

Company Registration No. 07753583

Two Circles Limited

**Annual report and financial statements
for the year ended 31 December 2018**



Two Circles Limited

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Two Circles Limited

Company Information

Directors

Mr M Rogan
Mr G Balch
Mr D Grainger

Registered office

Sea Containers
18 Upper Ground
London
England
United Kingdom
SE1 9GL

Bankers

Lloyds Bank plc
Thame Branch
PO Box 1000
Andover
United Kingdom
BX1 1LT

Independent Auditor

Deloitte LLP
Statutory Auditor
1 New Street Square
London
England
United Kingdom
EC4A 3HQ

Two Circles Limited

Strategic report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Review of the business

Two Circles Limited ("Two Circles" or the "Company") is a sports marketing agency that uses data to help sports organisations grow relationships with their audiences and partners to drive commercial growth.

Working with some of the biggest rights-holders in sport across Europe and North America, Two Circles' technology-driven, service-led offering helps its clients improve customer experience, increase revenue and enhance their partner proposition.

Two Circles has twice been named Agency of the Year at the BT Sport Industry Awards.

Challenging the traditional methodologies and approach of the sports marketing industry, Two Circles believes in evidence over instinct. Data is a fundamental enabler of this approach. Using data effectively – to guide compelling digital content tailored for the right audiences – consistently results in commercial growth across all revenue lines.

It was under this premise that, in 2011, Two Circles was founded – in a mission to change the game for sports marketing by bringing best-in-class techniques and approaches to the divergent sports industry, from professional clubs and global federations to mass participation events and media platforms.

Two Circles has four core product and service areas, although client projects are frequently either spread across – or develop through – several of these areas over time:

- **Event Day:** Maximising revenue from all activities held in sports rights-holder's venues. This covers everything from ticketing and hospitality to retail, stadium-planning and non-sporting events
- **Media:** Helping sports rights-holders reach or acquire new audiences, or grow subscriber bases, by distributing content across a range of owned and third-party platforms
- **Sponsorship:** Packaging, valuing, activating and evaluating digital-first sponsorships that drive tangible, measurable results for current, and potential, brand partners
- **Participation:** Helping governing bodies and mass participation events strengthen their relationships with grassroots audiences to grow participation.

During 2018 we have maintained our market leadership position in the UK and have welcomed a number of new clients, expanding our offering into a number of new sports and increasing the breadth of services and products offered across all the major revenue streams of our sports rights-holder clients. Significant investments were made in the period into both our products and growing our international presence through offices in New York and Bern. As a result an increasing proportion of revenue came from rights-holders' outside the UK as our international presence continues to grow.

As a result of this expansion, during 2018 we incorporated a wholly owned subsidiary in the USA, Two Circles Inc, to locally service clients in that market which had previously been serviced through Two Circles Ltd. Two Circles Inc has made a very promising start both in terms of revenue and profit. We continue to view international expansion as being important to enable us to be able to best service our global clients, recently opening an office in San Francisco to complement our East Coast presence in New York.

Equally, we value our longstanding clients and have excellent repeat business and a strong and growing recurring revenue base. Over the course of the financial year, we completed projects for a total of 111 clients (2017: 83 clients) across the client blend described above.

Of its two main Key Performance Indicators, Two Circles Limited revenue has remained at £10.83m (2017: £10.85m), while operating profit has decreased to £1.8m (2017: £2.6m). However, these results exclude the results of Two Circles Inc., which was incorporated in 2018.

Two Circles Limited

Strategic report

Principal risks and uncertainties

The directors regularly evaluate and seek to mitigate the potential risks and uncertainties facing the Company. They consider the principal risks to be:

- **Data protection risk** – in order to avoid the contravention of the ICO data protection guidelines or breach of the applicable guidelines for data-processors for client customer data the Company has in place robust processes to communicate and ensure adherence to these guidelines by its employees, including working with its parent company's legal advisors to ensure compliance with the General Data Protection Regulation (GDPR).
- **Decline in client business** – client retention is actively managed and remained excellent during the period. Future prospects are actively managed using revenue projection metrics to manage the risk of under or over resourcing.

