ebiquity

CREATING CLARITY

ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2016

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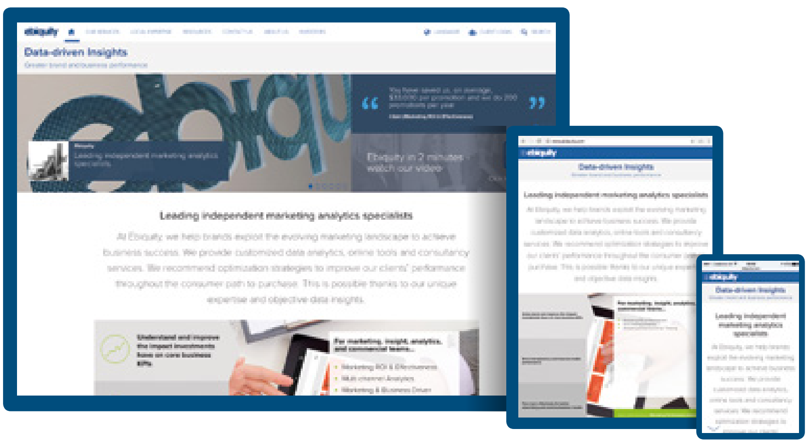

Today's marketing ecosystem is complex, at times confusing, and often opaque.

Being an effective marketer has never been more challenging.

Multi-channel marketing presents brands with a bewildering cocktail of opportunities and obstacles. Each new link in the adtech supply chain commands attention and competes for constrained resources.

Advertisers have never needed more help in understanding where, why, and how they should allocate their marketing investments.

DIGITAL COMPLEXITY

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DIGITAL COMPLEXITY

At Ebiquity, we help brands to navigate the complexity of the evolving marketing ecosystem to achieve their marketing and business objectives.

We generate data-driven insights through our unique combination of independent consultancy services, multi-channel media analytics, and marketing optimization tools.

This is how we empower our clients to become more effective and efficient marketers. It's by creating clarity in the ever-more digital, increasingly opaque media landscape that we help them to become better advertisers.

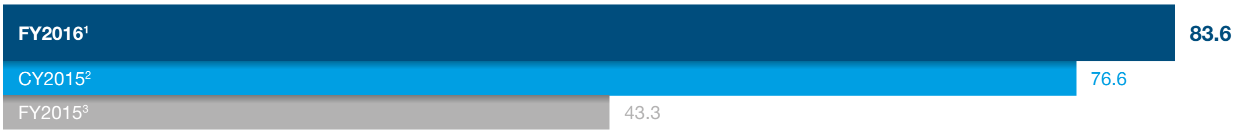
CREATING CLARITY

FINANCIAL HIGHLIGHTS

Final results for the year ended 31 December 2016

Ebiquity, a leading independent marketing analytics specialist, announces final results for the year ended 31 December 2016. Ebiquity provides services to 80 of the top 100 global advertisers, with data-driven insights spanning over 90 countries.

REVENUE £m



+9.1%

UNDERLYING OPERATING PROFIT £m

+4.4%

UNDERLYING DILUTED EPS pence

+5.0%

Michael Karg, PhD, CEO, commented:

"We have seen continued strong performance from our consultancy businesses MVM and MPO, which are at the core of the changing nature of the media landscape particularly around effectiveness and efficiency of marketing investments. We have already made good progress with our Growth Acceleration Plan which will replicate our service offering across key territories, further strengthening our ability to service global clients.

Investments into expanding our digital services across our three practice areas coupled with events in the media marketplace – such as the debate around the performance of digital advertising – create significant medium-term growth opportunities. The implementation of our plans, the opportunities arising from the changing nature of the industry, make us excited for the future."

27 March 2017

Continued revenue, profit and earnings growth

- Revenue up 9.1% to £83.6m (CY2015: £76.6m), with like-for-like[4] constant currency[5] revenue growth of 2.1%
- Underlying operating profit up 4.4% to £13.0m (CY2015: £12.4m)
- Underlying PBT up 5.5% to £11.8m (CY2015: £11.2m)
- Underlying diluted EPS up 5.0% to 11.3p (CY2015: 10.8p)
- Underlying net cash inflow from operations £11.3m (CY2015: £13.7m) with cash conversion from underlying operating profit of 88%
- Net debt reduced to £28.1m (31 December 2015: £28.9m)
- Proposed dividend of 0.65p per share continuing progressive dividend policy

Growing revenue contribution from Media Value Measurement and Marketing Performance Optimization

- Media Value Measurement ('MVM') achieved total revenue growth of 12.3% over CY2015, an increase of 3.6% on a like-for-like constant currency basis
- Marketing Performance Optimization ('MPO') continued to deliver strong revenue growth with total revenue growth of 31.2% over CY2015 and like-for-like constant currency revenue growth of 21.6%
- Together MVM and MPO accounted for 72% of Group revenues (CY2015: 68%)
- Market Intelligence ('MI') revenues were down by 5.2% on a total basis and by 8.5% on a like-for-like constant currency basis, with the decrease largely due to an expected substantial decline in revenues from our project-based research business

Delivered on a number of milestones set out in Growth Acceleration Plan

- Formally launched Strategic Media Consultancy service offering in Q4 2016
- Commenced rollout of marketing effectiveness practice into Germany, France and Asia Pacific, with first local projects in Continental Europe in Q1 2017, Asia Pacific in H2 2016
- Digital product development on track with rollout of Portfolio Digital commencing in Asia Pacific and launch of digital attribution service expected in Q2 2017
- Talent review programme undertaken in Q1 2017, kicking off first phase of the Growth Support Programme

1. FY2016 is the year ended 31 December 2016 (audited).
2. CY2015 is the calendar year from 1 January 2015 to 31 December 2015 (unaudited).
3. FY2015 is the financial period from 1 May 2015 to 31 December 2015 (audited).
4. Like-for-like means prior year results are adjusted to include the results of recent acquisitions as if they had been owned for the same period in the prior year.
5. Constant currency is calculated by taking current year denominated results restated at last year's foreign exchange rates.

AT A GLANCE

Ebiquity, a leading, independent, technology-enabled marketing and media analytics consultancy.

WE GO TO MARKET WITH THREE PRACTICE AREAS

Media Value Measurement
('MVM')

Helping clients to increase efficiency and transparency in their media performance

REVENUE %

56%

Market Intelligence
('MI')

Providing clients with a clear picture of their own and their competitors' advertising

REVENUE %

28%

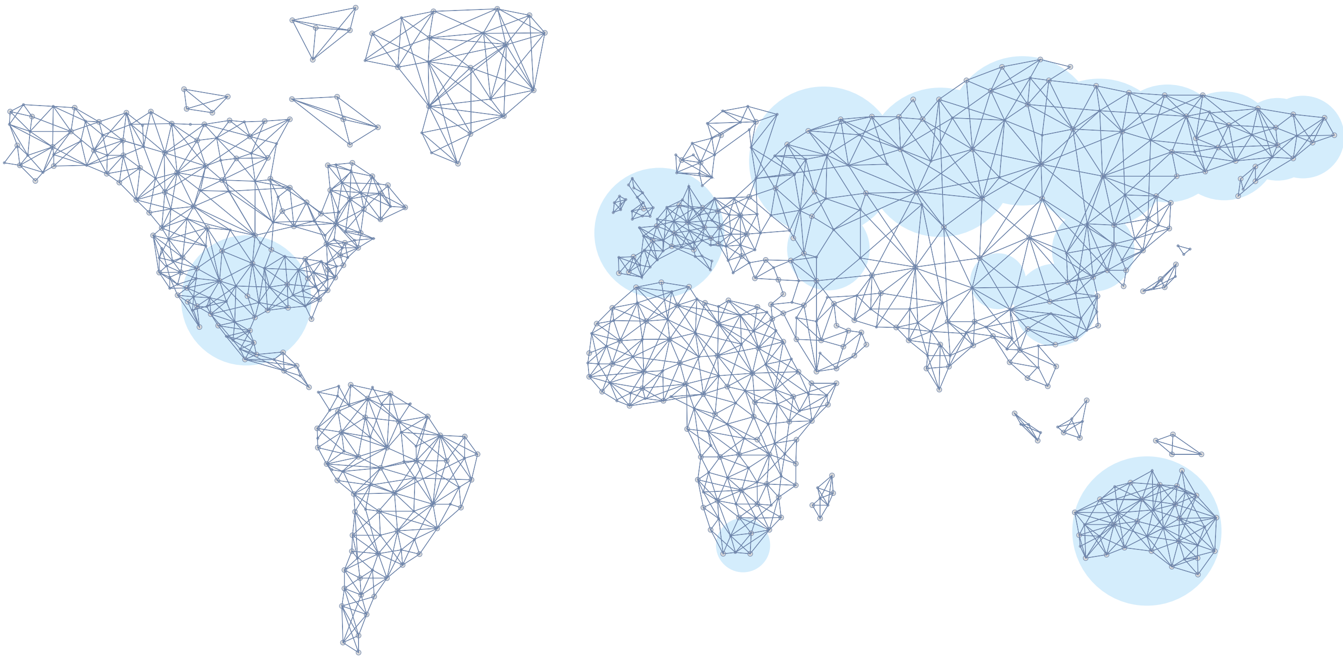
Marketing Performance Optimization
('MPO')

Enabling clients to decide where to allocate and how to optimize marketing investment

REVENUE %

16%

READ MORE ABOUT THE
THREE PRACTICE AREAS ON PAGE 12.



MARKET PRESENCE

Our clients
We work with 80 of the top 100 global advertisers.

Global locations
Global expertise and offices in 14 countries across North America, Europe, and Asia Pacific.

Our people
Employing over 900 people including data scientists, developers, modellers, analysts, and digital and media experts.

FOR A FULL LIST OF LOCATIONS
PLEASE VISIT www.ebiquity.com/en/contact-us

CHAIRMAN'S STATEMENT

We are a leader in the debate about media transparency. Our independence is paramount, and we must remain at the heart of the marketing ecosystem.

Michael Higgins
Non-Executive Chairman

Highlights

- Revenue up 9.1% to £83.6m
- Profit up 4.4% to £13.0m
- Diluted EPS up 5% to 11.3p
- Michael Karg, PhD new Group CEO
- Leading global transparency debate

Financially, reported revenue grew 9.1% to £83.6 million, underlying operating profit increased 4.4% to £13.0 million and underlying fully diluted earnings per share were up 5% to 11.3p. I am also pleased to report we have continued to increase the dividend in line with our progressive dividend policy, with a proposed payment of 0.65p per share.

Change has been a constant during the year, both in the marketing industry and at Ebiquity. Technology has helped make the broad marketing ecosystem ever-more complex, inevitably more confusing, and often less transparent than one might expect. This is particularly true when we reflect that digital data should – if anything – enable much more detailed and meaningful analysis.

It is a striking fact that today only about 40% of digital programmatic advertising investment reaches the publisher, with value being eroded by the multiple links between advertisers and publishers, fraud, lack of viewability and non-human traffic. I don't envy any business leader who has to tell his Board and shareholders that they're investing in anything that suffers up to 60% wastage. The trouble is, that's what many CMOs should be saying.

Digital complexity and the increasing calls for transparency mean that our clients – the world's biggest advertisers – need more help than ever from an independent firm with the necessary knowledge and expertise to navigate their way through this.

Within Ebiquity itself there was significant change in 2016. Michael Karg, PhD took the helm as Group CEO early in the year and undertook a complete review of the business. There were great foundations in place, with businesses around the world, tremendous talent and expertise, and a client list that includes more than three quarters of the world's biggest advertisers.

Michael has now set about moving these individual businesses into a single, aligned organization that can address the global requirements of our international clients as well as the local needs of domestic ones.

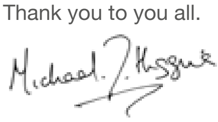
Meeting these challenges will be achieved both by continuing to bring in and develop talent, but also by increasing the underpinning processes and technology that enables us to handle the demands of analyzing and drawing actionable intelligence from the avalanche of data that digital marketing creates.

We are, I believe, a leader in the ongoing debate about media transparency, and that position has only been enhanced throughout 2016. Our independence is paramount, and we must remain at the heart of the marketing ecosystem, enabling marketers to seize the opportunities offered by digital.

2016 was just the beginning of the process of evolution in the industry, but as it gathers momentum the opportunities for Ebiquity can only grow. There will also be more change to come, as – for example – in 2018 new regulations over the use of personal data come into force in Europe. These will add another level of complexity and will reinforce the need for the professional independent expert – Ebiquity.

As always, we couldn't achieve any of this without the people around the world who bring their individual expertise and efforts to the business and create the capability that the whole Group can deploy for the benefit of its clients.

Thank you to you all.



Michael Higgins
Non-Executive Chairman

27 March 2017

MARKET OVERVIEW

Today's marketing ecosystem is complex, at times confusing, and often opaque. It has never been more challenging to be an effective marketer or marketing procurement professional.

Every week a new link appears in the adtech supply chain, every month a new social platform commands attention and competes for finite resources. And although programmatic platforms are revolutionizing how all media inventory is traded, this advance potentially comes at the expense of both transparency and advertisers' access to data.

In response to this growing complexity, the clamour for clarity and impartial analysis of media performance is growing in the global advertiser community.

Advertisers – whose advertising dollars fund the entire ecosystem – have never needed more help in understanding where they should allocate their marketing investments and why.

They have never needed more the services of a partner that can give informed, long-term strategic, and above all independent advice on how to help secure optimal ROI.

This is where Ebiquity can help, as our products and consultancy services are designed to create clarity, efficiency, and effectiveness for advertisers in all aspects of their marketing investment.

The advertising market today

It is predicted[1] that the global advertising market will be worth almost US$750 billion by 2020, with 38% (US$280 billion) in both TV and digital, 18% (US$135 billion) in print, and 6% (US$48 billion) in out of home. This will represent a compound annual growth rate of 6% in the five years from 2016. Digital advertising has been around for more than 20 years and revenues from digital advertising are now approaching or overtaking spend on TV in many markets. These include the US and some of the bigger, mature, Western European markets. So, digital advertising can no longer be categorized as "new" media.

The digital advertising ecosystem has rapidly developed. Today, it is highly concentrated, with the leading platforms Google and Facebook accounting for more than 70% of all global online advertising revenue. At the same time, it has evolved to become highly fragmented, with a vast number of players offering adtech and martech solutions. One consequence of this complexity is that – for many brand owners – online advertising has become increasingly opaque. What's more, many experts in digital attribution and Marketing Performance Optimization repeatedly find it difficult to detect significant returns on investment for digital advertising.

These factors are driving the world's leading advertisers to scrutinize digital with increasing intensity, as evidenced by Marc Pritchard, Chief Brand Officer of the world's biggest advertiser, Procter & Gamble, in his January 2017 address to the Internet Advertising Bureau. This follows P&G scaling back on targeted Facebook advertising in summer 2016[2], and Coca Cola's Chief Marketing Officer advocating for TV as still delivering "the best bang for buck" and "very, very critical for our business" in December. In the same speech[3], he questioned his company's historical digital spend.

Advertisers have never needed more help in creating clarity out of the complexity of the ever-more digital marketing ecosystem. It is encouraging that some of the world's most progressive marketers are now leading from the front in looking to make digital work harder for them. Ebiquity is proud to be many advertisers' partner in these initiatives.

1. http://bit.ly/2kQ1Z8n
2. http://on.wsj.com/2maj4z2
3. http://bit.ly/2gjKdlw

CHIEF EXECUTIVE OFFICER'S REVIEW

Ebiquity's long term ambition is to become the world's leading, independent, technology-enabled consultancies specializing in marketing and media analytics.

Michael Karg, PhD
Group Chief Executive Officer

Highlights

- Strong growth in revenue and profit
- New practice: Strategic Media Consultancy
- Corporate purpose launched: "creating clarity"
- Chief Client Officer appointed
- Matrix organizational structure introduced
- Digital investment: Portfolio, OPTIX, Attribution, Connect

2016 in review

2016 represented another good year of revenue and profit growth for Ebiquity. Underlying operating profit growth over the year was on track with the growth plan we outlined in Autumn 2016.

Revenues grew 9.1% to £83.6 million over pro-forma revenue for the 12 months ended 31 December (CY2015). Underlying operating profit increased to £13.0 million. This represents an increase of 4.4% over CY2015, reflecting a slight drop in underlying operating margin to 15.5%, at the higher end of our direct peer group.

Underlying profit before tax increased by 5.3% to £11.8 million. Reported operating profit grew to £7.7 million, up from £3.6 million in CY2015, and reported profit before tax increased to £6.5 million, up from £2.5 million in CY2015.

With approximately 68% of revenue denominated in currencies other than sterling, revenue was significantly boosted by the depreciation of sterling during the year. In total, foreign exchange benefited revenue by 5.8%, with acquisitions further increasing revenue by 1.2%. This resulted in like-for-like constant currency revenue growth of 2.1%.

Our Media Value Measurement ('MVM') practice reported revenue increase of 12.3%, an increase of 3.6% on a like-for-like constant currency basis. 'MVM' now accounts for 56% of Group revenue. Revenue grew fastest from our international media practice and business units in Continental Europe, and we continued to see strong demand for both our digital and pitch management services.

Overall 'MVM' revenue growth was held back by a decline in revenue from our contract compliance business, FirmDecisions, due to clients reflecting on the findings of the U.S. Association of National Advertisers' ('ANA') media transparency report. We continue to view the ongoing industry debate about media transparency as a long-term growth driver for the 'MVM' practice. Underlying operating margins dropped from those achieved in CY2015 principally as a result of the decline in revenue from our contract compliance business feeding through to profitability.

