Dentsu Sports Europe, Limited

Annual report and financial statements

Registered number 6351498

31 December 2018

Contents

Directors' Report

The directors of Dentsu Sports Europe, Limited ('the Company') present their report and the financial statements for the year ended 31 December 2018.

The Company has taken the exemption not to prepare a strategic report on the basis that it qualifies as a small company.

Principal Activity

The principal activity of the Company is the provision of sports marketing and related services in Europe and globally.

Results

The profit for the year, after taxation, amounted to £553,000 (2017: £175,000)

Proposed dividend

The directors do not recommend the payment of a dividend (2017:nil)

Directors

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

Kiyoshi Nakamura
Soichi Takahashi
Masafumi Oshita
Tetsuya Murakami

Political contributions

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

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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Number of Employees

The number of employees is 11 (2017:11)

By order of the board

Masafumi Oshita
Director

City Point
One Ropemaker Street
London
EC2Y 9SS

24 September 2019

Statement of directors' responsibilities in respect of the Directors' 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 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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 judgments and estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DENTSU SPORTS EUROPE, LIMITED

Opinion

We have audited the financial statements of Dentsu Sports Europe, Limited ("the company") for the year ended 31 December 2018 which compromise the Profit and Loss Account, Balance Sheet, 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 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of receivables and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going Concern

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DENTSU SPORTS EUROPE, LIMITED (Continued)

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.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DENTSU SPORTS EUROPE, LIMITED (Continued)

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.

NB

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

24 September 2019

Profit and Loss Account

For year ended 31 December 2018

	Note	Year ended 31 December 2018	Year ended 31 December 2017
		£'000	£'000
Turnover	2	**3,350**	2,770
Cost of sales		**(540)**	(124)
Gross profit		**2,810**	2,646
Administrative expenses		**(2,222)**	(2,255)
Operating profit		**588**	391
Other interest receivable and similar income	6	**56**	-
Interest payable and similar expenses	7	**-**	(194)
Profit before taxation		**644**	197
Tax on profit	8	**(91)**	(22)
Profit for the financial year		**553**	175

There were no recognised gains or losses for the year other than the profit stated above and therefore no separate other comprehensive income statement has been presented.

The above results are derived from continuing operations.

The notes on pages 10 to 20 form part of these financial statements

Balance Sheet
at 31 December 2018

	Note	2018 £000	£000	2017 £000	£000
Fixed assets					
Tangible assets	9	7		2	
			7		2
Current assets					
Stocks	10	107		82	
Debtors (including £13,000 (2017: £14,000) due after more than one year)	11	4,834		3,834	
Cash at bank and in hand		4,220		1,821	
			9,161		5,737
Creditors: amounts falling due within one year	12	(6,082)		(3,206)	
Net current assets			3,079		2,531
Total assets less current liabilities			3,086		2,533
Creditors: amounts falling due after more than one year		-		-	
			-		-
Net assets			3,086		2,533
Capital and reserves					
Called up share capital	14		1,000		1,000
Profit and loss account	14		2,086		1,533
Shareholders' funds			3,086		2,533

These financial statements were approved by the board of directors on 24 September 2019 and were signed on its behalf by:

Masafumi Oshita
Director

Company registered number: 6351498

Statement of Changes in Equity

	Called up Share capital	Profit and loss account	Total equity
	£000	£000	£000
Balance at 1 January 2017	1,000	1,358	2,358
Total comprehensive income for the period			
Profit or loss	-	175	175
Total comprehensive income for the period	-	175	175
Balance at 31 December 2017	**1,000**	**1,533**	**2,533**
Balance at 1 January 2018	1,000	1,533	2,533
Total comprehensive income for the period			
Profit or loss	-	553	553
Total comprehensive income for the period	-	553	553
Balance at 31 December 2018	**1,000**	**2,086**	**3,086**

Notes
(forming part of the financial statements)

1 Accounting policies

Dentsu Sports Europe, Limited (the "Company") is a private company incorporated, domiciled and registered in England and Wales in the UK. The registered number is 6351498 and the registered address is City Point, One Ropemaker Street, London, EC2Y 9SS.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Dentsu Inc. includes the Company in its consolidated financial statements. The consolidated financial statements of Dentsu Inc. are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from address of 1-8-1 Higashi Shimbashi, Minato-Ku, Tokyo 105-7001, Japan. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions taken available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

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

Notes *(continued)*

1. Accounting policies *(continued)*

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

Having considered the current economic environment and the Company's resources, the directors have a reasonable expectation that the Company will continue in operational existence for a period of at least 12 months from the date of the approval of these financial statements

Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

1.3 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.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

1.5 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, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

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. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Leasehold improvements	-	10 years, or remaining life of lease if shorter
Office and computer equipment	-	3 - 5 years
Motor vehicles	-	3 years

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Tangible fixed assets (Continued)

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.6 Stocks

Stocks are stated at the lower of cost and net realisable value and represent payments made to suppliers in advance of invoicing to clients.

1.7 Employee benefits

Defined contribution plans and other long term employee benefits

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.

1.8 Turnover

The Company acts as agent for the Company's ultimate parent undertaking, Dentsu Inc., on the majority of contracts.

Turnover that is recognised on the agent basis comprises of fees and commissions earned in respect of gross billings and direct costs excluding any pass through costs. Turnover is recognised when services are performed, in accordance with the terms of arrangements reached with each client.

Turnover that is recognised on the principal basis is recognised as the gross amount and associated costs incurred as cost of sale. For contracts with multiple performances, in principle, sales are recognised at the date of each performance.