The directors do not regard Brexit as a significant risk, however as the UK Government continues its negotiations, uncertainty remains as to the extent to which our operations and financial performance will be affected in the longer term. At a group and business level, we have continued to prepare for changes in legislation, trade agreements and working practices in order to take advantage of the changing commercial landscape and to mitigate risk.

Financial risks are discussed further in the Directors' report.

Future developments

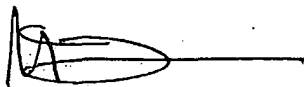
Looking forward, we aim to continue our track record of profitable growth, while continuing to invest significantly in developing our team, our intellectual property and our international presence.

Post balance sheet events

There are no post balance sheet events to disclose.

Approval

Approved by the Board and signed on its behalf by:



Matthew Rogan
Director
3 July 2019

Sea Containers, 18 Upper Ground, London, SE1 9GL

Two Circles Limited

Directors' report

The directors present their Annual Report to the members together with the audited financial statements of the Company for the financial year ended 31 December 2018.

The directors confirm that during the year no political contributions were made and all operations were performed within the UK.

Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on page 5 and form part of this report by cross-reference.

Research and development

During the year we continued to implement, integrate and activate commercial growth strategies with every major piece of marketing technology used by the sports industry. We also started to develop a new suite of pre-built, data-driven products, optimised for sports organisations, built to drive growth across our core offerings.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, foreign exchange risk and liquidity risk. Price is not considered to be a key risk.

Foreign exchange risk

The Company's expansion outside the UK has started to expose it to the financial risks of changes in foreign currency exchange rates. The Company seeks to match the currency of its revenues and costs where possible to mitigate this risk.

Credit risk

The Company's principal financial assets are bank balances and trade debtors.

The Company's credit risk is primarily attributable to its trade debtors. The Company has an excellent track record of debtor recovery and does not have any receivables which are not anticipated to be recovered in full. The Company has no significant concentration of credit risk, with exposure spread over a number of clients.

Liquidity risk

To maintain liquidity and ensure that sufficient funds are available for ongoing operations and future developments, the Company maintains a sufficient cash balance.

Dividends

The directors recommend a final dividend in respect of Two Circles Limited of £1,415,000 for the year (2017: £2,080,000). The liability has not been recognised in the financial statements as the dividends will be declared and paid post year end.

The directors of Two Circles Inc, a wholly owned subsidiary, recommend a final dividend of \$394,000 for the period (2017: nil). The asset has not been recognised in the financial statement as the dividends will be declared and paid post year end.

Two Circles Limited

Directors' report (continued)

Directors

The directors, who served throughout the year and up to the approval of these financial statements except as noted, were as follows:

Matthew Rogan	
Gareth Balch	
Nadaraja Kanniappan	resigned 20 April 2018
Dominic Grainger	appointed 19 March 2018

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report. This third party indemnity provision has also been extended to the common Directors in Two Circles Inc and Two Circles Limited.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of the other employees.

Equal opportunity

The company endorses and supports the principles of equal employment opportunities. It is the policy of the company to provide equal employment opportunities to all qualified individuals, and to ensure that all employment decisions are made, subject to legal obligations, on a non-discriminatory basis.

Environment

Climate change is not regarded as a principal risk for the business; however, the shareholders and other stakeholders recognise the rising importance of climate change. Where possible, the company takes steps to minimise any adverse environmental impact, by performing tasks such as the recycling of waste material.

Employee involvement

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings as well as a weekly internal newsletter for all employees.

Two Circles Limited

Directors' report (continued)

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself 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.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:



Matthew Rogan

Director

3 July 2019

Sea Containers, 18 Upper Ground, London, SE1 9GL

Two Circles Limited

Directors' responsibilities statement

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 the directors 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 judgments and accounting estimates that are reasonable and prudent; and
- followed applicable UK Accounting Standards, subject to any material departures disclosed and explained in the financial statements; 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 to 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.