Revenue from our Marketing Performance Optimization ('MPO') practice continued to grow strongly, with reported revenue growth of 31.2% and like-for-like constant currency revenue growth of 21.6%. Revenue grew from both our US-based Multi-Channel Analytics practice (13.9%) and our European based Marketing Effectiveness practice (30.7%). Our underlying operating margin rose slightly year on year.

Together, our faster growing practices – MVM and MPO – now represent 72% of Group revenues.

Revenue from our Market Intelligence ('MI') practice declined by 5.2% on a reported basis, and by 8.5% on a like-for-like constant currency basis. As indicated in our half-year report, revenue from our project-based research business declined sharply following the loss of a specific contract at the beginning of the year. The decline in revenue was largely anticipated, and the cost base of the business was managed appropriately.

The market intelligence sector is highly competitive, mature, and experiencing low growth rates across the world. Revenue from Portfolio, our Advertising Intelligence ('AI') subscription service, grew by 1.7% on a reported basis. Eliminating the impact of currency, revenue from AI declined

In addition to our strong financial performance overall, 2016 was a significant year for Ebiquity because of our ongoing leadership role in the global debate about media transparency.

1.7% owing to the loss of three contracts in our US business unit at the beginning of the year.

Renewal rates were 88% on a value basis, and we have already seen a positive reaction from clients to the upgrade to our new Portfolio media platform rolled out from September 2016 onwards. Due to good cost control and a decline in revenue contribution from our project-based research business, underlying operating margins rose year on year.

Sector and thought leadership

In addition to our strong financial performance overall, 2016 was a significant year for Ebiquity due to our ongoing leadership role in the global debate about media transparency, the launch of our Strategic Media Consultancy services, and our programme of product development and roll-out. Here are some highlights.

1. In June, the ANA published its long-awaited study into media transparency. Written by independent investigative services firm K2 Intelligence, the study reported for the first time evidence that rebates and other non-transparent practices may be pervasive in the US media market.

This study was followed by the July publication of a report which we co-authored with the ANA and our specialist contract compliance business, FirmDecisions. The report was titled Media Transparency: Prescriptions, Principles, and Processes for Advertisers. Following the findings of the K2 study, this report provided advertisers with a practical roadmap to manage and mitigate media agencies' non-transparent and non-disclosed practices. In this way, we are providing guidance to help advertisers optimize their media management.

The ANA report has put media transparency firmly on the management agenda of the world's leading advertisers. For example, speaking at the Internet Advertising Bureau's ('IAB') annual leadership conference in January 2017, Marc Pritchard, Chief Brand Officer at the world's biggest advertiser Procter & Gamble, called time on the digital media supply chain, dubbing it "murky at best, and fraudulent at worst". Transparency now matters to advertisers, agency groups, and media owners. This includes online platforms such as Facebook, which recently agreed to undergo audits of its metrics by the Media Ratings Council, following concerns over transparency[1].

Our evolving range of products and services are designed to create clarity about marketing investments, particularly in digital. Consequently we are well positioned to grow our business through practical, impartial media consultancy advice.

2. For today's progressive advertiser, the media landscape offers unprecedented opportunities to connect with customers – often directly. But its complexity threatens to overwhelm even the best-informed marketer. That's why in 2016 we launched a new, specialized, Strategic Media Consultancy offering. Our suite of bespoke services enables advertisers to address their most pressing needs: from owning and managing data and ad technology, to choosing and managing the right agency and technology partners; from creating the right internal team structure to manage marketing communications, to helping advertisers develop the optimal media strategies and plans.

1. http://on.wsj.com/2kzSSf8

Bob Liodice,
President & CEO at the ANA:

"Ebiquity is an outstanding friend and partner. Even more, they are superb analysts and strategists. In the ANA's media transparency work, Ebiquity provided the intellectual capital to translate major industry findings into workable business process prescriptions. These were critical action steps that successfully completed many years of productive efforts."

Laetitia Zinetti,
Global Practice Principal
of Strategic Media Consulting:

"Our deep global media expertise means we are best placed to help marketers capitalize on the evolving market. We always start with "Why?", encouraging clients to be clear about the drivers of their marketing strategies. We then collaborate with our clients to enable them to make better strategic decisions and build future-proofed media capabilities."

CHIEF EXECUTIVE OFFICER'S REVIEW continued

Our ability to put ourselves in our clients' shoes is every bit as important as technical skills like digital attribution and media value measurement.

3. Long recognized as one of the leading providers of market intelligence to the global advertising community, in 2016 we completely overhauled our advertising intelligence service.

Our Portfolio advertising platform offers the world's richest and most searchable repository of both offline and online advertising combining creative and spend data. This allows advertisers to research and analyze exactly what campaigns their competitors are running, in which media, at what frequency, and at what cost. Portfolio now covers advertising across 15 European countries and approaching 90 territories worldwide, and a database of 25 million individual ads.

The evolving nature of online advertising has also required us to create new ways to identify, capture, and tag the increasing variety of formats of digital ads. To do this, we had to develop pioneering search and spidering technology that experiences the internet like people do. We are fast approaching the roll-out of a new digital service, and this will be integrated into the new platform.

Building for the future

I became Group Chief Executive Officer in January 2016, and inherited a company with great foundations on which to build. A company with a global presence, a client base including 80 of the world's top 100 advertisers, and a strong brand with global leadership in MVM. With advertisers under increasing pressure to validate and justify marketing expenditure, I also found a powerful and thriving MPO practice: strong talent, unique and proprietary methodologies, and growing revenue.

Since I took the helm of Ebiquity, we've put in place several important building blocks we need to ensure that the business is fit for the next stage of our development and growth. These are significant steps on the road to transforming Ebiquity from what was effectively a collective of independently-run, local entities into a global, professional services business. What's more, this is more straightforward to achieve currently, with most of our acquisitions now beyond earn-out and becoming fully integrated into the Ebiquity business. Founder entrepreneurs of these companies are therefore less concerned about individual profitability and more focused on our collective journey of change.

1. To achieve this transformation, we have developed and articulated a distinctive statement of corporate purpose, grounded in our clients' needs: "we are creating clarity for our clients". This statement of purpose is designed to change the way we think and talk about why we do what we do, and how we do it. "Creating clarity" is not a one-off statement. Rather, it represents the start of a continuous process that takes courage and conviction, guided by our teams' expertise. It requires us always to deliver analysis and recommendations that are straightforward, transparent, and precise.

2. To achieve this transformation, we are now taking a dedicated, client-first approach. We have identified and appointed a global Chief Client Officer – Andrew Challier – who is responsible for several of our most important client relationships. We are embedding our client-first approach across the business through clear client partner job profiles, training, and development by region, by market, and by expertise.

We want to work closer still with those clients who partner with us because they see the greatest value in our services. By providing them with the right level of service, we can help them to become even more effective and efficient advertisers. We know that deepening and expanding the relationships with our key clients will be a critical lever of growth.

3. To achieve this transformation, we've introduced a matrix organizational structure, creating global practice responsibilities. This is designed to drive better and clearer accountability to those responsible for markets and those running products and services across geographies. We have done this to ensure that we deliver our products and services at consistently-high standards. And we have done this to ensure that these products and services reflect and accommodate local-market differences.

Andrew Challier, Chief Client Officer:

"Understanding our clients' business and marketing objectives is just good business practice. But the combination of our independence, our ability to put ourselves in the clients' shoes, and our mastery of the technical tools of the trade is business dynamite."

We are starting to benefit from a closer collaboration between our MVM and MPO practices:

50%

In 2016, over 50% of our incremental MPO revenues in the UK were generated from an existing MVM relationship.

€800k

First, multi discipline, multi-market pitch led to €800k revenues via a single contract.

$1m

In the US joint selling resulted in over $1m incremental revenues this year.

4. And to achieve this transformation, we've started to develop more sophisticated approaches to talent management. During 2016, we developed new global processes for reviewing our talent base to drive development and retention programmes, and to support succession planning. These are rolling out into the business in 2017. We are committed to also continue to improve our ability to recruit the specialist talent that our clients' needs demand, and to further enhance employee engagement.

Our investments in digital

Currently, less than 20% of our revenue comes from digital. As the marketing ecosystem becomes increasingly dominated by digital technology and Big Data – and as our clients allocate an ever-increasing proportion of their marketing budgets in digital – we are investing in technology-based solutions to deliver against their requirements.

1. For example, with Portfolio we are modernizing and enhancing our advertising intelligence platform. It is our ambition that it should become one of the most comprehensive, best-tagged, and most searchable real-time archives of advertising creative executions and spend data. It has been designed to cover more than 40 major markets around the world with an authoritative and intelligent, living database of digital display and traditional media advertising content on any system in the world.

Our new Portfolio Digital platform is intended to explore websites and experiences ads like people do, recognizes the different adtech used to serve digital ads, and harnesses and presents a broad array of ad data, metadata, and metrics in a simple, clear, and unified way. We have launched this in pilot in selected markets and it is our ambition to roll it out progressively across the world during 2017 and beyond.

2. For example, with OPTIX we are developing a comprehensive data measurement platform ('DMP') for benchmarking digital advertising performance. Online advertising is complex, fragmented, and sprawling. It offers millions of opportunities to reach billions of consumers directly, across multiple technologies and platforms. It is also characterized by many more links in the transactional chain between the advertiser and the publisher than traditional advertising.

OPTIX is a DMP designed to help advertisers cut through the complexity of online advertising. A combined software and consultancy service, it brings together all relevant data that describe both media cost and media quality under a single, global methodology. This will empower advertisers to use the same benchmarking methodology and metrics across multiple markets, platforms, and brands. This single standard has been designed to be genuinely scalable across the world.

3. For example, our MPO practice is developing a Digital Attribution service that uses modelling to enable our consultants to understand how different digital media channels and activations each play a part and interact during our clients' customers' path to purchase. In conjunction with our econometrics team, this service identifies the relative and absolute contribution of both digital and traditional media to business and marketing KPIs. Attribution is a major concern for marketers using digital media to stimulate a response, and our attribution modelling service addresses this concern.

4. And for example, with Connect we've developed a fully-automated DMP for media agencies to upload raw media data from all different media categories to our pool, in a clear and consistent fashion. This makes life quicker and easier for our advertiser clients' media agency partners to provide the data we need to calculate media efficiency and effectiveness. It removes the potential for human error, inconsistencies, and inaccuracy. And it means that clients can be certain that we have unfiltered access to their data. It truly is a triple-win for all partners in this ecosystem – advertiser, consultant, and agency.

CHIEF EXECUTIVE OFFICER'S REVIEW continued

Our evolving range of products and services are designed to create clarity about marketing investments, particularly in digital.

Our service offering

Today, we go to market in three, core practice areas.

Media Value Measurement ('MVM')

We empower clients to increase the efficiency and transparency of their media performance through media auditing, benchmarking, and performance measurement. We help them to select and manage their media trading partners.

We enable them to make the right, long-term decisions through our new, Strategic Media Consultancy service. We also report on agencies' compliance with contractual terms via our specialist contract compliance business, FirmDecisions.

In MVM, we have one of the world's richest and most comprehensive pool of benchmarking media spend data across all media channels. This is interrogated by our world-leading team of 300 media experts in 14 countries who have been optimizing media efficiency for global brands for decades.

Market Intelligence ('MI')

We provide clients with a clear picture of their own and their competitors' in-market creative executions, ad spend, and media strategies. Our Portfolio media platform was thoroughly reconfigured and launched in September 2016, and now incorporates optimized charting and presentation facilities, automated reporting functionality, and an enhanced user interface.

In MI, our global team captures, categorizes, analyzes, and delivers advertising and communications intelligence in more than 40 languages from over 80 major markets. The team's insights are designed to enable advertisers to plan more effectively, respond smarter, and so enhance their marketing performance.

In 2017, we plan to start rolling out a new Portfolio Digital service, providing coverage of creative and spend data for the world's digital advertising content. Portfolio is supported by specialist insight, market, and earned media research experts who enhance automated analytics with experienced, native-language human analysis.

Marketing Performance Optimization ('MPO')

We guide clients to decide where to allocate and how to optimize their marketing investments, which marketing technologies to select, and how to leverage data to improve digital customer journeys. Our work in this rapidly-growing practice has two distinct service offerings: econometrics and multi-channel analytics.

In MPO, our award-winning team of marketing econometricians build cause and effect models to help brands understand and exploit consumer paths to purchase. Our data scientists are skilled at integrating and analyzing data sets from any source to deliver evidence-based insights that optimize marketing performance.

We have particular expertise in working with data generated by digital customer touchpoints, including owned media properties, online stores, social media platforms, and digital kiosks. In these ways, we take the guesswork out of marketing investment.

For today's progressive advertiser, the media landscape offers unprecedented opportunities to connect with customers – often directly.

**Dietmar Kruse,
Global Practice Principal
of Media Measurement:**

"To invest with confidence in the most effective and efficient media channels, advertisers need proper access to the right data. To optimize budgets, they need to know how effective their spend is compared with their competitors' and peers' investments, and what they need to do to improve. Advertisers need to know whether their agencies are delivering, how they're performing, and so how best they should reward them."

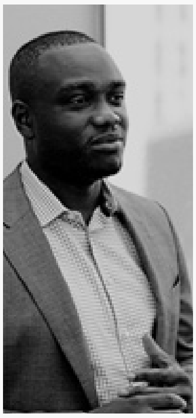
Stephen Broderick, CEO of Ebiquity's contract compliance business, FirmDecisions:

"Because of the pace of change in all media – but especially digital – advertisers should review the contracts they have with their media agency of record at least annually. This will help them be sure they have access to the data they need to have the level of transparency over their marketing spend that's right for them. Put simply, it's good governance."

**Morag Blazey,
Global Practice Principal
of Market Intelligence:**

"Advertisers and their agencies need a complete picture of what their competitors are saying, who they are talking to, how often, and in which media.

This information allows marketers and their insight teams make better-informed decisions when setting communications budgets, strategies, and messaging decisions."



**Mike Campbell,
Head of Ebiquity's International Effectiveness Practice:**

"Given the sheer volume of media and marketing data, it has never been more challenging to work out what each marketing investment contributes to overall brand performance. At the same time, it has never been more possible to improve the impact investments have on KPIs."

**Maigiri Jinkiri,
Head of Ebiquity's North American Multi-Channel Analytics Practice:**

"Maximizing each customer interaction demands a rounded understanding of emerging technology, big data analytics, and customer behavior. Our consultants maintain a unique blend of technological, analytical, and business management skills to ensure that clients capitalize on the marketplace opportunity."

CHIEF EXECUTIVE OFFICER'S REVIEW continued

An aspiration for the future
Ebiquity as the partner of choice for the media, data, and adtech communities.

The purpose of our business is creating clarity for our clients on the return on investment that their media investments yield for them in all channels. By understanding simply and clearly the effectiveness and efficiency of their media choices, we help them to optimize performance. This performance is mediated through an increasingly diverse range of partner businesses. The most significant of these partners is usually the advertiser's media agency of record, although it now also includes an array of specialist digital, technology, and data businesses across the adtech and martech ecosystem.

Because we evaluate the performance of the output of our clients' agencies, it is our long-term ambition and aspiration to work in partnership with them too. It is our role to test – independently – and demonstrate the real value that they are delivering for our clients, as well as to recommend strategies for improving media performance still further. This is why we would like – over the coming years – to become the partner of choice for our clients' partner agencies too.

This is true across all our services, from pitch management to marketing performance optimization; from media value measurement to market intelligence; from strategic media consultancy to contract compliance reviews. We recognize that some of our services – including agency pitch management and contract compliance reviews – are a cost of doing business for agencies. Nevertheless, they are important aspects of good governance, and we try to deliver these services in a straightforward and professional manner for all parties.

Our desire to become the partner of choice for the media industry is also why – for instance – we are developing our new Connect data management platform to allow seamless and automated uploads of media data from media agencies. This will reduce the load on agencies, improving the accuracy of data, and save time for agencies and advertisers.

If an advertiser decides to change its agency of record, for instance, and we're appointed to manage the pitch process, it's important that we should have good relationships with and deep knowledge of the capabilities of all potential media agency partners. We also need good relationships with the leadership of agencies, data partners, and adtech providers such as ad servers and DSPs. We are building these relationships in both local markets and at a global level.

Part of our commitment to being the partner of choice to the global advertiser community extends to our close working relationship with leading industry trade bodies. This includes the World Federation of Advertisers ('WFA'), the Incorporated Society of British Advertisers ('ISBA'), the U.S. Association of National Advertisers ('ANA'), and representative bodies in other key global markets including Australia, France, Germany, and Spain.

Our Growth Acceleration Plan

Across our one global Ebiquity, we are now actively embedding our matrix structure, our people strategy, and our narrative purpose as fundamentals required to grow the business. In the next stage of our development, we are actively transforming Ebiquity into a technology-enabled consultancy.

Stephan Loerke, CEO at the World Federation of Advertisers

"The WFA has worked with Ebiquity for a number of years now, and we highly value our partnership with them. Their expertise has been very valuable in helping us to guide our advertiser members towards best-practice in marketing and media effectiveness, and to provide real clarity into the complexity of today's marketing landscape."

Our clients demand and rightly expect quick turnaround of analysis of large volumes of data. Over the coming years, we can only meet these expectations and scale our business by making our products and services technology-enabled throughout.