For services that cannot be reliably estimated at year end, turnover is recognised only to the extent of the expenses recognised that it is probable will be recovered.

Turnover is stated exclusive of VAT, sales taxes and trade discounts.

1.9 Expenses

Operating lease

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Interest receivable and interest payable

Interest payable and similar expenses include foreign exchange losses that are recognised in the profit and loss account. Other interest receivable and similar income include foreign exchange gains.

Foreign currency gains and losses are reported on a net basis.

1.11 Taxation

Tax on the profit or loss for the year comprises of current 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.

2 Turnover

	2018	2017
	£000	£000
Commissions	**3,350**	2,770
Total turnover	**3,350**	2,770

	2018	2017
	£000	£000
By geographical market		
Western Europe	**34**	658
Japan	**2,887**	1,907
Asia (excluding Japan)	**387**	72
Americas	**-**	-
Other	**42**	133
	3,350	2,770

Notes *(continued)*

3 Expenses and auditor's remuneration

Auditor's remuneration:

	2018 £000	2017 £000
Audit of these financial statements	**25**	**21**

4 Staff numbers and costs

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

	Number of employees 2018	2017
Marketing services	**7**	7
Administration	**4**	4
	11	11

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	**773**	851
Social security costs	**142**	129
Contributions to defined contribution plans	**58**	59
	973	1,039

5 Directors' remuneration

	2018 £000	2017 £000
Directors' remuneration	**194**	172

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £194,000 *(2017:£172,000).*

During the year, no Directors (2017: nil) exercised share options in the Company and no Directors (2017: nil) received shares, or had shares receivable under long term incentive schemes, in respect of their qualifying service. No post-employment benefits were accruing for Directors (2017: none) in respect of qualifying services.

Notes *(continued)*

6 Other interest receivable and similar income

	2018 £000	2017 £000
Net foreign exchange gain	**56**	-
Total interest receivable and similar income	**56**	-

7 Interest payable and similar charges

	2018 £000	2017 £000
Net foreign exchange loss	-	(194)
Total interest receivable and similar income	-	(194)

8 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2018 £000	2017 £000
Current tax		
Current tax on income for the period	**196**	105
Adjustments in respect of prior periods	**(105)**	(83)
Total tax	**91**	22

Notes *(continued)*

8 Taxation (Continued)

Analysis of current tax recognised in profit and loss

	2018 £000	2017 £000
UK corporation tax	91	22
Total current tax recognised in profit and loss	91	22

Reconciliation of effective tax rate

	2018 £000	2017 £000
Profit for the year	**553**	175
Total tax expense	**91**	22
Profit excluding taxation	**644**	197
Tax using the UK corporation tax rate of 19% (2017: 19.25 %)	**122**	40
Effect of:		
Non-deductible expenses	**74**	65
Adjustment in respect of prior years	**(105)**	(83)
Total tax expense/(credit) included in profit or loss	91	22

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantially enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

The Corporation Tax liability represents amounts to be paid to other group companies in respect of group relief.

Notes *(continued)*

9 Tangible fixed assets

	Motor Vehicles £000	Office and computer equipment £000	Total £000
Cost			
Balance at 1 January 2018	**16**	**33**	49
Other acquisitions	-	**7**	7
Balance at 31 December 2018	**16**	**40**	56
Depreciation and impairment			
Balance at 1 January 2018	**16**	**31**	47
Depreciation charge for the year	-	**2**	2
Balance at 31 December 2018	**16**	**33**	49
Net book value			
At 1 January 2018	-	**2**	2
At 31 December 2018	-	7	7

10 Stocks

	2018	2017
	£000	£000
Work in progress	**107**	82
	107	82

Notes *(continued)*

11 Debtors

	2018	2017
	£000	£000
Trade debtors	642	1,308
Amounts owed by other Dentsu group undertakings	3,995	2,395
Other debtors	118	105
Prepayments and accrued income	79	26
	4,834	3,834
Due within one year	4,821	3,820
Due after more than one year	13	14
	4,834	3,834

Debtors include prepayments and accrued income of £13,000 (2017: £14,000) due after more than one year.

12 Creditors: amounts falling due within one year

	2018	2017
	£000	£000
Amounts owed to other Dentsu group undertakings	4,767	2,504
Taxation and social security	196	105
Other creditors	59	215
Accruals and deferred income	1,060	382
	6,082	3,206

13 Employee benefits

Defined contribution plans

The Company operates a defined contribution pension plans.

The total expense relating to these plans in the current year was £58,000 *(2017: £59,000)*

Notes *(continued)*

14 Capital and reserves

Share capital

	2018	2017
	£000	£000
Allotted, called up and fully paid		
1,000,000 ordinary shares of £1 each	**1,000**	1,000
	1,000	1,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

15 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018	2017
	£000	£000
Less than one year	**188**	190
Between one and five years	**551**	732
More than five years	**-**	7
	739	929

During the year £190,000 was recognised as an expense in the profit and loss account in respect of operating leases (2017:£190,000).

Notes *(continued)*

16 Related parties

Under Financial Reporting Standard 102 the Company is exempt from the requirement to disclose related party transactions with Dents Inc. and its subsidiary undertakings on the grounds that it is a wholly-owned subsidiary of Dentsu Inc.

17 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Dentsu Inc.

The largest group in which the results of the Company are consolidated is that headed by Dentsu Inc., incorporated in Japan. No other group financial statements include the results of the Company. The consolidated financial statements of these groups are not available to the public and may be obtained from Dentsu Inc. of 1-8-1 Higashi Shimbashi, Minato-Ku, Tokyo 105-7001, Japan.