Two Circles Limited

Independent auditor's report to the members of Two Circles Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Two Circles Limited (the 'company'):

- 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 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;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 17

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".

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 (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.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Two Circles Limited

Independent auditor's report to the members of Two Circles Limited (continued)

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.

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.

Two Circles Limited

Independent auditor's report to the members of Two Circles Limited (continued)

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

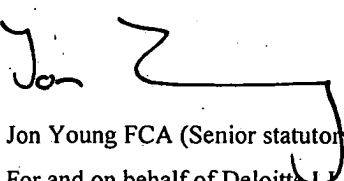
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

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.


Jon Young FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

3 July 2019

Two Circles Limited

Profit and loss account

For the year ended 31 December 2018

	Note	31 December 2018 £	31 December 2017 £
Revenue	2	10,825,467	10,854,206
Operating expenses		(9,126,289)	(8,267,414)
Other Income		60,000	-
Operating profit		1,759,178	2,586,792
Interest receivable and similar income	3	4,933	731
Profit before taxation	4	1,764,111	2,587,523
Tax on profit	8	(349,592)	(507,936)
Profit for the financial year attributable to owners of the Company		1,414,519	2,079,587

All results relate to continuing operations. Results relating to our US operations in 2018 have been partly recorded in the books of Two Circles Inc.

There are no other items of other comprehensive income in either period. As such a separate statement of other comprehensive income has not been presented.

The notes of pages 16 to 30 form part of the financial statements

Two Circles Limited

Balance sheet

At 31 December 2018

		31 December 2018	31 December 2017
	Note	£	£
Fixed assets			
Tangible assets	10	64,938	162,510
Investment in a subsidiary	11	785	-
		<u>65,723</u>	<u>162,510</u>
Current assets			
Debtors			
– due within one year	12	1,704,720	1,629,285
– due over one year	12	132,478	8,883
Work in Progress	13	22,704	-
Cash at bank and in hand		2,301,995	2,863,682
		<u>4,161,897</u>	<u>4,501,850</u>
Creditors: Amounts falling due within one year			
Corporation tax	14	(1,112,442)	(762,850)
Other	14	(1,699,735)	(1,820,587)
		<u>1,349,720</u>	<u>1,918,413</u>
Net current assets		<u>1,349,720</u>	<u>1,918,413</u>
Total assets less current liabilities		<u>1,415,443</u>	<u>2,080,923</u>
Net assets		<u>1,415,443</u>	<u>2,080,923</u>
Capital and reserves			
Called-up share capital	16	100	100
Profit and loss account		1,415,343	2,080,823
		<u>1,415,443</u>	<u>2,080,923</u>
Shareholders' funds		<u>1,415,443</u>	<u>2,080,923</u>

The financial statements of Two Circles Limited (registered number 07753583) were approved by the board of directors and authorised for issue on 3 July 2019

The notes of pages 16 to 30 form part of the financial statements

They were signed on its behalf by:



Matthew Rogan, Director

Two Circles Limited

Statement of changes in equity For the year ended 31 December 2018

	Note	Called up share capital (Note 18) £	Profit and loss account £	Total £
Balance at 31 December 2016		100	1,346,235	1,346,335
Total Comprehensive Income for the year			2,079,588	2,079,588
Dividends paid	9		(1,345,000)	(1,345,000)
Balance at 31 December 2017		100	2,080,823	2,080,923
Total Comprehensive Income for the year			1,414,518	1,414,518
Dividends paid	9		(2,080,000)	(2,080,000)
Balance at 31 December 2018		100	1,415,341	1,415,441

The notes of pages 16 to 30 form part of the financial statements

Two Circles Limited

Notes to the financial statements For the year ended 31 December 2018

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

Two Circles Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is given on page 3. The nature of the Company's operations and its principal activities are set out in the business review on pages 4 to 5.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The financial statements have been prepared on the historical cost basis, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the services. The principal accounting policies adopted are set out below.