We have identified that, compared with similar services firms, we have been running "too lean" – delivering 15-16% underlying operating profit margin against 10-11% for comparable firms. By investing in technology to make our business technology-enabled, we should nevertheless be able to deliver above average margin of 12-13%.

Enhanced technology is critical to our future success, right across our three, core practice areas.

Our corporate purpose of "creating clarity" shapes everything we do.

In Marketing Performance Optimization, we face a rapidly-growing need to analyze enterprise scale sets of consumer and media, behavioural and transactional data. Our ability to deliver here will be underpinned by technology.

In Media Value Management, we need to ingest and integrate large sets of media data from multiple different sources – from ad servers to demand side platforms – to help our clients optimize campaigns in near real time. Our ability to deliver here will be underpinned by technology.

And in Market Intelligence, we bring together the world's display advertising – from print, broadcast, and online services; creative executions, media placement, and spend data – into fully searchable, properly tagged databases. Our ability to deliver here will be underpinned by technology.

Our approach

Our corporate purpose of "creating clarity" shapes everything we do. This includes the clear and straightforward strategy we have adopted to deliver our Growth Acceleration Plan. We call this the 5Ps, and it covers: People, Product, Process, Profile, and Performance.

We believe that by having the right people and products in place, developed and delivered using the right processes, we will deliver the strong performance that our current and future stakeholders demand. By raising the profile of our cutting-edge approaches to creating clarity of marketing performance for our advertiser clients, we will further enhance our performance. Indeed, performance – in terms of revenue, profit and underlying operating profit – will be a consequence of our focus on the first 4Ps.

This straightforward framework has allowed us to simplify management reporting on People, Product, Process, and Profile, and we are driving these through the business. This applies to both near-term financial management at an operational level, as well as the longer-term strategic management of the business.

Just as we are straightforward in all our client engagements designed to create clarity about effectiveness and efficiency of marketing investments, so we are clear about what we want to achieve over the next five years.

Our five-year objectives

Our 5Ps strategy provides the framework for our five-year objectives:

1: PEOPLE

Attract, retain and develop high calibre talent from the media, data science and consultancy sectors.

2: PRODUCT

Launch proprietary products and services that harness our data and insights and enable us to be trusted advisers for our clients.

3: PROCESS

Shape the organization and its processes to support broader and deeper client relationships.

4: PROFILE

Raise our brand profile and broaden the perception of our expertise to support our growth plans.

5: PERFORMANCE

Delivery of our Growth Acceleration Plan resulting in sustainable double-digit revenue growth at sustainable operating margins.

READ MORE ABOUT THE FIVE Ps ON PAGES 18 AND 19.

As we start to meet these objectives, we will increasingly be known as one of the leading, independent, technology-enabled marketing and media analytics consultancies, right around the world. Board-level executives will trust us more deeply. Our services and methodologies will help to set the standards for the industry. And advertisers, industry bodies, analysts, and the media will increasingly seek out our thought leadership.

Michael Karg, PhD
Chief Executive Officer

27 March 2017

BUSINESS MODEL

Applying data-driven insights to help advertisers achieve greater marketing return on investment.

Our business model

Common across all our diverse products and services, and central to our business model, is our data-driven approach to creating clarity from complexity. We always start an engagement with a strategic review of where our clients are today, where they want to get to, and what their motivations are for action. This is true for both long-established and first-time clients. This process of triage enables us to determine the most effective order in which to address specific priority tasks.

We then capture data; we cleanse, organize, and harmonize that data; we apply advanced analytics to the data; we generate actionable insights; and, we tell our clients data-driven stories from which they can take tangible, practical, and measurable action. This is how we empower our clients to take rightful ownership of their digital marketing strategy, technology, data, and spend.

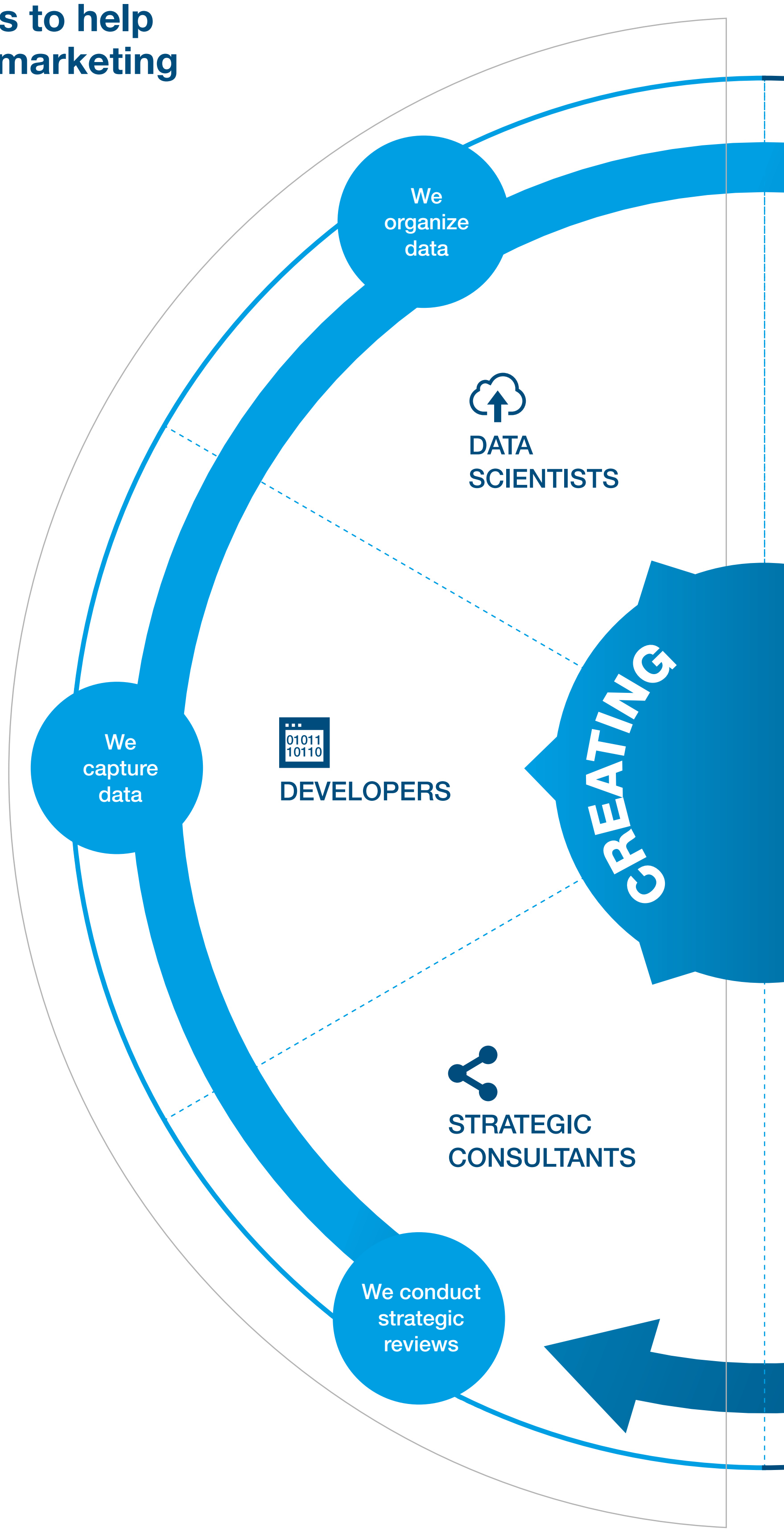
Inputs: data & insights

1) Client data
(e.g. media spend, sales)

2) Consumer data
(e.g. behavioural data, web data)

3) Market data
(e.g. creative assets)

Example sources:
Clients, third-party data/agencies, Ebiquity automated tracking programs



FIND OUT MORE ABOUT OUR DIVISIONS ON PAGE 12.

Outputs: improved media & marketing decisions

Increase sales
(e.g. optimized marketing investments, increased marketing response)

Reduce costs
(e.g. ensure trading partners deliver against savings claims)

FIND OUT MORE IN OUR STRATEGY SECTION ON PAGES 18 AND 19.

OUR STRATEGY

Our long term strategic ambition is for Ebiquity to be known as the leading, independent, technology-enabled marketing and media analytics consultancy globally.

	PEOPLE	PRODUCT
GOAL	Attract, retain and develop high calibre talent from the media, data science and consultancy sectors.	Launch proprietary products and services that harness our data and insights and enable us to be trusted advisers to our clients.
PROGRESS	• Appointed leadership for each of our global practices. • Commenced talent review process to identify key talent within the organization.	• Launched Strategic Media Consultancy service offering. • Launched Portfolio Media upgrade in September 2016 and commenced the rollout of the first phase of our Portfolio Digital Service in APAC.
PRIORITIES	• Develop training programme for our client-facing employees focusing on client development and engagement. • Create a competency framework to assess, maintain and monitor the skills and attributes of our employees.	• Continue rollout of our Portfolio Digital Service. • Launch our digital paid media performance measurement platform “Optix”. • Launch “Connect”. • Expand our Marketing Effectiveness footprint in Europe and APAC.
KPIs	• Targeting a voluntary annual employee turnover rate of less than 20%.	• Increase the proportion of revenue generated from new/enhanced products and services.
RISKS	• Our talent continues to be highly in demand due to the breadth of experience that it gains through our unique positioning. There is a risk of an industry-wide talent shortage for data scientists in particular as demand by clients, agencies, internet platforms and publishers increases. We work hard on a number of initiatives to make Ebiquity a great place to work and foster retention.	• The media landscape is constantly changing, resulting in increasing pressure to develop/refine products and services faster. Through evolving our delivery methods and creating product owners we aim to stay highly relevant to our clients.

PROCESS	PROFILE	PERFORMANCE
Shape the organization and its processes to support broader and deeper client relationships.	Raise our brand profile and broaden the perception of our expertise to support our growth plans.	Delivery of our Growth Acceleration Plan resulting in sustainable double-digit revenue growth at sustainable operating margins.
• Appointed Chief Client Officer to focus on growing some of our largest global clients. • Hired Operations Director to develop tools and processes to enhance our internal operational capabilities.	• Became recognized as an industry leader on the topic of media transparency following the publication of the ANA report in July 2016.	• Introduced matrix organization enabling clear accountability at practice and regional levels. • Set out clear goals for financial performance over the next five years and published specific milestones for 2017 and 2018.
• Grow our key clients by identifying and realizing cross-selling opportunities. • Evolve our Operations function to support growth and provide timely and improved management data.	• Publication of thought leadership articles providing insightful and actionable points of view to our clients. • Increased presence at relevant industry events.	• Launch of digital services offerings and expansion of MPO services to new markets. • Delivery against the milestones published within our growth acceleration plan.
• Percentage of clients taking two or more products/services.	• Increased speaking engagements at leading industry events. • Publication of thought leadership pieces.	• Revenue CAGR of +10% between 2016-2021. • Medium term underlying operating profit margin target of 12-13%.
• Our clients often have complex decentralized management structures requiring considerable investment of time to negotiate global commercial agreements. We ensure we devote appropriate commercial and senior client facing resource to expedite the negotiation of commercial agreements.	• The recent high profile cases of transparency and ad fraud issues may have created strained relationships between some clients, agencies and publishers. We continue to educate and advise on these topics to provide objective, sound and independent advice.	• Identifying key talent to enable expansion of MPO could take longer than expected due to scarcity in the market. • Clients may be slower to respond to issues in media transparency and data driven marketing causing a delay in potential revenue growth. We leverage our relationships with clients and industry bodies to influence change.

CASE STUDY
AUTOMOTIVE CLIENT (MVM)

Client objectives
Our client is one of the world's biggest motor manufacturers. They were looking to achieve savings in their investment in paid media across two dozen major markets.

"Just because our business and digital marketing is complex doesn't mean it's impossible to understand. Ebiquity have helped us make sense of our investment, in traditional and digital media, and delivered substantial cost savings and efficiencies in the process."

Automotive client
CMO

Our approach
We have a network of 300 media experts in 14 countries who have been optimizing media efficiency for global brands for decades.
We deployed this expertise to verify cost savings and then consolidated the results globally.
This "glocal" approach benefited our client in two ways. Our deep market knowledge, local market data pools, and country-level service and delivery enabled us to develop customized savings per market. We then created standardized global quality control processes, reporting procedures, and outputs to give a truly global worldview to central teams.

300
media experts

14
countries

Business outcomes
Our analysis generated more than £60 million in value for our client over three years. This was made up of more than £25 million of media savings, promised to the client by the agency in the spirit of their agreement, as well as in excess of £35 million of value in cash refunds, additional free space and/or other forms of agency volume bonification.

£25m
of media savings

£60m
in value generated from our analysis, for our client, over three years

£35m
of value in cash refunds, additional free space and/or other forms of agency volume bonification

CASE STUDY
UNILEVER #unstereotype (MI)

Client objectives

At the 2016 Cannes Lions Festival, Unilever CMO Keith Weed announced that the company had begun to remove stereotypical portrayals of gender from its ads around the world. It took this decision because of global research showing that campaigns that are more relevant for today's consumers are better for society and better for brands. Progressive advertising has been found to generate stronger engagement, more talkability, and better branded impact.

“It's hard to understand what you need to improve before you see what it is that you're doing today. I think everyone was struck when they saw our audit. You don't often get that whole picture based on what is actually hitting consumers' TVs in the markets. Having a partner like Ebiquity has allowed us that view, helped us make the opportunity to improve visibility, and provided us with a strong impetus to act.”

Josh Cleveland

Global Marketing Manager at Unilever

Our approach

To know with certainty which adverts for which products in which markets needed to change, Unilever commissioned Ebiquity to review how the company and its competitors portray women and men in ads across its global portfolios of refreshment, food, personal care, and home care products.

We gathered hundreds of ads from our Portfolio database. All were reviewed and coded by analysts, and evaluated against a comprehensive set of criteria to identify the extent to which both women and men were presented stereotypically. Criteria included whether (or not, as was often the case) the ads portrayed women as funny, in leadership roles, in multiple environments or just in the home, and as whole people or ‘disembodied’ (e.g. just an arm, leg, or face only for beauty products).

Business outcomes

Informed by this comprehensive, strategic review from our Advertising Intelligence Insight team, Unilever is now using a set of global benchmarks to train its brand marketing teams to produce ads that avoid stereotypical, outdated gender roles. These guidelines are also now routinely used to brief creative and media agencies. Weed and CEO Paul Polman underlined Unilever's commitment to the #unstereotype campaign[1] in a flagship speech at the World Economic Forum in Davos in January 2017.

1. http://bit.ly/2jZewX1

50%

of FMCG ads in 2016 researched contained stereotypical portrayals of women

12%

ads felt to be progressive have 12% more impact on consumers

CASE STUDY
DIRECT LINE GROUP (MPO)

Client objectives
Direct Line Group ('DLG') became the UK's largest home and motor insurance company by subverting the industry in the 1980s through cutting out the middle man, the insurance broker. When online price comparison websites commoditized the market, DLG needed to innovate again to differentiate its offer and reassert leadership. The starting point was a new philosophy, embodied in the new positioning and campaign featuring Harvey Keitel, reprising his "fixer" role of Winston Wolf from the movie *Pulp Fiction* for the company's flagship Direct Line brand.

"The Direct Line 'Fixer' campaign improved brand measures like 'Integrity', 'Preference' and perceived 'Quality'. It was also successful in terms of the econometric ROI and topline customer growth. It's rare for campaigns to demonstrate effectiveness across so many different types of metric."

Carl Bratton
DLG

Our approach
Ebiquity's Marketing Performance Optimization experts worked in partnership with DLG's in-house insight and effectiveness teams and its media, creative, and research agencies to build best-in-class econometric models. These enabled Direct Line to optimize its media and direct response activity, and deliver sustainable improvements in return on investment. Our work assisted DLG to validate and drive fundamental operational changes right across the organization, from direct mail to paid social, from enhancing the impact of digital display to optimizing mass media such as TV and search.

Business outcomes
The Direct Line campaign improved brand health measures including 'Integrity,' 'Preference,' and perceived 'Quality.' It was successful in terms of the econometric ROI. And it drove topline customer growth. DLG's innovative use of econometric modelling was recently awarded a gold in the prestigious, biennial marketing effectiveness awards from the Institute of Practitioners in Advertising ('IPA').

£11m
inefficient spend cut from annual marketing budget

£1.22
ROI for every £1 invested in IPA paper – and still improving

CASE STUDY
TRAVEL CLIENT (MCA)

Client objectives

We worked with a leading company in the travel and hospitality industry, looking to move from a decentralized to a centralized data management structure. The business wanted to streamline its multi-channel data analytics technology, personnel, and processes to create the best possible customer experience at all touchpoints. It was looking to harness the untapped potential to provide highly personalized and targeted offers to its customers based on their individual patterns, seasonality, and frequency of travel. The company could see the opportunity that taming its digital data offered in terms of incremental revenue, and it needed a partner to help it set a vision and deliver against a clear and actionable strategy.

"Our relationship with Ebiquity has enabled us to make data work harder for the business. We now extract meaningful insights from customer behaviour which means we are 'there' in the right way to enhance the consumer experience."

Travel client
Head of Analytics

Our approach

We built an analytics programme for the newly-centralized business from the ground up. This covered everything from collecting and analyzing data to generating the insights required to improve the customer journey and so enhance sales. Those insights are then used to drive the optimization efforts across the entire business.

