were recorded as operating expenses for 2018 under IAS 17:

	2018 £
Expenses pertaining to operating leases	288,484
	<hr/>

As at 31 December 2018 future minimum lease payments under non-terminable agreements were due as follows:

	2018 £
Less than one year	263,570
Between one and five years	329,462
	<hr/>
	593,032
	<hr/>

Notes to the Financial Statements (continued)

for the year ended 31 December

24. Leases (continued)

The reconciliation of the amount of future minimum lease payments under operating leases as at 31 December 2018 to the lease liability in accordance with IFRS 16 as at 1 January 2019, is shown in the following table:

	£
<i>Impact on retained earnings as at 1 January 2019</i>	
Operating lease commitments at 31 December 2018	593,032
Effect of discounting the above amounts	(7,054)
Lease liabilities recognised at 1 January 2019	<u>585,978</u>

The Company has recognised £nil right-of-use assets and £585,978 of lease liabilities upon transition to IFRS 16. The difference of £585,978 arose as a previously recognised provision for onerous leases as at 31 December 2018 was recorded against the initial value of the right-of-use asset on adoption at 1 January 2019.