These financial statements are separate financial statements. The company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of WPP plc. Details of the parent in whose consolidated financial statements the Company is included are shown in note 17 to the financial statements.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, certain disclosure in respect of revenue from contracts with customers, impairment of assets and certain related party transactions. Where required, equivalent disclosures are given in the group accounts of WPP plc. The group accounts of WPP plc are available to the public and can be obtained as set out in note 17.

Impact of initial application of other amendments to IFRS Standards

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IFRS 9 (new requirements) <i>Financial Instruments</i>	<p>The Company has adopted the new requirements to IFRS 9 for the first time in the current year. IFRS 9 introduced new requirements for:</p> <ol style="list-style-type: none">1. The classification and measurement of financial assets and financial liabilities2. Impairment of financial assets <p><i>(a) Classification and measurement of financial assets</i></p> <p>All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.</p> <p>Specifically:</p> <ul style="list-style-type: none">• debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;• debt instruments that are held within a business model whose
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Two Circles Limited

Notes to the financial statements For the year ended 31 December 2018

	<p>objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);</p> <ul style="list-style-type: none"> all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL). <p><i>(b) Impairment of financial assets</i></p> <p>In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.</p> <p>Specifically, IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on:</p> <ol style="list-style-type: none"> Debt investments measured subsequently at amortised cost; and Trade debtors and contract assets.
<p>IFRS 15 (amendments)</p> <p><i>Revenue from Contracts with Customers</i></p>	<p>In the current year, the Company has applied IFRS 15 <i>Revenue from Contracts with Customers</i> (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. More prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Company's financial statements are described below.</p> <p>The Company has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15.C5(a), and (b), or for modified contracts in IFRS 15.C5(c).</p> <p>The Company's accounting policies for its revenue streams are disclosed in detail below. Apart from providing more extensive disclosures for the Company's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Company. As a result, there was no requirement to adjust individual line items in either the current or prior year following the application of IFRS 15.</p> <p>IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the balance sheet. The Company has maintained the historical terms to describe such balances.</p>

Two Circles Limited

Notes to the financial statements

For the year ended 31 December 2018

1. Accounting policies (continued)

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report also describes the financial position of the Company; the Company's objectives, policies and processes for managing its capital and its financial risk management objectives. The directors' report details the company's exposure to credit risk and liquidity risk.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from date of approval of the financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Research and development expenditure policy

Expenditure on research activities is recognised as an expense in the year in which it is incurred. No expenditure meets the recognition criteria to be capitalised.

An internally-generated intangible asset arising from the Company's technology development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in the profit and loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Tangible fixed assets

Fixtures and fittings and computer equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Fixtures and fittings	20% per annum on cost
Computer equipment	33.33% per annum on cost
Other fixed assets	17% per annum on cost

Residual value is calculated on prices prevailing at the date of acquisition or revaluation. Useful lives and residual values are reviewed at the end of every reporting period.

Impairment of tangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible 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.

Two Circles Limited

Notes to the financial statements

For the year ended 31 December 2018

1. Accounting policies (continued)

Recoverable amount is the higher of fair value less costs to sell 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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, allowances for impairment.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

Current tax for the financial year

Current tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current tax is also recognised in other comprehensive income or directly in equity respectively.

Revenue

Revenue from the rendering of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due.

Retainers

Where the Company receives a monthly fixed fee over an extended period of time for the provision of an indeterminate set of services, revenue is recognised on a straight line basis over the period. Where an element of a retainer contract relates to an implementation or specific deliverable then revenue is recognised in line with the cost/effort required to meet the deliverable.

Project fees

Revenue from project work is recorded proportionate to the level of service performed.

Success-based fees and commissions

Revenue is recorded in full when the success criteria have been met, revenue can be quantified and collectability is reasonably assured.

Two Circles Limited

Notes to the financial statements

For the year ended 31 December 2018

1. Accounting policies (continued)

Fees relating to purchase of digital media or data

Revenue is recorded on a net basis when the campaign is run or the data supplied.