We started by creating a strategic roadmap to direct future performance. This included a full vendor evaluation – made more complicated because the project required the integration of multiple legacy systems and sets of vendors – and implementation of the roadmap. This involved data integration, data analysis and benchmarking, and finally continuous optimization. Our consultants are unusual for this industry in that most have a hybrid of technological and business management skills. They can therefore both conceptualize enhanced data management systems and then go on to deliver a genuine digital transformation.

Business outcomes

We have enabled the travel company to deliver an incremental, year-on-year revenue lift of tens of millions of dollars. The strategic roadmap streamlined the personnel, processes, and technology our client uses to optimize customer experience, removing overlapping or conflicting vendors, technology and services. Inside a month of our first engagement, we operationalized analytics data across all stakeholder groups. Within three months, we had given multiple functional units the confidence to answer complex business questions with certainty. With enhanced data collection governance and processes, the right data now goes to the right people at the right time.

$30m
incremental revenue annually

>50%
total ad tech vendors better than halved

CHIEF FINANCIAL OFFICER'S REVIEW

Delivering double digit growth with strong cash conversion.

Andrew Noble
Chief Financial Officer

Highlights

- 9% revenue growth, with significant benefit from foreign exchange, 2.1% LFL CC revenue growth
- Underlying operating profit margin of 15.6%
- Growth in underlying diluted EPS to 11.3p
- Increase in proposed dividend to 0.65p per share
- Underlying cash conversion of 88%

Summary of results

Revenues grew to £83.6 million which represents 9.1% total revenue growth over £76.6 million recorded over the 12 months ended 31 December 2015 ('CY2015'). Ebiquity received a very positive revenue benefit from the depreciation of sterling against the US dollar and euro. With 33% of revenues denominated in euros, and 26% in US dollars the depreciation of sterling against these currencies by 11%, both led to a revenue boost of £4.5 million or 5.8%.

Revenue growth was further benefited by the impact of the acquisition of Fairbrother Marsh Company Limited ('FMC') in March 2016 and the full year impact of our acquisition of Media Value SL in March 2015. The impact on revenue was to increase revenue growth by 1.2% over CY2015. Discounting the impact of currency movements and the impact of current and prior year acquisitions, like-for-like constant currency revenue growth was 2.1% over CY2015.

Taken together our Media Value Measurement and Marketing Performance Optimization practices contributed 72% of revenue (CY2015: 68%). Together the two practices achieved like-for-like constant currency revenue growth of 7%. Further detail of performance by practice is outlined on pages 25 and 26.

Underlying operating profit increased by 4.4% from £12.4 million in CY2015 to £13.0 million and reflected a slight decrease in underlying operating profit margin from 16.2% to 15.6%. Reported operating profit increased from £3.6 million in CY2015 to £7.8 million in 2016. The prior year included a non-cash charge in respect of the impairment of goodwill, purchased intangible assets and related capitalized development costs of the Reputation business.

Net finance costs were £1.1 million in the year to December 2016 (CY2015: £1.2 million), the reduction reflects lower gross debt in 2016 compared with 2015.

Underlying profit before tax was 5.3% higher at £11.8 million in the year to December 2016 (CY2015: £11.2 million). Reported profit before tax increased by £4.1 million to £6.6 million in the year to December 2016 (CY2015: £2.5 million), due to the non-cash goodwill impairment booked in the prior period.

Earnings per share

Underlying diluted earnings per share was 11.3p in the year to 31 December 2016 (CY2015: 10.8p), being an increase of 5% comparable with the increase in underlying profit before tax.

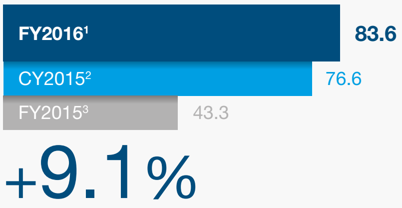
Highlighted items

Highlighted items total £5.2 million in the year to December 2016, (CY2015: £8.8 million). Highlighted items comprised the following:

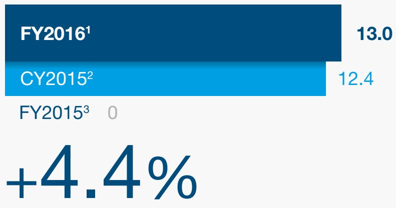
- £1.9 million related to purchased intangible asset amortization (CY2015: £2.0 million);
- £0.6 million share-based payment expenses (CY2015: £0.8 million);
- £2.0 million of acquisition related costs, (CY2015: credit £0.1 million) including £0.8 million in relation to the increase of the Stratigent earn-out and deferred consideration adjustments of £0.6 million resulting from foreign exchange differences net of the impact of discounting to present value; and
- £0.7 million of integration costs, (CY2015: £1.6 million) including the cost of management restructure of £0.5 million and a further £0.2 million relating to fees in relation to the appointment of the new Group CEO.

Headline financials

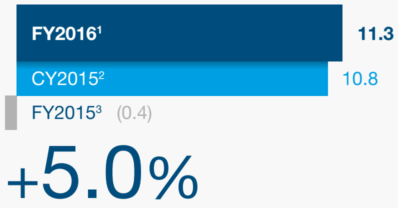
REVENUE £m



OPERATING PROFIT £m



DILUTED EPS pence



Revenue	**FY2016 Audited for the year ended 31 December 2016 £'000**	CY2015 Unaudited for the year ended 31 December 2015 £'000	FY2015 Audited eight month period ended 31 December 2015 £'000
Media Value Measurement	**47,161**	41,998	20,409
Marketing Performance Optimization	**13,048**	9,936	6,899
Market Intelligence	**23,360**	24,650	16,002
Total revenue	**83,569**	76,584	43,310
Underlying operating profit/(loss)			
Media Value Measurement	**12,124**	12,057	(81)
Marketing Performance Optimization	**3,739**	2,802	1,874
Market Intelligence	**3,902**	3,668	2,070
Central costs	**(6,806)**	(6,116)	(3,866)
Total underlying operating profit/(loss)	**12,959**	12,411	(3)
Highlighted items	**(5,202)**	(8,768)	(6,656)
Reported operating profit/(loss)	**7,757**	3,643	(6,659)
Net finance costs	**(1,132)**	(1,199)	(800)
Share of profit of associates	**—**	18	13
Reported profit/(loss) before tax	**6,625**	2,462	(7,446)
Underlying profit/(loss) before tax	**11,827**	11,230	(790)
Underlying diluted earnings per share	**11.3p**	10.8p	(0.4)p

Performance by practice is outlined below:

MVM – Media Value Measurement (56% of total revenue)

	FY2016 Audited £'000	CY2015 Unaudited £'000	FY2015 Audited £'000
Revenue	**47,161**	41,998	20,409
Underlying operating profit/(loss)	**12,124**	12,057	(81)
Underlying operating profit/(loss) margin %	**25.7%**	28.7%	(0.4)%

Our Media Value Measurement ('MVM') practice reported revenue increase up 12.3%, an increase of 3.6% on a like-for-like constant currency basis. MVM now accounts for 56% of Group revenue. The recent acquisitions of FMC in Ireland and the full year impact of the 2015 acquisition of Media Value SL in Spain increased revenue by 2.2%. Revenue growth was held back by a decline in revenue from our contract compliance business which itself represents less than 10% of total MVM revenue. Excluding contract compliance, the MVM practice achieved 6.6% like-for-like constant currency revenue growth.

1. FY2016 is the year ended 31 December 2016 (audited).
2. CY2015 is the calendar year from 1 January 2015 to 31 December 2015 (unaudited).
3. FY2015 is the financial period from 1 May 2015 to 31 December 2015 (audited).

CHIEF FINANCIAL OFFICER'S REVIEW continued

MVM – Media Value Measurement continued

Operating margin reduced to 25.7% from 28.7% in FY2015 primarily as a result of the revenue decline in the contract compliance business which directly impacted operating profit, investment in additional resources in our media business in China to enable sustainable revenue growth in that rapidly evolving market and the shift in revenue to lower margin international benchmarking engagements.

MPO – Marketing Performance Optimization (16% of total revenue)

	FY2016 Audited £'000	CY2015 Unaudited £'000	FY2015 Audited £'000
Revenue	**13,037**	9,936	6,899
Underlying operating profit	**3,739**	2,802	1,874
Underlying operating profit margin %	**28.7%**	28.2%	27.2%

Revenue from our Marketing Performance Optimization ('MPO') practice continued to grow strongly, with reported revenue growth of 31.2% and like-for-like constant currency revenue growth of 21.6%. MPO now accounts for 16% of total revenue (CY2015: 13%), which we expect to continue to grow as a proportion of our total business. Operating margins were marginally ahead of CY2015 at 28.7%, with resources growing largely in line with revenue growth. As we expand our MPO practice into new markets and resource for sustainable growth, we anticipate a reduction from current operating margin levels.

MI – Market Intelligence (28% of total revenue)

	FY2016 Audited £'000	CY2015 Unaudited £'000	FY2015 Audited £'000
Revenue	**23,360**	24,650	16,002
Underlying operating profit	**3,902**	3,668	2,070
Underlying operating profit margin %	**16.7%**	14.9%	12.9%

Revenue from Market Intelligence ('MI') declined by 5.2% on a reported basis, and by 8.5% on a like-for-like constant currency basis. As indicated in our half-year report and as largely anticipated, revenue from our project-based research business declined sharply during the year and now represents less than 10% of MI revenues. Revenue from Portfolio, our Advertising Intelligence ('AI') subscription service, and related insight services grew by 1.7% on a reported basis. Eliminating the impact of currency, revenue from AI declined 1.7% owing to the loss of three contracts in our US business unit at the beginning of the year.

Despite the decline in revenue, operating margins improved by 1.8% to 16.7% in 2016 because of both cost control within the AI business and the change in business mix, with costs being managed down with revenue in the lower margin project-based research business.

Central costs

	FY2016 Audited £'000	CY2015 Unaudited £'000	FY2015 Audited £'000
Central costs	**(6,806)**	(6,116)	(3,866)

Central costs include central salaries (Board, Finance, IT, Marketing and HR), legal and advisory costs and property costs. Central costs have increased by £0.7 million or in 2016 due to increased staff costs, travel costs and IT costs. The increase in travel costs, especially in the second half of the year, reflected the need to bring management teams together more often as our matrix organization was implemented.

Taxation

The total tax charge for the year ended December 2016 is £2.2 million (FY2015 credit: £1.3 million) representing a current tax charge of £1.8 million (FY2015: credit of £0.1 million) and a deferred tax charge of £0.4 million (FY2015: £1.2 million).

On a calendar year comparative basis, the effective rate of tax on underlying profit before tax for the year ended 31 December 2016 is 21.7% (CY2015: 22.2%). The effective rate of tax is raised by under provision from previous periods. Excluding the release of provisions the underlying effective tax rate is 21.0%.

Dividend

It is the Board's intention to pay a dividend of 0.65p per share for the 12 months ended 31 December 2016, (FY15: 0.4p per share). This would represent an increase in dividend per share on a pro-rata basis and would also represent the continuation of a progressive dividend policy which commenced with our maiden dividend paid in October 2015. The dividend will be recommended as a final dividend at the Company's AGM on 10 May 2017.

Equity

During the 12 months to December 2016, 38,063 shares were issued upon the exercise of employee share options. As a result our share capital increased to 77,199,751 ordinary shares (31 December 2015: 77,161,688).

Acquisitions

On 11 March 2016, the Group acquired the outstanding 50% interest in its Irish media consultancy associate, FMC. The 50% interest in FMC was acquired for an initial cash consideration of €150,000 (£118,000). €643,000 (£500,000) in deferred consideration was recognized at acquisition, however the maximum total purchase consideration is up to €2,000,000 (£1,559,000), payable in cash, depending on the performance of the FMC business during the period ending 31 December 2020.

Cash conversion

	Year ended 31 December 2016 Audited £'000	Year ended 31 December 2015 Unaudited £'000	Eight month period ended 31 December 2015 Audited £'000
Reported cash from operations	**10,782**	11,515	5,028
Underlying cash from operations	**11,342**	13,673	6,889
Underlying operating profit/(loss)	**12,959**	12,411	(3)
Cash conversion	**87.5%**	110.2%	n/a

Underlying cash from operations represents the cash flows from operations excluding the impact of highlighted items. The underlying net cash inflow from operations was £11.3 million in the year ended 31 December 2016 (CY2015: £13.7 million).

After highlighted items are considered, reported net cash inflow from operations for 2016 was £10.8 million (CY2015: £11.5 million).

Cash conversion has improved significantly since the interim results due to the seasonality of cash flows, but is below the very strong cash conversion in CY2015. Improvement in the processes around working capital management remains a key focus for the business in 2017.

Net debt and banking facilities

	31 December 2016 Audited £'000	31 December 2015 Audited £'000
Net cash	**4,600**	6,364
Bank debt[1]	**(32,750)**	(35,250)
Net debt[1]	**(28,150)**	(28,886)

1. Bank debt in the statement of financial position at 31 December 2016 is shown net of £0.1 million (31 December 2015: £0.2 million) of loan arrangement fees that have been paid and which are amortized over the life of the facility. The bank debt stated above excludes these costs.

All bank borrowings are held jointly with Barclays and Royal Bank of Scotland ('RBS'). The committed facility, totalling £40,000,000, comprises a term loan of £10,000,000 (of which £3,750,000 remains outstanding at 31 December 2016 (31 December 2015: £6,250,000)), and a revolving credit facility of £30,000,000 (of which £29,000,000 was drawn down at 31 December 2016 (31 December 2015: £29,000,000)).

During the period, the Group continued to trade within each of its banking facilities and associated covenants. Net debt to EBITDA ratio was 1.94x at 31 December 2016 (31 December 2015: 2.04).

Statement of financial position and net assets

Net current assets as at 31 December 2016 increased by £3.6 million to £9.2 million (2015: £5.6 million) and total net assets increased by £9.7 million to £52.1 million (2015: £42.4 million) as a result of the profit for the year of £4.7 million and foreign exchange gains on the translation of overseas subsidiaries. Trade and other receivables increased by £4.1 million to £28.4 million reflecting an increase in trade receivables of £3.0 million and accrued income of £1.8 million.

Goodwill as at 31 December 2016 was £58.0 million (2015: £54.8 million) with the increase due to foreign exchange gains on retranslation of overseas subsidiaries of £2.8 million and the acquisition of FMC in Ireland adding £0.4 million to goodwill.

Deferred contingent consideration has decreased by £2.9 million since 31 December 2015 to £2.0 million, due to the settlement of deferred consideration. Two earnouts relating to our recent acquisitions ended during 2016, and in total £5.1 million was paid to former shareholders. At 31 December 2016 of the remaining deferred consideration of £2.0 million, which relates to the recent acquisition of FMC and our media business in China, £1.8 million is expected to be settled in the next 12 months.

Outlook

Our delivery on the milestones set out in the Growth Acceleration Plan, coupled with events in the media marketplace – such as the debate around the performance of digital advertising – create significant medium-term growth opportunities. The implementation of our plans, the opportunities arising from the changing nature of the industry, make us excited for the future.

By order of the Board

A.D. Noble

Andrew Noble
Chief Financial Officer

27 March 2017

BOARD OF DIRECTORS

The Board of Directors has overall responsibility for the Group and aims to represent the interests of shareholders and provide leadership and control in order to ensure the growth and development of the business.

Michael Higgins
Non-Executive Chairman

Michael, in addition to chairing the Ebiquity Board, chairs the Nomination Committee and sits on the Remuneration Committee and the Audit & Risk Committee.

Experience

Michael qualified as an accountant at Price Waterhouse (now PwC). He then worked at Saudi International Bank and Charterhouse before becoming a partner at KPMG in 1996, from which he retired in 2006. Michael is currently senior independent director of Plant Health Care plc, a leading provider of novel patent protected biological products to the global agricultural market, and a non-executive director of Progility plc. Michael is also a non-executive director of the Quoted Companies Alliance and is an alternate member of the Panel on Takeovers and Mergers on behalf of the Quoted Companies Alliance.

Committees

N R A

Michael Karg, PhD
Group Chief Executive Officer

Michael took up his post on 1 January 2016.

Experience

Michael was previously CEO International for Razorfish, the digital business transformation agency of Publicis Groupe, and held senior international leadership positions with both Razorfish and Digitas over a 15-year career. A native of Austria, he has been based in Boston, Paris and London. He advised clients globally across industries on marketing and digital strategies, worked closely with technology partners, and led the integration of acquired businesses. Michael holds a degree in Finance and Accounting and a doctorate in Management from the University in St Gallen, Switzerland and was a visiting Fellow at Harvard University from 1999 to 2000. Michael is a member of the Board and Chair of the Compensation Committee of Travelzoo Inc.

Committees

N

Andrew Noble
Chief Financial Officer

Andrew joined Ebiquity early in 2015 as Group Finance Director, before becoming Chief Financial Officer in September 2016.

Experience

Having obtained his degree in Politics, Philosophy and Economics from Oxford University he joined PwC where he spent four years before joining market research company Synovate where he held a number of finance roles, culminating in his appointment as Director of Financial Reporting and Control. Following the acquisition of Synovate by Ipsos in 2011, he became Global Chief Financial Officer within their marketing division, overseeing financial performance and developing strategy.

Nick Manning
Chief Strategy Officer

Nick joined Ebiquity in October 2007 as Chief Operating Officer with special responsibility for the Analytics division before becoming President, International, in overall charge of Ebiquity's non-UK based operations and subsequently Chief Strategy Officer.

Experience

Nick has spent 37 years in the media industry, principally having co-founded Manning Gottlieb Media ('MGM') in 1990. MGM became one of the most highly respected and fastest growing media specialist agencies before becoming part of Omnicom in 1997. His most recent agency position was CEO of OMD's operations in the UK. Nick also co-founded Opera, the media negotiation arm for OMD and PHD, with billings of £1 billion.

Morag Blazey

Managing Principal, Market Intelligence

In 2016 Morag took up the new role of Managing Principal for Ebiquity's Market Intelligence practice. Morag is a fellow of the IPA.

Experience

Morag spent more than 20 years in ad agencies as a TV buyer, planner and account director. She became Managing Director of PHD in 1999 and served as CEO from 2006 to 2008. She assisted PwC and Fishburn Hedges in the development of a communications strategy for the pensions reform bill, and worked with the Olympic Delivery Authority before joining Ebiquity in 2009 as International Practice Leader for Advertising Intelligence. In 2012 Morag became CEO of Ebiquity's UK business and in 2015 she was appointed as an executive director.

Richard Nichols

Non-Executive Director

Richard is Chairman of Ebiquity's Audit & Risk Committee and also sits on the Nomination Committee.

Experience

Richard is Chief Executive of Instinctif Partners, the international business communications consultancy and Non-Executive Chairman of the Digital Innovation Group. Prior to joining Instinctif Partners, Richard was Chief Executive of Huntsworth plc, following the merger with Incepta Group plc where he was the Chief Executive and formerly Group Finance Director. An economics graduate from Cambridge University, Richard subsequently qualified as a chartered accountant with Price Waterhouse (now PwC) in London.

Committees

A N

Julie Baddeley

Non-Executive Director

Julie is Chairman of Ebiquity's Remuneration Committee and sits on the Nomination Committee.

Experience

Julie has served in both executive and non-executive capacities on the boards of leading companies in the FTSE100 and FTSE250 as well as a number of major public sector organizations. She has chaired the remuneration committee of several company boards and been chairman of Harvey Nash plc since June 2013. She is currently Senior Independent Director of Marshall of Cambridge and a director of Chrysalis VCT plc. Julie has broad experience of businesses in professional services like Ebiquity, and of those in the consumer industry sectors Ebiquity serves, including The Woolwich, Camelot and Greggs. She was Associate Fellow at Oxford University Said Business School from 2000 to 2010, having previously run a global team as a partner at Accenture.

Committees

R N

Tom Alexander

Non-Executive Director

Tom sits on Ebiquity's Nomination Committee, Remuneration Committee, and Audit & Risk Committee.

Experience

Following senior sales positions with Telia and BT Cellnet, Tom founded Virgin Mobile in 1999 and subsequently built the business to revenues of £1 billion and 4.3 million customers in eight years. He led the company's IPO in 2004 and eventual sale to NTL in 2006. From 2007 he was Chief Executive Officer of Orange, leading its turnaround and subsequent successful merger in 2010 with T-Mobile to create Everything Everywhere. After running EE for a further year he left to pursue private equity opportunities and non-executive roles. Tom brings a wealth of international business experience and consumer instinct to Ebiquity.

Committees

A N R

A Audit & Risk Committee N Nomination Committee R Remuneration Committee Denotes Chairperson

CORPORATE GOVERNANCE REPORT

We are committed to embedding corporate governance as a discipline across the Group to complement our aim to deliver long-term success on behalf of our stakeholders.

Michael Higgins
Chairman

Chairman's governance overview

I am pleased to present the corporate governance report for the year ended 31 December 2016.

The corporate governance report describes the framework for corporate governance and internal control that the Directors have established. Ebiquity is committed to robust standards of corporate governance.

Corporate governance code

As a company listed on AIM, Ebiquity is not required to comply with the UK Corporate Governance Code. Ebiquity has adopted the Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 produced by the Quoted Companies Alliance (the 'QCA Code'). The Quoted Companies Alliance is the membership organization which represents the interests of small and mid-size quoted companies, of which Ebiquity is a member.

The QCA Code contains minimum disclosure requirements for a company to meet in order for that company to state that it complies with the QCA Code. The Directors are of the opinion that the Company complies with these minimum disclosure obligations save to the extent referred to in the report.

My role as Chairman

It is my principal responsibility as Chairman to ensure that the Board is effective in interrogating, approving and monitoring the Company's direction and strategy. As Chairman I am also responsible, in consultation with the Company Secretary, for ensuring proper information is supplied to the Board in a timely fashion, that Board meetings are conducted effectively and that proper debate is had at Board meetings.

Board evaluation

The Board carried out a review of its effectiveness for the first time. This review was performed by me as Chairman. I coordinated responses to a confidential questionnaire to gather feedback from all Directors. The Board will carry out further reviews of its effectiveness on an annual basis and will as part of such reviews consider whether the use of an external adviser would be advantageous.

A summary of the issues and comments raised by the Directors in response to the questionnaire was circulated to all Directors. These issues and comments were also discussed in meetings of the Nomination Committee and the Board.

No material issues were raised by the Directors regarding the Board's effectiveness. A number of matters were identified which could make the Board's activities and administration more effective and efficient, which the Board will be seeking to implement in the coming year.

Michael J. Higgins

Michael Higgins
Chairman

27 March 2017

Board of Directors

Role of the Board

The Board is responsible to shareholders for the proper management of the affairs of the Group. The Directors are also collectively responsible for acting in the way which they consider, in good faith, is most likely to promote the success of the Company for the benefit of Ebiquity's shareholders as a whole. In doing so, the Directors have regard (amongst other matters) to the interests of the Company's employees and the need to foster the Company's business relationships with suppliers, customers and other stakeholders.

A statement of the Directors' responsibilities with regards to the annual report and financial statements is set out on page 41.

Composition of the Board and roles of the Directors

During the year ended 31 December 2016, Michael Greenlees and Andrew Beach stood down as Directors of the Company, and Michael Karg and Andrew Noble were appointed as Directors of the Company. The Board of Directors now comprises an independent Non-Executive Chairman, three further independent Non-Executive Directors and four Executive Directors.

Michael Higgins (independent Non-Executive Chairman) is a qualified chartered accountant. He brings to the Board significant experience of advising smaller quoted companies and is a director of a number of such companies. Michael is a non-executive director of the Quoted Companies Alliance. The Directors are of the view that Michael Higgins retains his independence notwithstanding that he chairs the Board.

Michael Karg, PhD (Group Chief Executive Officer) is responsible for setting long-term strategy, developing appropriate annual business plans, agreeing management KPIs and leading the Executive Directors and the senior Executive team in the day-to-day running of the Group's business, including chairing the management committees and communicating their decisions/recommendations to the Board. He is also responsible for shareholder communication and ongoing relationships with investors.

Andrew Noble (Chief Financial Officer) is responsible for the Group's worldwide functions in finance, treasury and taxation. He has responsibility for the Group's finance systems, accounting policies and controls. Andrew also works closely with the practice principals, regional managing directors and finance leaders across Ebiquity.

Nick Manning (Chief Strategy Officer) has responsibility for developing and implementing Ebiquity's strategy across its three business segments, ensuring that Ebiquity provides the services advertisers need. He is also responsible for the Group's marketing strategy.

Morag Blazey (Managing Principal, Market Intelligence) leads the Market Intelligence capability globally. Her principal responsibilities are to raise Ebiquity's profile, drive renewals and new business, and develop and execute service and product developments and growth strategies.

Richard Nichols (independent Non-Executive Director) is a qualified chartered accountant. His previous experience includes serving as Finance Director and Chief Executive Officer of a number of listed and private companies. Richard is currently Chief Executive Officer of Instinctif Partners, who provide Ebiquity with financial PR advice. Richard is not part of the Instinctif team which advises Ebiquity and in the event that the Board formally discusses Instinctif's instruction by the Company, Richard would recuse himself from those discussions. Accordingly, the Board considers Richard to be independent.

Julie Baddeley (independent Non-Executive Director) has significant experience of serving on the boards of listed companies, both as an executive and as a non-executive director, and of serving on and chairing board committees. Julie has experience across industry sectors, including in professional services organizations such as Accenture. She is currently chairman of Harvey Nash plc, which is listed on the Official List. Julie brings valuable governance experience to Ebiquity.

Tom Alexander (independent Non-Executive Director) has enjoyed a highly successful career in the telecoms industry. The commercialism and business instinct developed by Tom during his career is of great value to the Board. The Board also draws upon Tom's experience of an industry undergoing rapid technological change in guiding Ebiquity's management through similar changes in the sectors in which the Company operates.

Further biographical details regarding the Directors are contained on pages 28 and 29.

Each of the Non-Executive Directors has a written letter of appointment with the Company. These are available for inspection on Ebiquity's website. Each of the Executive Directors has a written service agreement with the Company. None of these service agreements entitles a director to receive more than six months' notice terminating his/her employment.

CORPORATE GOVERNANCE REPORT continued

Matters reserved for the Board

As part of good governance there are certain matters which are not appropriate to be delegated to management or a committee of the Board and should be reserved for consideration by the Board as a whole. The Board has formally approved a written list of such matters (which is available on Ebiquity's website) and which include:

- approving the annual budget and quarterly reforecasts;
- changes to the Group's capital structure;
- approving the Company's dividend policy;
- reviewing non-routine regulatory news service announcements made by the Company; and
- approving material contracts to be entered into by the Group.

Board meetings

During the year the Board met formally on 10 occasions. In addition, there were a small number of meetings convened on short notice to consider ad hoc matters.

The Board receives monthly management accounts and other relevant information as appropriate in advance of each Board meeting. This information is made available electronically via an online platform. Directors are able to access this information at any time, including following Board meetings.

There are a number of standing agenda items reviewed by the Board at each regular Board meeting, including current trading and outlook. Other items are considered by the Board as appropriate, including as a minimum, an annual review of the Company's governance arrangements.

Detailed minutes are taken of all Board meetings. Minutes are circulated to the Board and approved at the following Board meeting.

Advisers to the Board and its committees

The Board seeks advice from external advisers, including legal, tax and financial advisers, on various matters as and when appropriate. The Company Secretary attends all Board meetings and is available to advise on any corporate governance issues which may arise.

The Company's auditors, PricewaterhouseCoopers LLP, attend meetings of the Audit & Risk Committee. The Remuneration Committee relies from time-to-time on advice and benchmarking data from Hewitt New Bridge Street in setting certain specific matters of the Executive Directors' remuneration.

Risk management

The Board retains ultimate control and direction over appropriate strategic, financial, organizational and compliance issues. The Board has put in place an organizational structure with defined lines of responsibility. The Company has adopted an authority matrix which sets out the delegation of authority to individual business units and members of staff.

The internal control system put in place by the Company is designed to provide reasonable assurance against material misstatement or loss. Commercial risks are an inherent part of business and as such the internal control system cannot provide absolute assurance against these risks.

Board committees

The Board has constituted several committees to help it in the performance of its functions. The principal committees are the Audit & Risk Committee, the Remuneration Committee and the Nomination Committee. The roles of these committees are set out below.

Audit & Risk Committee

The Audit & Risk Committee, which meets at least three times a year, is chaired by Richard Nichols. The Audit & Risk Committee comprises Richard Nichols, Michael Higgins and Tom Alexander. The Board considers Richard Nichols to have recent and relevant financial experience. Richard is a qualified chartered accountant and has served as the Finance Director and Chief Executive Officer of listed and private companies. Richard currently serves as the Chief Executive Officer of a private-equity backed company. The purpose of the Audit & Risk Committee is to ensure the preservation of good financial practices throughout the Group; to monitor that controls are in force to ensure the integrity of financial information; to review the interim and annual financial statements; to assess the adequacy and effectiveness of the Company's risk management systems and to provide a line of communication between the Board and the external auditors.

The Audit & Risk Committee is responsible for reviewing the performance of the external auditors on an annual basis, and for agreeing the scope of their work. The Audit & Risk Committee also monitors the level of non-audit work conducted by the external auditors to ensure that independence and objectivity are safeguarded. Details of non-audit fees paid to the external auditors are set out in note 4 to the consolidated financial statements.

During the year, the Audit & Risk Committee expanded its scope of reference to include certain matters relating to risk and risk management, when its name was changed from the Audit Committee to the Audit & Risk Committee.

The Audit & Risk Committee's report can be found on pages 34 and 35.

Remuneration Committee

The Remuneration Committee, which meets at least twice a year, is chaired by Julie Baddeley. The Remuneration Committee comprises Julie Baddeley, Michael Higgins and Tom Alexander. The Remuneration Committee is responsible for the Executive Directors' remuneration and other benefits and terms of employment, including performance related bonuses and share options.

The Remuneration Committee Report can be found on pages 36 to 38.

Nomination Committee

The Nomination Committee is chaired by Michael Higgins. The Nomination Committee comprises Michael Higgins, Richard Nichols, Julie Baddeley, Tom Alexander and Michael Karg. The Nomination Committee meets as necessary and has responsibility for nominating candidates to the Board for appointment as Directors, bearing in mind the need for diversity and a broad representation of skills across the Board.

Attendance at meetings

Details of the Directors' attendance at each regular Board and Committee meeting in the year is as set out below (number of meetings attended by each Director/the maximum number of meetings each Director was entitled to attend):

	Board	Audit & Risk	Remuneration	Nomination
Michael Higgins	10/10	5/5	7/7	1/1
Michael Karg, PhD	10/10	—	—	1/1
Andrew Noble	3/3	—	—	—
Nick Manning	7/10	—	—	—
Morag Blazey	9/10	—	—	—
Richard Nichols	9/10	4/5	—	1/1
Julie Baddeley	10/10	—	7/7	1/1
Tom Alexander	10/10	5/5	6/7	1/1
Michael Greenlees	3/3	—	—	—
Andrew Beach	8/8	—	—	—

Management committees

Additionally, and not formal committees of the Board, the Company's management has constituted a number of regional committees which comprise the principal vehicles for directing the Group's business at an operational level.

Shareholders

The Executive Directors meet regularly with institutional shareholders to discuss the Company's performance and future prospects. The views of institutional shareholders as presented at these meetings are reported by the Executive Directors to the Board. An important vehicle for communications with private shareholders is the Company's Annual General Meeting. The information displayed on the Investor Relations pages of the Company's website is regularly refreshed in order to provide accurate and up-to-date information to all shareholders.

AUDIT & RISK COMMITTEE REPORT

Introduction

The Audit & Risk Committee is a key component of the Group's governance framework. The Board has delegated to the Committee oversight of the Group's financial reporting. During the year, and at the request of the Board, the Committee expanded its scope of reference to include oversight of the Group's risk management and of the procedures in place to identify and mitigate significant risks.

All of the members of the Committee are independent Non-Executive Directors with a combination of accounting, financial and commercial experience. The Board considers Richard Nichols, who chairs the Committee, to have recent and relevant financial experience. Richard is a chartered accountant with significant financial and commercial experience in both listed and unquoted companies. Richard's biography and appointments are set out on page 29.

The Committee met on five occasions during the year. The attendance of its members is set out in the table on page 33. Meetings of the Committee are commonly comprised of three sections. The first section of meetings of the Committee are also normally attended by the Group Chief Executive Officer, the Chief Financial Officer, the Company Secretary and other members of the senior management together with representatives from the external auditors, PricewaterhouseCoopers LLP ('PwC') which ensures the Committee and the external auditors have access to all financial and operational knowledge.

Subsequently, Committee members also meet with the external auditors without the Executive Directors and other senior management in attendance, which ensures that the Committee maintains an independent view. Finally, there is a section of the meeting attended solely by the members of the Committee.

Role and responsibility of the Audit & Risk Committee

The Committee's terms of reference can be found on the Company's website. The principal responsibilities of the Committee include:

- monitoring the integrity of the Group's financial statements, including a review of significant financial reporting issues and judgements;
- reviewing the external auditors' independence and objectivity, the effectiveness of the external audit process and the appointment, reappointment and removal of the external auditors;
- reviewing the Group's financial controls and other internal reporting systems;
- reviewing progress on implementing control improvements; and
- keeping under review the adequacy and effectiveness of the Company's risk management systems.

Activities during the year

The key matters the Committee considered during the year are listed below.

In respect of the Group's financial statements and interim accounts:

- **the assessment of the carrying value of goodwill and intangible assets:** the Committee assesses on a twice-yearly basis whether there are any indicators of impairment to the carrying value of any cash-generating unit. The Committee reviewed the key assumptions in the assessment of goodwill and the sensitivity of these assumptions and impact on the carrying value of goodwill and intangible assets. On this basis the Committee makes recommendations to the Board in this regard;
- **going concern:** the Committee reviews, in particular, management's forecasts of the Group's performance including performance against the covenants contained in the credit agreement with Barclays and RBS;
- **presentation of highlighted items:** the Committee reviews the nature and quantum of the items proposed by management to be classified as highlighted to ensure they are consistent with the Group's accounting policies;
- **deferred contingent consideration:** the Group has been acquisitive over recent years and the Committee reviews management's forecasts regarding the Group's future obligations to pay consideration for acquisitions;
- **capitalisation of intangibles:** the Committee reviews the nature and quantum of the items proposed by management to be capitalized, together with the period over which the capitalized items will be amortized, to ensure they are consistent with the Group's accounting policies;
- **revenue recognition:** the Committee reviews the quantum of accrued/ deferred income and the judgement applied by management in calculating revenue recognition cut off. The Committee reviews the quality of evidence available to support revenue recognition; and
- **taxation:** The Committee reviews the significant components of the tax charge and provision and the overall effective tax rate of the Group as a whole.