Deferred and Accrued Income

The timing of payments is negotiated on an individual client basis before the commencement of work. The full brought forward deferred income balance of £489,441 has been recognized as revenue over the year. As of year end there are no obligations for returns, refunds or warranties that would require provision.

Where a contract has only been partially completed at the balance sheet date, turnover represents the value of the service provided to date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as Deferred Income and included as part of Creditors due within one year.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Foreign currency

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cash

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Work in Progress

Work in progress relates to staff time recoverable on projects which did not meet the revenue recognition criteria at year end. Work in progress was accounted based on timesheets and staff cost rates. All work in progress was subsequently billed post year end.

Two Circles Limited

Notes to the financial statements **For the year ended 31 December 2018**

1. Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgement in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), 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.

Revenue recognition

Following completion of a project, the directors are satisfied that the significant risks and rewards have been transferred and that recognition of revenue of £10,825,467 in the current financial year is appropriate.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, 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.

Revenue recognition

For projects that span a period end, it may be necessary for management to estimate the remaining effort required to complete a project. This estimate is made with reference to progress made to date against the original project proposal, any project milestones, any unexpected difficulties encountered which may lead to a prolonging of the project and the expected time and resource required to complete the project based on similar previous experience. Please refer to note 2 for the carrying amount as at the end of the reporting period.

Recoverability of debtors

At 31 December 2018, management reconsidered the recoverability of its trade debtors which are included in its balance sheet at £1,069,590 (2017: £1,387,679). Based on historical payment activity of the clients, the Company's track record of collection and positive feedback from clients, management estimated full recoverability.

Two Circles Limited

Notes to the financial statements For the year ended 31 December 2018

2. Revenue

All the revenue generated is from services. An analysis of the Company's revenue is as follows:

	31 December 2018	31 December 2017
	£	£
Continuing operations		
United Kingdom	7,294,740	6,900,493
Mainland Europe, Middle East and Africa	1,361,502	797,948
North America	2,169,225	3,155,764
	<u>10,825,467</u>	<u>10,854,205</u>

Due to the sensitive nature of the operation for Mainland Europe, Middle East and Africa, the Company has chosen not to disclose further detail.

3. Finance Income (Net)

	31 December 2018	31 December 2017
	£	£
Interest receivable and similar income	4,933	731
	<u>4,933</u>	<u>731</u>
Interest receivable and similar income		
	31 December 2018	31 December 2017
	£	£
Interest receivable:		
Bank deposits	4,933	731
	<u>4,933</u>	<u>731</u>

Two Circles Limited

Notes to the financial statements

For the year ended 31 December 2018

4. Profit before taxation

Profit before taxation is stated after expensing / (crediting):

	31 December 2018	31 December 2017
	£	£
Net foreign exchange (gains)/losses	(34,278)	30,469
Depreciation of tangible fixed assets	58,960	43,329
Loss on disposal of tangible fixed assets	64,493	2,759
Research and development	164,839	113,388
Operating lease rentals	616,571	489,455
Staff costs (see note 6)	6,675,397	5,919,358
	<u>6,675,397</u>	<u>5,919,358</u>

5. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were £16,800 (2017: £16,000). Fees payable to Deloitte LLP and their associates for non-audit services were nil in both periods.

6. Staff costs

The average monthly number of employees (including executive directors) was:

	31 December 2018	31 December 2017
	Number	Number
Consultancy	129	108
	<u>129</u>	<u>108</u>

Their aggregate remuneration comprised:

	31 December 2018	31 December 2017
	£	£
Wages and salaries	5,786,474	5,292,527
Social security costs	753,116	520,353
Other pension costs	135,807	106,477
	<u>6,675,397</u>	<u>5,919,357</u>

Two Circles operates a defined contribution pension scheme for all qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

Two Circles Limited

Notes to the financial statements For the year ended 31 December 2018

6. Staff costs (continued)

The total cost charged to income of £135,807 (2017: £106,477) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. Contributions due in respect of a reporting period that had not been paid over to the schemes at the period end are included as a creditor on the balance sheet (note 14).