In respect of risk management:

- the Committee undertook significant work reviewing the output of management's exercise preparing a register of the principal risks relevant to the Group and its business together with the mitigation steps taken to date by management and planned to be undertaken in the future;
- the Committee reviewed and approved the risk management framework prepared by management which outlined how risk would be identified and managed across the business; and
- the Committee included risk as a standing agenda item at each meeting for management to update the Committee on significant changes to the risk register and mitigating actions.

With regard to Ebiquity's external auditors, the Committee's principal activities were to:

- approve the terms of engagement and fees to be paid to the external auditors;
- approve the annual audit plan;
- review the findings of the auditors and management's response; and
- evaluate the independence and objectivity of the external auditors.

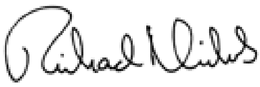
External auditors

PwC have been the external auditors of the Group since 2012, when a full tender process was carried out. The original audit partner served from PwC's appointment until completion of the audit for the year ended 31 December 2016 when he rotated off the audit. A new partner has been appointed regarding the audit of the Company's financial statements for the year commenced 1 January 2017.

A review of PwC's independence is carried out each year before a recommendation is made to the Board to propose PwC for re-election at the AGM. In assessing PwC's independence, the Committee received confirmation that, in PwC's professional judgement, PwC is independent within the meaning of relevant UK regulatory and professional requirements.

Provision of non-audit services

The Committee reviews with management the engagement of the external auditors for non-audit services and the level of associated non-audit fees. Details of fees paid to PwC during the year are outlined in note 4 to the financial statements. Non-audit fees of approximately £19,000 were paid to PwC during the year in connection with Group restructuring activities. The Committee does not consider that auditor independence has been impacted by this matter.



Richard Nichols
Chair of the Audit & Risk Committee

27 March 2017

REMUNERATION COMMITTEE REPORT

Remuneration policy

The Board recognizes the role of appropriate remuneration in attracting and retaining people with the industry-leading skills, knowledge and experience needed to develop and grow the business, and incentivizing them to perform.

The Remuneration Committee has maintained the policy set out in the Annual Report for the year ended 31 December 2015, which is used to determine Executive Directors' remuneration and as a guide for the Executive Committee in setting organization-wide remuneration.

In summary, the policy is as follows:

Element	Objective and link to strategy	Operation	Opportunity	Performance conditions and assessment
Base salary	Provides an appropriate level of fixed income – commensurate with the role – to attract and retain the individual with the required capability. Militates against excessive risk-taking and/or focus on short-term metrics by establishing sufficient balance against variable remuneration elements.	Paid monthly. Used as basis for pension contributions and performance-related pay eligibility. Reviewed annually, normally effective 1 April. Set at role commencement. Updated via review against market comparators as needed.	The Committee has not set a maximum salary. The Committee ensures base salaries are equitable across all variables. The Committee aims to maintain alignment between increases for the Directors and the wider workforce. It retains discretion to deviate in order to address specific circumstances, for example, but not limited to: • an increase in the individual's scope and responsibilities; and • the need to retain specialist expertise within a competitive talent market.	Not applicable.
Benefits (including pension)	Provides the necessary current and future health and security (for the individual and their dependents) to enable the individual to focus maximum attention on their role.	Private medical, life and critical illness insurances. Defined contributions to personal pension. Other benefits as considered appropriate by the Committee.	The Committee has not set maximum levels for benefits. It aims to ensure that individual arrangements for Directors are in line with policies applicable to the wider workforce.	Not applicable.
Performance bonus	Incentivizes achievement of short-term financial and strategic performance goals.	On-target expectations expressed as a percentage of salary, relative to role. Group financial targets set annually in relation to management expectations. Personal goals are set annually for each Executive Director in relation to strategy.	Individual participation is set with respect to the role performed Individual on-target expectation capped at 50% of base salary. Maximum award of 200% of on-target amount in any one year i.e. a maximum of 100% of base salary for any one Director.	Measured over a one-year period. Minimum thresholds of the Group's annual financial performance determine the extent to which individuals may attain on-target expectation, which is also judged on individual performance against personal goals.
Long-Term Incentives (equity)	Incentivizes longer-term growth and value creation through shareholder returns	Standard LTIP, with nominal price options subject to a minimum three-year vesting period with performance conditions.	Extent of individual awards determined with reference to role, performance and perceived future value. Awards made in respect of each financial year typically do not exceed 100% of salary, subject to a maximum of 200% of salary inexceptional circumstances.	Uses appropriate targets for growth in earnings per share (and/or total shareholder return) over vesting period.

This policy reflects the Company's current stage of development and anticipated growth, and balances risk and reward.

The Remuneration Committee has consulted with its largest institutional investors during 2016/17 regarding the introduction of a shareholding guideline and development of its Long-Term Incentive ('LTI') to better align Directors' (and other Executives') interests with those of shareholders and the longer-term strategy of the Group. The Company has not issued LTIs to executives during 2016/17; we expect to conclude the consultation shortly and to ensure that LTIs are in place for executive management in the first half of 2017.

The Remuneration Committee relies from time-to-time on advice and benchmarking from third parties in setting specifics of the Executive Directors' remuneration.

Directors' remuneration in the year ended 31 December 2016

	Salary/fees £'000	Taxable benefits £'000	Bonus £'000	**FY2016 year ended 31 December 2016 Total £'000**	CY2015 year ended 31 December 2015 Total £'000	FY2015 eight month period ended 31 December 2015 Total £'000
Executive						
Michael Karg, PhD	400	9	120[1]	**529**	—	—
Andrew Noble[2]	53	1	—	**54**	—	—
Nick Manning	300	—	—	**300**	300	200
Morag Blazey	230	5	8	**243**	47	47
Andrew Beach[2]	171	1	—	**172**	219	146
Michael Greenlees[3]	107	3	—	**110**	326	217
Non-Executive						
Michael Higgins	68	—	—	**68**	68	45
Richard Nichols	35	—	—	**35**	45	33
Julie Baddeley	35	—	—	**35**	47	35
Tom Alexander	35	—	—	**35**	40	28
				1,581	1,092	751

1. Michael Karg, CEO, received a one-time cash sign-on bonus of £120,000 in March 2016 in order to compensate him for the loss of certain retention incentives from his previous employer. No performance bonuses were attained for the year ended 31 December 2016.
2. Andrew Beach left the Company on 14 October 2016, handing over the role of Chief Financial Officer to Andrew Noble on 9 September 2016.
3. Michael Greenlees retired from the post of Chief Executive Officer with effect from 17 January 2016, and ceased to be a Director on 30 April 2016.

The totals above are inclusive of annual performance bonuses (FY2015: £nil). Directors were eligible for cash bonuses as a percentage of base salary, dependent on individual and Company performance against established financial targets in excess of analyst expectations.

No Director was a member of a company pension scheme (FY2015: nil). Contributions totalling £28,127 (FY2015: £6,721) were made to Directors' private pension schemes (£14,000 to the highest paid Director, FY2015: £nil) during the year.

No Directors exercised share options during the year (FY2015: 150,000). The highest paid Director exercised no share options, (FY2015: nil).

Termination payments to Directors

Two Directors left the Company in the year ended 31 December 2016. No termination payments were made to Directors (FY2015: £nil).

REMUNERATION COMMITTEE REPORT continued

Long-Term Incentives

During the year, a total of 311,355 share options that were previously granted to Directors under the Company's Executive Incentive Plan vested (FY2015: nil) as follows:

<table>
<tr><th>Beneficiary</th><th>Grant date</th><th>Volume</th><th>Exercise price</th><th>Performance conditions</th><th>Achievement vs condition</th><th>% vested</th><th>Number vested</th></tr>
<tr><td>Michael Greenlees</td><td>17 January 2014</td><td>350,000</td><td rowspan="4">£0.25</td><td rowspan="4">Growth in adjusted diluted EPS vs 2012/13</td><td rowspan="4">10.8p/share vs 9p – 7.08% compound growth</td><td rowspan="4">36.63%</td><td>128,205</td></tr>
<tr><td>Morag Blazey</td><td>17 January 2014</td><td>200,000</td><td>73,260</td></tr>
<tr><td>Nick Manning</td><td>17 January 2014</td><td>200,000</td><td>73,260</td></tr>
<tr><td>Andrew Beach</td><td>17 January 2014</td><td>100,000</td><td>36,630</td></tr>
</table>

During the fiscal period, no options were granted to any Directors under the Group's Executive Incentive Plan (FY2015: 400,000).

Share options totalling 500,000 were granted to the incoming Chief Executive Officer, Michael Karg, in order to compensate him for the loss of certain retention incentives. These were as follows:

- 200,000 ordinary shares of 25p each, half vesting after six months' service and the remaining half vesting after 12 months' service, subject to continued employment; and
- 300,000 ordinary shares of 25p each, which will vest conditional on the satisfaction of performance criteria relating to the growth of the Company's diluted adjusted earnings per share ('EPS'), as follows:
  - 200,000 ("tranche one") will vest conditional on the EPS growth for the financial year ending 31 December 2016 over the previous 12 month period ended 31 December 2015; and
  - 100,000 ("tranche two") will vest conditional on the EPS growth for the financial year ending 31 December 2017 over the prior financial year. Any options from tranche one which do not vest will be rolled over into tranche two and will be capable of vesting along with the options granted as part of tranche two.

EPS growth, over the relevant performance period for each tranche, of 10% or more will result in all of the options in that tranche vesting. EPS growth of 4% over the relevant performance period will vest one-fifth of the options in that tranche. None of the options in a tranche will vest if EPS growth over the relevant performance period is less than 4%. Three-fifths of the options in a tranche will vest if EPS growth over the relevant performance period is 8%. The options in a tranche will vest on a straight-line basis where EPS growth over the relevant performance period is between 4% and 8% or between 8% and 10%.

Implementation of remuneration policy in 2017

The Executive Directors' remuneration for the year that commenced on 1 January 2017 includes base salary and benefits and an annual cash bonus in line with the Company's remuneration policy.

The target bonus is 50% of base salary for the Group CEO and 30% for the other Executive Directors. Each individual must achieve the personal performance targets ('KPIs') set for them by the Board, and the Company must achieve its budgeted levels of pro-forma (i.e. excluding that derived from in-year acquisitions) revenue and operating profit – which have been agreed by the Board and which are in excess of analyst expectations – for full 100% achievement of the theoretical bonus.

Thresholds below budgeted levels of revenue (minimum 97.5% of budget) and operating profit (minimum 90% of operating profit post-bonus) have been set to allow for pro-rata payment of bonuses at a level which protects operating profit margins and overall Group performance.

Each Director has the potential to achieve up to a maximum of 200% of their theoretical target bonus as a result of exceptional individual and Company performance.

No share options have been granted to Directors since 1 January 2017.

Julie Baddeley
Chair of the Remuneration Committee

27 March 2017

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2016.

Ebiquity plc is incorporated in England and Wales under registered number 3967525. Its registered address and principal office is at CityPoint, One Ropemaker Street, London EC2Y 9AW. The Company is the ultimate parent of the Group. The Group has a branch in France. Its other overseas operations are subsidiaries or associates (see notes 12 and 13).

Future developments

The future developments of the Group are considered in the strategic report on pages 2 to 27.

Dividends

The Board is recommending the payment of a final dividend of 0.65p per share for the year ended 31 December 2016. If shareholders approve this payment at the AGM on 10 May 2017, the dividend will be paid on 26 May 2017 to all shareholders who were on the Register of Members at close of business on 5 May 2017.

Research and development

The Group continues to invest in the development of products. During the period a total of £1.1 million was capitalized in relation to development projects. This has resulted in the development of a number of new initiatives.

Political donations and political expenditure

No political donations were made and no political expenditure was incurred in the period (2015: nil).

Modern Slavery Act 2015

Ebiquity's statement regarding the Modern Slavery Act 2015 can be viewed on its website (ebiquity.com).

Events after the reporting period

There have been no events after the reporting period requiring disclosure.

Directors and Directors' interests

The Directors in office during the period and until the date of this report were as follows:

Michael Higgins		Non-Executive Chairman
Michael Karg, PhD[1]	Executive Director	Chief Executive Officer
Andrew Noble[2]	Executive Director	Chief Financial Officer
Nick Manning	Executive Director	Chief Strategy Officer
Morag Blazey	Executive Director	Managing Principal, Market Intelligence
Richard Nichols		Non-Executive Director
Julie Baddeley		Non-Executive Director
Tom Alexander		Non-Executive Director

Michael Greenlees stood down as a Director on 30 April 2016.

Andrew Beach stood down as a Director on 14 October 2016.

Andrew Watkins, General Counsel, acts as the Company Secretary.

1. Appointed 27 January 2016.
2. Appointed 9 September 2016.

The beneficial interests of Directors, who were Directors at the period end, in the ordinary shares of the Company and options to purchase such shares at the beginning and end of the financial period comprised:

	31 December 2016		31 December 2015	
	Ordinary shares	**Options**	Ordinary shares	Options
Michael Higgins	**64,500**	**—**	64,500	—
Michael Karg	**—**	**500,000**	—	—
Andrew Noble	**—**	**60,000**	—	60,000
Nick Manning	**230,000**	**2,543,490**	230,000	2,670,230
Morag Blazey	**—**	**601,429**	—	728,169
Richard Nichols	**100,000**	**—**	100,000	—
Julie Baddeley	**—**	**—**	—	—
Tom Alexander	**—**	**—**	—	—

No Director has any direct interest in the shares of any subsidiary company. There have been no changes in the above Directors' shareholdings or holdings of options between 31 December 2016 and the date of this report.

Further information about the Directors' interests is provided in the Remuneration Committee report on pages 36 to 38.

Directors' third-party and pension scheme indemnity provisions

The Company purchased and maintained throughout the period and up to the date of this report, directors' and officers' liability insurance in respect of its Directors and officers and those of its subsidiaries. There were no pension scheme indemnity provisions in place during the period.

DIRECTORS' REPORT continued

Employees

Ebiquity is committed to the continuous development of its employees. The Group's employees are integral to the success of the business and as a result the Group pursues employment practices which are designed to attract, retain and develop this talent to ensure the Group retains its market leading position with motivated and satisfied employees. The Group has continued this year with its employee engagement programme, initiated in 2011, measuring engagement levels and drivers through an annual survey and taking actions to further develop the leadership and organization on the back of these findings.

The Group has continued its practice of using formal and informal communication channels to provide employees with the information they need to understand and achieve the objectives of the Group and to keep employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the Group.

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. Where existing employees become disabled it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training. It is the policy of the Group that training, career development and promotion opportunities should be available to all employees.

Employees are encouraged to own shares in the Company, and many employees are shareholders and/or hold options under the Company's share option schemes.

Financial instruments

The Group's principal financial instruments comprise bank loans and cash. The main purpose of these financial instruments is to provide finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The operations of the Group generate cash and the planned growth of activities is cash generative. Full details of financial instruments are included in note 25 to the financial statements.

Substantial shareholdings

At the date of this report the Company's issued share capital consisted of 77,199,751 ordinary shares of 25p each and a total of 72,999,751 voting rights. The Ebiquity plc 2010 Employee Benefit Trust (the 'EBT') held 4,200,000 issued ordinary shares to satisfy awards for the Company's senior management team. At the date of this report, these awards had not been exercised. The trustee has agreed not to vote the ordinary shares held by it. As such 4,200,000 ordinary shares are treated as not carrying voting rights for the purposes of the City Code on Takeovers and Mergers.

At the date of this report, the following had notified the Company that they held more than 3% of the Company's ordinary share capital, other than the shareholdings held by Directors and the EBT. No other person has reported an interest of more than 3% in the Company's ordinary shares.

Name	Number of shares	% of issued share capital	% of total voting rights
Artemis Investment Management	12,052,282	15.61	16.51
T Rowe Price Global Investments	8,337,921	10.80	11.42
Kabouter Management	8,142,430	10.55	11.15
JO Hambro Capital Management	7,111,150	9.21	9.74
Invesco Perpetual	6,452,446	8.36	8.84
Herald Investment Management	5,491,125	7.11	6.29
Hargreave Hale	4,330,000	5.61	5.93
Legal & General	3,945,200	5.11	5.40
Fidelity International	2,439,234	3.16	3.34

AGM notice

The notice of the Company's Annual General Meeting accompanies this document and is also available for inspection on the Company's website.

Going concern

The Board is responsible for considering whether it is appropriate to prepare the financial statements on a going concern basis. After making appropriate enquiries the Board concluded that the Group has adequate resources to continue in operation for the foreseeable future and operate within banking facilities and the covenants therein. For this reason the Group continues to adopt the going concern basis in preparing the financial statements.

Independent auditors and disclosure of information to auditors

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be reappointed will be proposed at the Annual General Meeting.

By order of the Board

Andrew Watkins
Company Secretary

27 March 2017

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 the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'), and applicable law). 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 Group and the Company and of the profit or loss of the Group 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 IFRSs as adopted by the European Union and applicable UK Accounting Standards comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively; 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT

to the members of Ebiquity plc

Report on the Group financial statements

Our opinion

In our opinion, Ebiquity plc's Group financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's affairs as at 31 December 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the annual report, comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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 addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the strategic report and the Directors' report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the statement of Directors' responsibilities set out on page 41, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

With respect to the strategic report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.

Other matter

We have reported separately on the parent company financial statements of Ebiquity plc for the year ended 31 December 2016.

Simon O'Brien
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors
London

27 March 2017

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2016

		Year ended 31 December 2016			Eight month period ended 31 December 2015		
	Note	Before highlighted items £'000	Highlighted items (note 3) £'000	Total £'000	Before highlighted items £'000	Highlighted items (note 3) £'000	Total £'000
Revenue	2	**83,569**	**—**	**83,569**	43,310	—	43,310
Cost of sales		**(38,282)**	**—**	**(38,282)**	(22,514)	—	(22,514)
Gross profit		**45,287**	**—**	**45,287**	20,796	—	20,796
Administrative expenses		**(32,328)**	**(5,202)**	**(37,530)**	(20,799)	(6,656)	(27,455)
Operating profit/(loss)	4	**12,959**	**(5,202)**	**7,757**	(3)	(6,656)	(6,659)
Finance income	6	**18**	**—**	**18**	13	—	13
Finance expenses	6	**(1,150)**	**—**	**(1,150)**	(813)	—	(813)
Net finance costs		**(1,132)**	**—**	**(1,132)**	(800)	—	(800)
Share of profit of associates	13	**—**	**—**	**—**	13	—	13
Profit/(loss) before taxation		**11,827**	**(5,202)**	**6,625**	(790)	(6,656)	(7,446)
Taxation (charge)/credit	7	**(2,570)**	**340**	**(2,230)**	576	756	1,332
Profit/(loss) for the year/period		**9,257**	**(4,862)**	**4,395**	(214)	(5,900)	(6,114)
Attributable to:							
Equity holders of the parent		**8,987**	**(4,837)**	**4,150**	(336)	(5,885)	(6,221)
Non-controlling interests		**270**	**(25)**	**245**	122	(15)	107
		9,257	**(4,862)**	**4,395**	(214)	(5,900)	(6,114)
Earnings/(loss) per share							
Basic	8			**5.38p**			(8.08)p
Diluted	8			**5.20p**			(8.08)p

The notes on pages 48 to 79 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

	Year ended 31 December 2016 £'000	Eight month period ended 31 December 2015 £'000
Profit/(loss) for the year/period	**4,395**	(6,114)
Other comprehensive income/(expense):		
Items that will not be reclassified subsequently to profit or loss		
Exchange differences on translation of overseas subsidiaries	**4,844**	(116)
Total other comprehensive income/(expense) for the year/period	**4,844**	(116)
Total comprehensive income/(expense) for the year/period	**9,239**	(6,230)
Attributable to:		
Equity holders of the parent	**8,994**	(6,337)
Non-controlling interests	**245**	107
	9,239	(6,230)

The notes on pages 48 to 79 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

	Note	31 December 2016 £'000	31 December 2015 £'000
Non-current assets			
Goodwill	9	**58,045**	54,827
Other intangible assets	10	**14,034**	13,527
Property, plant and equipment	11	**2,438**	2,928
Investment in associates	13	**—**	45
Deferred tax asset	20	**1,338**	2,267
Total non-current assets		**75,855**	73,594
Current assets			
Trade and other receivables	14	**28,416**	24,318
Cash and cash equivalents	15	**6,662**	8,755
Total current assets		**35,078**	33,073
Total assets		**110,933**	106,667
Current liabilities			
Trade and other payables	16	**(5,919)**	(6,566)
Accruals and deferred income	17	**(11,890)**	(12,340)
Financial liabilities	18	**(6,253)**	(8,227)
Current tax liabilities	7	**(1,841)**	(251)
Provisions	19	**(9)**	(89)
Total current liabilities		**(25,912)**	(27,473)
Non-current liabilities			
Financial liabilities	18	**(30,448)**	(34,055)
Provisions	19	**(393)**	(486)
Deferred tax liability	20	**(2,125)**	(2,244)
Total non-current liabilities		**(32,966)**	(36,785)
Total liabilities		**(58,878)**	(64,258)
Total net assets		**52,055**	42,409
Equity			
Ordinary shares	22	**19,300**	19,290
Share premium	23	—	11,764
Other reserves	23	**6,134**	656
Retained earnings	23	**25,860**	9,891
Equity attributable to the owners of the parent		**51,294**	41,601
Non-controlling interests		**761**	808
Total equity		**52,055**	42,409

The notes on pages 48 to 79 are an integral part of these financial statements. The financial statements on pages 44 to 78 were approved and authorized for issue by the Board of Directors on 27 March 2017 and were signed on its behalf by:

Michael Karg, PhD
Director

A.D. Noble

Andrew Noble
Director

Financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Note	Ordinary shares £'000	Share premium £'000	Other reserves[1] £'000	Retained earnings £'000	Equity attributable to owners of the parent £'000	Non-controlling interests £'000	Total equity £'000
1 May 2015		19,193	11,657	772	16,012	47,634	1,024	48,658
(Loss)/profit for the period		—	—	—	(6,221)	(6,221)	107	(6,114)
Other comprehensive expense		—	—	(116)	—	(116)	—	(116)
Total comprehensive (expense)/income for the period		—	—	(116)	(6,221)	(6,337)	107	(6,230)
Shares issued for cash	22	97	107	—	—	204	—	204
Acquisition of non-controlling interest		—	—	—	(23)	(23)	(20)	(43)
Share options charge	3	—	—	—	228	228	—	228
Deferred tax on share options	20	—	—	—	186	186	—	186
Dividends paid to shareholders	26	—	—	—	(291)	(291)	—	(291)
Dividends paid to non-controlling interests		—	—	—	—	—	(303)	(303)
31 December 2015		19,290	11,764	656	9,891	41,601	808	42,409
Profit for the year		**—**	**—**	**—**	**4,150**	**4,150**	**245**	**4,395**
Other comprehensive income		**—**	**—**	**4,844**	**—**	**4,844**	**—**	**4,844**
Total comprehensive income for the year		**—**	**—**	**4,844**	**4,150**	**8,994**	**245**	**9,239**
Shares issued for cash	22	**10**	**16**	**—**	**—**	**26**	**—**	**26**
Share premium reduction[2]		**—**	**(11,780)**	**—**	**11,780**	**—**	**—**	**—**
Convertible loan note		**—**	**—**	**634**	**—**	**634**	**—**	**634**
Share options charge	3	**—**	**—**	**—**	**652**	**652**	**—**	**652**
Deferred tax on share options	20	**—**	**—**	**—**	**(321)**	**(321)**	**—**	**(321)**
Dividends paid to shareholders	26	**—**	**—**	**—**	**(292)**	**(292)**	**—**	**(292)**
Dividends paid to non-controlling interests		**—**	**—**	**—**	**—**	**—**	**(292)**	**(292)**
31 December 2016		**19,300**	**—**	**6,134**	**25,860**	**51,294**	**761**	**52,055**

1. Includes £3,667,000 (31 December 2015: £3,667,000) in the merger reserve; a debit balance of £1,478,000 (31 December 2015: £1,478,000) in the ESOP reserve; a convertible loan note reserve of £634,000 created during the year to 31 December 2016; and a gain of £3,311,000 (31 December 2015: £1,533,000 loss) recognized in the translation reserve. Refer to note 23 for further details.
2. On 8 June 2016, the Group announced the cancellation of the share premium account (the "Capital Reduction") effective 9 June 2016 following registration of the Court order confirming the Capital Reduction by the Registrar of Companies.

The notes on pages 48 to 79 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

	Note	**Year ended 31 December 2016 £'000**	Eight month period ended 31 December 2015 £'000
Cash flows from operating activities			
Cash generated from operations	27	**10,782**	5,028
Finance expenses paid		**(1,092)**	(601)
Finance income received		**18**	13
Income taxes paid		**(166)**	(892)
Net cash generated from operating activities		**9,542**	3,548
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	28	**(4,431)**	(3,002)
Purchase of property, plant and equipment	11	**(479)**	(502)
Purchase of intangible assets	10	**(1,872)**	(826)
Net cash used in investing activities		**(6,782)**	(4,330)
Cash flows from financing activities			
Proceeds from issue of share capital (net of issue costs)		**26**	205
Proceeds from bank borrowings	25	**3,336**	2,578
Repayment of bank borrowings	25	**(6,411)**	(1,982)
Acquisition of interest in a subsidiary from non-controlling interests		**—**	(1,105)
Dividends paid to shareholders	26	**(292)**	(291)
Dividends paid to non-controlling interests		**(546)**	(195)
Capital repayment of finance leases		**(4)**	(4)
Net cash flow used in financing activities		**(3,891)**	(794)
Net decrease in cash, cash equivalents and bank overdrafts		**(1,131)**	(1,576)
Cash, cash equivalents and bank overdraft at beginning of year/period	15	**6,364**	7,884
Effects of exchange rate changes on cash and cash equivalents		**(633)**	56
Cash, cash equivalents and bank overdraft at end of year/period	15	**4,600**	6,364

The notes on pages 48 to 79 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016

1. Accounting policies

General information

Ebiquity plc (the 'Company') and its subsidiaries (together, the 'Group') provide independent data-driven insights to the global media and marketing community. The Group has 21 offices across 14 countries.

The Company is a public limited company, which is listed on the London Stock Exchange's AIM Market and is incorporated and domiciled in the UK. The address of its registered office is CityPoint, One Ropemaker Street, London EC2Y 9AW.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and IFRS IC Interpretations (collectively 'IFRSs') issued by the International Accounting Standards Board ('IASB') as adopted by European Union ('Adopted IFRSs') and with those parts of the Companies Act 2006 applicable to companies preparing their financial statements under Adopted IFRSs. The consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The consolidated financial statements are presented in pounds sterling and rounded to the nearest thousand.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The results of each subsidiary are included from the date that control is transferred to the Group until the date that control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests represent the portion of the results and net assets in subsidiaries that is not held by the Group.

Business combinations and goodwill

The Group applies the acquisition method to account for business combinations. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized initially at their fair value at the acquisition date. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the fair value of net identifiable assets acquired and liabilities assumed. The determination of the fair values of acquired assets and liabilities is based on judgement and the Directors have 12 months from the date of the business combination to finalize the allocation of the purchase price.

Goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment at least annually or whenever there is evidence that it may be required. Any impairment is recognized immediately in the income statement and is not subsequently reversed.

Goodwill arising on the acquisition of the Group's interest in an associate being the excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate, is included within the carrying amount of the investment. The non-controlling shareholders interest in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Where transactions with non-controlling parties do not result in a change in control, the difference between the fair value of the consideration paid or received and the amount by which the non-controlling interest is adjusted, is recognized in equity.

Where the consideration for the acquisition includes a contingent deferred consideration arrangement, this is measured at fair value at the acquisition date. Any subsequent changes to the fair value of the contingent deferred consideration are adjusted against the cost of the acquisition if they occur within the measurement period and only if the changes relate to conditions existing at the acquisition date. Any subsequent changes to the fair value of the contingent deferred consideration after the measurement period are recognized in the income statement within administrative expenses as a highlighted item. The carrying value of contingent deferred consideration at the statement of financial position date represents management's best estimate of the future payment at that date, based on historical results and future forecasts.

All costs directly attributable to the business combination are expensed as incurred and recorded in the income statement within highlighted items.

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence and is neither a subsidiary nor joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Investments in associates are carried in the statement of financial position at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Income is recognized evenly over the period of the contract for our Market Intelligence businesses, and in accordance with the stage of completion of the contract activity for our Media Value Measurement and Marketing Performance Optimization businesses. The stage of completion is determined relative to the total number of hours expected to complete the work or provision of services. Where recorded revenue exceeds amounts invoiced to clients, the excess is classified as accrued income and where recorded revenue is less than amounts invoiced to clients, the difference is classified as deferred income.

Where services are performed by an indeterminate number of acts over a specific period, revenue is recognized on a straight-line basis over the specific period unless there is evidence that some other method better represents the stage of completion.

If the outcome of a contract cannot be estimated reliably, the contract revenue is recognized to the extent of contract costs incurred that it is probable would be recoverable. Costs are recognized as an expense in the period in which they are incurred.

Finance income and expenses

Finance income and expense represents interest receivable and payable. Finance income and expense is recognized on an accruals basis, based on the interest rate applicable to each bank or loan account.

Foreign currencies

For the purposes of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of transactions. At each year end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the year end date.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the year end date. Income and expense items are translated at the average exchange rate for the period, which approximates to the rate applicable at the dates of the transactions.

The exchange differences arising from the retranslation of the year end amounts of foreign subsidiaries and the difference on translation of the results of those subsidiaries into the presentational currency of the Group are recognized in the translation reserve. All other exchange differences are dealt with through the consolidated income statement.

Highlighted items

Highlighted items comprise non-cash charges and non-recurring items which are highlighted in the consolidated income statement as separate disclosure is considered by the Directors to be relevant in understanding the underlying performance of the business. The non-cash charges include share option charges and amortization of purchased intangibles.

The non-recurring items include the costs associated with potential acquisitions (where formal discussion is undertaken), completed acquisitions and their subsequent integration into the Group, adjustments to the estimates of deferred consideration on acquired entities, asset impairment charges and other significant one-off items. Costs associated with ongoing market landscaping, acquisition identification and early stage discussions with acquisition targets are reported in underlying administrative expenses.

Taxation

The tax expense included in the consolidated income statement comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted by the year end date.

The Group is subject to corporate taxes in a number of different jurisdictions and judgement is required in determining the appropriate provision for transactions where the ultimate tax determination is uncertain. In such circumstances, the Group recognizes liabilities for anticipated taxes based on the best information available and where the anticipated liability is both probable and estimable. Where the final outcome of such matters differs from the amount recorded, any differences may impact the income tax and deferred tax provisions in the period in which the final determination is made.

Tax is recognized in the consolidated income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

1. Accounting policies continued

Taxation continued

Using the liability method, deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilized. The recognition of deferred tax assets is reviewed at each year end date.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the year end date and are expected to apply when the deferred tax liabilities/assets are settled/recovered.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognized impairment loss.

Depreciation is charged so as to write off the cost of assets over their estimated useful economic lives. The rates applied are as follows:

Motor vehicles	25% per annum reducing balance
Fixtures, fittings and equipment	7% to 20% per annum straight-line; or 25% per annum reducing balance
Computer equipment	25% to 40% straight-line
Short leasehold land and buildings improvements	Over the shorter of the life or the estimated useful life of the lease

Other intangible assets

Internally generated intangible assets – development expenditure

Internally generated intangible assets relate to bespoke computer software and technology developed by the Group's internal software development team.

An internally generated intangible asset arising from the Group's development expenditure is recognized only if all of the following conditions are met:

- it is technically feasible to develop the asset so that it will be available for use or sale;
- adequate resources are available to complete the development and to use or sell the asset;
- there is an intention to complete the asset for use or sale;
- the Group is able to use or sell the intangible asset;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally generated intangible assets are amortized on a straight-line basis over their useful lives. Amortization commences when the asset is available for use and useful lives range from one to five years. The amortization expense is included within administrative expenses. Where an internally generated intangible asset cannot be recognized, development expenditure is recognized as an expense in the period in which it is incurred.

Purchased intangible assets

Externally acquired intangible assets are initially recognized at cost and subsequently amortized on a straight-line basis over their useful economic lives, which vary from three to ten years. The amortization expense is included as a highlighted item within the administrative expenses line in the income statement.

Intangible assets recognized on business combinations are recorded at fair value at the acquisition date using appropriate valuation techniques where they are separable from the acquired entity or give rise to other contractual/legal rights. The significant intangibles recognized by the Group are customer relationships which are amortized on a straight-line basis over a typical useful life of ten years.

Computer software

Purchased computer software intangible assets are amortized on a straight-line basis over their useful lives which vary from two to five years.

Impairment

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

For the purpose of impairment testing, goodwill is grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such condition exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, estimates are made of the cash flows of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value, less costs to sell, and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate appropriate to the specific asset or cash-generating unit.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying value of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized immediately in highlighted items in the income statement.

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if the impairment loss had been recognized.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and short-term deposits. Cash and cash equivalents and bank overdrafts are offset when there is a legally enforceable right to offset.

Financial instruments

Financial assets and financial liabilities are recognized in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

The Group classifies its financial assets as 'loans and receivables'. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), but also incorporate other types of contractual monetary assets. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognized within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

Borrowings consisting of interest-bearing secured and unsecured loans and overdrafts are initially recognized at fair value net of directly attributable transaction costs incurred and subsequently measured at amortized cost using the effective interest method. The difference between the proceeds received net of transaction costs and the redemption amount is amortized over the period of the borrowings to which they relate. The revolving credit facility is considered to be a long term loan.

Trade and other payables are initially recognized at their nominal value which is usually the original invoiced amount.

Interest rate swaps are carried at fair value with changes in fair value being reflected in the statement of comprehensive income, and are classified within other financial liabilities.

Leases

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a 'finance lease'), the asset is treated as if it had been purchased outright. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analyzed between capital and interest. The interest element is charged to the income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an 'operating lease'), the total rentals payable under the lease are charged to the income statement on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis. The land and buildings elements of property leases are considered separately for the purposes of lease classification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

1. Accounting policies continued

Derivative financial instruments

The Group uses derivative financial instruments to reduce its exposure to foreign exchange and interest rate movements. The Group does not hold or issue derivative financial instruments for financial trading purposes but derivatives that do not qualify for hedge accounting are accounted for at fair value through the income statement. Derivative financial instruments are initially recognized at fair value at the contract date and continue to be stated at fair value at the balance sheet date with gains and losses on revaluation being recognized immediately in the income statement.