Staff costs and staff numbers includes both Two Circles Limited employees and staff employed by other WPP entities (Swiss), that are being recharged to Two Circles Limited.

7.

	31 December 2018	31 December 2017
	£	£
Directors' remuneration		
Emoluments	374,314	249,924
Company contributions to money purchase pension schemes	18,445	16,136
	<u>392,759</u>	<u>266,060</u>
	Number	Number
The number of directors who:		
Are members of a money purchase pension scheme	2	2

Directors' transactions

There were no Directors' transactions during the period (2017: nil).

Two Circles Limited

Notes to the financial statements For the year ended 31 December 2018

8. Tax on profit

The tax expense comprises:

	31 December 2018	31 December 2017
	£	£
Current tax		
UK corporation tax	347,198	507,936
Adjustments in respect of prior years		
UK corporation tax underpaid	2,394	-
Total tax on profit	349,592	507,936

The expense for the period can be reconciled to the profit in the profit and loss account as follows:

	31 December 2018	31 December 2017
	£	£
Profit before tax	1,764,110	2,587,523
Tax on profit at UK rate 19% (2017: 19.25%)	335,181	498,098
Effects of:		
Expenses not deductible/income not taxable for tax purposes	12,017	9,838
Adjustments to tax expense in respect of previous periods	2,394	-
Total tax expense for period	349,592	507,936

The Company earns its profits primarily in the UK. The UK tax rate for the year ended 31 December 2018 is 19%. In 12 February 2019 the UK Government enacted legislation (Finance Act 2019) to reduce the main rate of UK corporation tax to 17% with effect from 1 April 2020. The impact of the future rate reductions has been used to measure deferred tax assets and liabilities where applicable.

Two Circles Limited

Notes to the financial statements For the year ended 31 December 2018

9. Dividends on equity shares

Amounts recognised as distributions to equity holders in the period:

	31 December 2018	31 December 2017
	£	£
Final dividend for the period ended 31 December 2017 of 2,080p per ordinary share	-	2,080,000
	<hr/>	<hr/>
		2,080,000
	<hr/>	<hr/>
Proposed final dividend for Two Circles Limited for the period ended 31 December 2018 of 1,415p per ordinary share	1,415,000	-
	<hr/>	<hr/>
	1,415,000	2,080,000
	<hr/>	<hr/>

The final dividend for the period ended 31 December 2017 of 2,080p per ordinary share was declared and paid in the period ended 31 December 2018.

The proposed final dividend for the period ended 31 December 2018 is subject to approval by the shareholders and has not been included as a liability in these financial statements. Approval has not yet been granted.

The payment of these dividends will not have any tax consequences for the Company.

Two Circles Limited

Notes to the financial statements For the year ended 31 December 2018

10. Tangible fixed assets

	Fixtures & Fittings £	Computer equipment £	Other Fixed Assets £	Total £
Cost or valuation				
At 1 January 2018	131,855	120,709	2,219	254,783
Additions	5,863	23,376	2,554	31,793
Disposals	(114,553)	(24,864)	-	(139,417)
At 31 December 2018	23,165	119,221	4,773	147,159
Depreciation				
At 1 January 2018	27,975	64,070	228	92,273
Charge for the financial year	26,798	31,425	737	58,960
Disposals	(44,852)	(24,160)	-	(69,012)
At 31 December 2018	9,921	71,335	965	82,221
Net book value				
At 31 December 2017	103,880	56,639	1,991	162,510
At 31 December 2018	13,244	47,886	3,808	64,938

11. Investment in Subsidiaries

Details of the Company's subsidiaries at 31 December 2018 are as follows:

	31 December 2018 £	31 December 2017 £
Cost		
At 1 January 2018	-	-
Additions	785	-
Disposals	-	-
At 31 December 2018	785	-
Allowances for impairment		
At 1 January 2018	-	-
Written off	-	-
Written back	-	-

Two Circles Limited

Notes to the financial statements For the year ended 31 December 2018

Disposals	-	-
At 31 December 2018	-	-
Net Book Value	785	-

<u>Name</u>	<u>Place of incorporation (or registration) and operation</u>	<u>Nature of Business</u>	<u>Proportion of ownership interest %</u>	<u>Proportion of voting power held %</u>
Two Circles Inc	Delaware	Data driven sports marketing agency	100%	100%

The investments in subsidiaries are all stated at cost less allowance for impairment.

The shares are 1,000 common stock \$1 par value per share.

The registered office of the subsidiary undertaking is; 3411 Silverside Road, Tatnall Building #104, City of Wilmington, County of New Castle, DE 19810

12. Debtors

	31 December 2018	31 December 2017
	£	£
Amounts falling due within one year:		
Trade debtors	1,069,590	1,387,679
Amounts owed by Subsidiaries	332,674	-
Prepayments	124,359	80,889
Accrued income	175,097	160,717
Other	3,000	-
	<u>1,704,720</u>	<u>1,629,285</u>
Amounts falling due over one year:		
Prepayments	4,491	8,883
Rent deposit	127,987	-
	<u>132,478</u>	<u>8,883</u>

Balances with other group companies relate to arm's length trading relationships with other group companies and are non-interest bearing, unsecured and payable on normal commercial terms.

Two Circles Limited

Notes to the financial statements For the year ended 31 December 2018

13. Work in Progress

Work in progress relates to staff time recoverable on projects which did not meet the revenue recognition criteria at year-end. Work in progress was accounted based on timesheets and staff cost rates. All work in progress was subsequently billed post year-end.

	31 December 2018	31 December 2017
	£	£
Work in Progress	22,704	-
	<u>22,704</u>	<u>-</u>

14. Creditors – amounts falling due within one year

	31 December 2018	31 December 2017
	£	£
Bank loans and overdrafts	34,959	25,015
Trade creditors	305,573	102,124
Amounts Owed to Other Group Subsidiaries	131,807	-
Corporation tax	1,112,442	762,850
VAT	286,566	280,499
PAYE & N.I.	162,642	156,466
Other creditors	40,495	-
Accruals	386,962	748,548
Deferred income	324,923	489,441
Defined contribution pension scheme accrual	25,809	18,494
	<u>2,812,178</u>	<u>2,583,437</u>

Bank loans and overdrafts are unsecured and payable on normal commercial terms.

Balances with Other Group Subsidiaries relate to arm's length trading relationships and are non-interest bearing, unsecured and payable on normal commercial terms.

Two Circles Limited

Notes to the financial statements

For the year ended 31 December 2018

15. Commitments under operating leases

At 31 December 2018 the Company had total future lease payments for land and buildings under non-cancellable operating leases expiring as follows:

	31 December 2018	31 December 2017
	£	£
Within one year	680,061	616,571
Between two and five years	680,061	
After five years		
	<u>1,360,122</u>	<u>616,571</u>

16. Called-up share capital

	31 December 2018	31 December 2017
	£	£
Authorised 100,000 ordinary shares of £0.001 each	100	100
Allotted, called-up, issued and fully-paid 100,000 ordinary shares of £0.001 each	<u>100</u>	<u>100</u>

Each ordinary share ranks equally for votes, distribution of dividends and repayment of capital.

17. Controlling party

The directors regard WPP Group (UK) Limited, a company incorporated in the UK, as the immediate parent Company and WPP plc, a company incorporated in Jersey, as the ultimate parent company and the ultimate controlling party.

At the year-end the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member is WPP plc, registered in Jersey. Registered Office: Queensway House, Hilgrove Street, St Helier, Jersey JE1 1ES.

The parent undertaking of the smallest group is WPP Jubilee Limited, incorporated in the UK. Registered Office: Sea Containers, 18 Upper Ground, London, SE1 9GL.

Copies of the financial statements of WPP plc are available at www.wppinvestor.com.

Copies of the financial statements of WPP Jubilee Limited can be obtained from Sea Containers, 18 Upper Ground, London, SE1 9GL.