Cash flow hedging is used to hedge against fluctuations in future cash flows on the Group's debt funding due to movements in interest rates. When a cash flow hedge is employed and hedge accounting applied, the effective portion of the change in the fair value of the hedging instrument is recognized directly in equity (hedging reserve) until the gain or loss on the hedged item is realized. Any ineffective portion is always recognized in the income statement.

The fair value of derivatives is determined by reference to market values for similar instruments.

Share capital

Equity instruments issued by the Group are recorded at the amount of the proceeds received, net of direct issuance costs.

Employee Share Ownership Plan ('ESOP')

As the Company is deemed to have control of its ESOP trust, it is treated as a subsidiary and consolidated for the purposes of the Group financial statements. The ESOP's assets (other than investments in the Company's shares), liabilities, income and expenses are included on a line-by-line basis in the Group financial statements. The ESOP's investment in the Company's shares is deducted from shareholders' equity in the Group statement of financial position as if they were treasury shares, except that profits on the sale of ESOP shares are not credited to the share premium account.

Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period with a corresponding increase recognized in retained earnings. Fair value is measured using an appropriate valuation model. Non-market vesting conditions are taken into account by adjusting the number of equity investments expected to vest at each year end date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. A charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where there are modifications to share-based payments that are beneficial to the employee then as well as continuing to recognize the original share-based payment charge, the incremental fair value of the modified share options as identified at the date of the modification is also charged to the income statement over the remaining vesting period. Where the Group cancels share options and identifies replacement options, this arrangement is also accounted for as a modification.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity financial statements.

Provisions

Provisions, including provisions for onerous lease costs, are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle that obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the year-end date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate which reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligations.

Retirement benefits

For defined contribution pension schemes, the Group pays contributions to privately administered pension plans on a voluntary basis. The Group has no further payment obligations once the contributions have been paid. Contributions are charged to the income statement in the year to which they relate.

Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Critical accounting estimates and judgements

In preparing the consolidated financial statements, the Directors have made certain estimates and judgements relating to the reporting of results of operations and the financial position of the Group. Actual results may significantly differ from those estimates often as a result of the need to make assumptions about matters which are uncertain. The estimates and judgements discussed below are considered by the Directors to be those that have a critical accounting impact to the Group's financial statements.

Revenue recognition

The Group is required to make an estimate of the project completion levels in respect of contracts which straddle the year end for revenue recognition purposes. This involves a level of judgement and therefore differences may arise between the actual and estimated result.

Carrying value of goodwill and other intangible assets

Impairment testing requires management to estimate the value in use of the cash-generating units to which goodwill and other intangible assets have been allocated. The value in use calculation requires estimation of future cash flows expected to arise from the cash-generating unit and the application of a suitable discount rate in order to calculate present value. The sensitivity around the selection of particular assumptions including growth forecasts and the pre-tax discount rate used in management's cash flow projections could significantly affect the Group's impairment evaluation and therefore the Group's reported assets and results. Further details, including a sensitivity analysis, are included in notes 9 and 10 to the consolidated financial statements.

Contingent deferred consideration

The Group has recorded liabilities for deferred consideration on acquisitions made in the current and prior periods. The calculation of the deferred consideration liability requires judgements to be made regarding the forecast future performance of these businesses for the earn-out period. Any changes to the fair value of the contingent deferred consideration after the measurement period are recognized in the income statement within administrative expenses as a highlighted item.

Taxation

The Group is subject to income taxes in all the territories in which it operates, and judgement and estimates of future profitability are required to determine the Group's deferred tax position. If the final tax outcome is different to that assumed, resulting changes will be reflected in the income statement, unless the tax relates to an item charged to equity in which case the changes in the tax estimates will also be reflected in equity. The Group believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgements about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

Provisions

The Group provides for certain costs of reorganisation that has occurred due to the Group's acquisition and disposal activity. When the final amount payable is uncertain, these are classified as provisions. These provisions are based on the best estimates of management.

Adoption of new standards and interpretations

On 1 January 2016, the Group adopted the following amendments to IFRS. The accounting pronouncements, none of which is considered by the Group as significant on adoption, are:

- amendments to IAS 1 'Disclosure Initiative'. These amendments are as part of the IASB's initiative to improve presentation and disclosure in financial reports;
- amendments to IFRS 11 'Accounting for Acquisitions of Interests in Joint Operations'. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business;
- amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets'. This amendments provide clarification of acceptable methods of depreciation and amortization; and
- improvements to IFRS: 2012–2014 cycle.

On 1 January 2017, the Group will adopt the following amendments which are effective for accounting periods on or after 1 January 2017 and which have not yet been endorsed by the EU. Management is currently assessing the impact of these new pronouncements on the financial statements, which are not expected to be significant.

- amendments to IAS 12 'Recognition of Deferred Tax Assets for Unrealized Losses'. This amends the recognition of deferred tax assets for unrealized losses; and
- amendments to IAS 7 'Disclosure Initiative'. These amendments are as part of the IASB's initiative to improve presentation and disclosure in financial reports.

Certain new standards, amendments to new standards and interpretations have been published that are mandatory to the Group's future accounting periods but have not been adopted early in these financial statements. These are set out below:

- IFRS 15 'Revenue from Contracts with Customers' (effective on or after 1 January 2018). This standard establishes a single comprehensive framework for revenue recognition to determine when to recognize revenue and how much revenue to recognize. This standard replaces the previous revenue standards IAS 18 'Revenue' and IAS 11 'Construction Contracts'. The Group will apply IFRS 15 from 1January 2018;
- IFRS 9 'Financial Instruments' (effective on or after 1 January 2018). This standard addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. The Group will apply IFRS 9 from 1 January 2018; and
- IFRS 16 'Leases' (effective on or after 1 January 2019). This standard replaces IAS 17 'Leases' and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. IFRS 16 eliminates the two lease classifications that IAS 17 has (operating and finance leases) for the lessee, and instead all leases will have the same classification. The Group will apply IFRS 9 from 1 January 2019.

Management will assess the impact on the Group of these standards prior to the effective date of implementation. Although the detailed impact has not yet been quantified, management expects that the adoption of IFRS 15 may have an impact on revenue recognition and related disclosures and the adoption of IFRS 16 will impact the accounting for those leases currently classified as operating leases. The adoption of IFRS 9 is not expected to have a significant impact on the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

2. Segmental reporting

In accordance with IFRS 8 the Group's operating segments are based on the reports reviewed by the Executive Directors that are used to make strategic decisions.

Certain operating segments have been aggregated to form three reportable segments, Media Value Measurement, Market Intelligence and Marketing Performance Optimization:

- Media Value Measurement includes our media benchmarking, financial compliance and associated services;
- Market Intelligence includes our advertising monitoring, reputation management and research/insight services; and
- Marketing Performance Optimization consists of our marketing effectiveness and multi-channel analytics services.

The Executive Directors are the Group's chief operating decision-maker. They assess the performance of the operating segments based on operating profit before highlighted items. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs and purchased intangible amortization. The measure also excludes the effects of equity-settled share-based payments. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2016 is as follows:

Year ended 31 December 2016

	Media Value Measurement £'000	Market Intelligence £'000	Marketing Performance Optimization £'000	Reportable segments £'000	Unallocated £'000	Total £'000
Revenue	**47,161**	**23,360**	**13,048**	**83,569**	**—**	**83,569**
Operating profit/(loss) before highlighted items	**12,124**	**3,902**	**3,739**	**19,765**	**(6,806)**	**12,959**
Total assets	**56,948**	**32,469**	**11,868**	**101,285**	**9,648**	**110,933**
Other segment information						
Capital expenditure – property, plant and equipment	**46**	**455**	**4**	**505**	**35**	**540**
Capital expenditure – intangible assets	**586**	**591**	**155**	**1,332**	**765**	**2,097**
Capital expenditure – goodwill	**464**	**—**	**—**	**464**	**—**	**464**
Total	**1,096**	**1,046**	**159**	**2,301**	**800**	**3,101**

Eight month period ended 31 December 2015

	Media Value Measurement £'000	Market Intelligence £'000	Marketing Performance Optimization £'000	Reportable segments £'000	Unallocated £'000	Total £'000
Revenue	20,409	16,002	6,899	43,310	—	43,310
Operating (loss)/profit before highlighted items	(81)	2,070	1,874	3,863	(3,866)	(3)
Total assets	53,011	29,398	10,640	93,049	13,618	106,667
Other segment information						
Capital expenditure – property, plant and equipment	26	—	12	38	512	550
Capital expenditure – intangible assets	77	—	—	77	750	827
Total	103	—	12	115	1,262	1,377

A reconciliation of segment operating profit before highlighted items to total profit before tax is provided below:

	Year ended 31 December 2016 £'000	Eight month period ended 31 December 2015 £'000
Reportable segment operating profit before highlighted items	**19,765**	3,863
Unallocated costs[1]:		
Staff costs	**(5,219)**	(3,281)
Property costs	**(786)**	(260)
Exchange rate movements	**(158)**	31
Other administrative expenses	**(643)**	(356)
Operating profit/(loss) before highlighted items	**12,959**	(3)
Highlighted items (note 3)	**(5,202)**	(6,656)
Operating profit/(loss)	**7,757**	(6,659)
Net finance costs	**(1,132)**	(800)
Share of profit of associates	**—**	13
Profit/(loss) before tax	**6,625**	(7,446)

1. Unallocated costs comprise central costs that are not considered attributable to the segments.

A reconciliation of segment total assets to total consolidated assets is provided below:

	31 December 2016 £'000	31 December 2015 £'000
Total assets for reportable segments	**101,285**	93,049
Unallocated amounts:		
Property, plant and equipment	**1,900**	2,278
Other intangible assets	**1,517**	2,853
Other receivables	**1,015**	2,892
Cash and cash equivalents	**3,989**	3,478
Deferred tax asset	**1,227**	2,113
Investments in associates	**—**	4
Total assets	**110,933**	106,667

The table below presents revenue and non-current assets by geographical location:

	Year ended 31 December 2016		Eight month period ended 31 December 2015	
	Revenue by location of customers £'000	**Non-current assets £'000**	Revenue by location of customers £'000	Non-current assets £'000
United Kingdom	**22,627**	**46,617**	13,142	46,955
Rest of Europe	**31,586**	**9,378**	14,786	7,957
North America	**20,032**	**7,257**	10,376	6,297
Rest of world	**9,324**	**11,265**	5,006	10,118
	83,569	**74,517**	43,310	71,327
Deferred tax assets	**—**	**1,338**	—	2,267
Total	**83,569**	**75,855**	43,310	73,594

No single customer (or group of related customers) contributes 10% or more of revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

3. Highlighted items

Highlighted items comprise non-cash charges and non-recurring items which are highlighted in the income statement because separate disclosure is considered relevant in understanding the underlying performance of the business.

	Year ended 31 December 2016			Eight month period ended 31 December 2015		
	Cash £'000	Non-cash £'000	Total £'000	Cash £'000	Non-cash £'000	Total £'000
Administrative expenses						
Recurring						
Share option (credit)/charge	(92)	652	560	203	228	431
Amortization of purchased intangibles	—	1,865	1,865	—	1,327	1,327
	(92)	2,517	2,425	203	1,555	1,758
Non-recurring						
Acquisition and integration costs	2,777	—	2,777	533	—	533
Impairment charge	—	—	—	—	4,365	4,365
	2,777	—	2,777	533	4,365	4,898
Total highlighted items before tax	2,685	2,517	5,202	736	5,920	6,656
Taxation credit	(252)	(88)	(340)	(128)	(628)	(756)
Total highlighted items after tax	2,433	2,429	4,862	608	5,292	5,900

Amortization of purchased intangibles relates to acquisitions made in the current financial year of £26,000 and to acquisitions made in prior years of £1,839,000.

The share option cash credit of £92,000 arising during the year is in relation to national insurance contributions on share options not exercised. In addition, a non-cash IFRS 2 charge of £652,000 was also recorded.

Total acquisition and integration costs of £2,777,000 were recognized during the year.

Acquisition costs totalling £1,996,000 primarily consists of £841,000 in relation to an earn-out extension agreed in March 2016 and associated to the Stratigent acquisition in 2013; deferred consideration adjustments of £575,000 resulting from foreign exchange differences net of the impact of discounting to present value; £295,000 of professional fees were incurred in relation to acquisitions; and £285,000 was recognized following the transparency work performed for the US Association of National Advertisers.

Integration costs totalling £781,000 primarily consists of severance costs of £568,000 arising from the restructure of senior management in Spain, Ireland and France; and fees of £251,000 in relation to the appointment of the new Group CEO. Other one-off charges recognized in highlighted items during the year include a credit of £66,000 following the write-off of certain dilapidation provisions and £28,000 of other integration costs.

Current tax arising on the highlighted items is included as a cash item, while deferred tax on highlighted items is included as a non-cash item. Refer to note 7 for more detail.

Deferred consideration adjustments, within acquisition and integration costs, are included as a cash item.

As at 31 December 2016, £1,197,000 of the £2,685,000 cash highlighted items had been settled.

4. Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	Year ended 31 December 2016 £'000	Eight month period ended 31 December 2015 £'000
Operating lease rentals		
– other	**90**	43
– land and buildings	**1,739**	1,475
Depreciation and amortization (notes 10 and 11)	**3,682**	2,481
Impairment (notes 9 and 10)	**—**	3,902
Loss on disposal of fixed assets	**11**	18
Research costs – expensed	**870**	337
Foreign exchange (gain)/loss	**(79)**	16

Auditors' remuneration

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditors at costs as detailed below:

	Year ended 31 December 2016 £'000	Eight month period ended 31 December 2015 £'000
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements	**97**	84
Fees payable to the Company's auditors and its associates for other services:		
– the audit of the Company's subsidiaries, pursuant to legislation	**96**	112
– other audit-related assurance services	**24**	24
– other assurance services	**10**	—
– tax compliance services	**9**	—
	236	220

5. Employee information

The monthly average number of employees employed by the Group during the year, including Executive Directors, was as follows:

	Year ended 31 December 2016 Number	Eight month period ended 31 December 2015 Number
Media Value Measurement	**305**	291
Market Intelligence	**340**	373
Marketing Performance Optimization	**88**	71
IT development and support	**60**	56
Administration	**107**	104
Directors	**9**	7
	909	902

At 31 December 2016, the total number of employees of the Group was 919 (31 December 2015: 926).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

5. Employee information continued

Staff costs for all employees, including Executive Directors, consist of:

	Year ended 31 December 2016 £'000	Eight month period ended 31 December 2015 £'000
Wages and salaries	**41,571**	23,968
Social security costs	**3,502**	2,839
Other pension costs	**925**	493
Share options charge (note 24)	**652**	228
	46,650	27,528

Directors' remuneration

Total Directors' remuneration was £1,474,000 including £426,000 to the highest paid Director (31 December 2015: £727,000 including £218,000 to the highest paid Director). Directors are eligible for cash bonuses as a percentage of base salary, dependent on individual and Company performance against established financial targets. No performance bonuses were paid during the year (31 December 2015: £nil).

No Directors were a member of a Company pension scheme as at 31 December 2016 (31 December 2015: none). Contributions totalling £28,000 (31 December 2015: £7,000) were made to Directors' private pension schemes during the year including £14,000 to the highest paid Director (31 December 2015: £nil).

No Directors exercised share options during the year (31 December 2015: 150,000 share options were exercised with a gain of £92,000 made on exercise). In the period to 31 December 2015, the highest paid Director exercised no share options.

During the year, 500,000 (31 December 2015: nil) share options were granted to Directors comprising 500,000 to the highest paid Director under the Group's Executive Incentive Plan scheme. Vesting is subject to the satisfaction of certain performance criteria (see note 24 for further details).

Further details on Directors' remuneration can be found in the Remuneration Committee report on pages 36 to 38.

6. Finance income and expenses

	Year ended 31 December 2016 £'000	Eight month period ended 31 December 2015 £'000
Finance income		
Bank interest	**18**	7
Other interest	**—**	6
Finance income	**18**	13
Finance expenses		
Bank loans and overdraft interest	**(1,058)**	(752)
Loan fee amortization	**(90)**	(60)
Finance lease interest	**(2)**	(1)
Finance expenses	**(1,150)**	(813)

7. Taxation charge/(credit)

	Year ended 31 December 2016			Eight month period ended 31 December 2015		
	Before highlighted items £'000	**Highlighted items £'000**	**Total £'000**	Before highlighted items £'000	Highlighted items £'000	Total £'000
UK tax						
Current year/period	**912**	**(187)**	**725**	194	(128)	66
Adjustment in respect of prior year/period	**(205)**	**—**	**(205)**	(236)	—	(236)
	707	**(187)**	**520**	(42)	(128)	(170)
Foreign tax						
Current year/period	**1,409**	**(65)**	**1,344**	248	—	248
Adjustment in respect of prior year/period	**(94)**	**—**	**(94)**	(160)	—	(160)
	1,315	**(65)**	**1,250**	88	—	88
Total current tax	**2,022**	**(252)**	**1,770**	46	(128)	(82)
Deferred tax						
Origination and reversal of temporary differences (note 20)	**160**	**(88)**	**72**	(622)	(628)	(1,250)
Adjustment in respect of prior year/period	**388**	**—**	**388**	—	—	—
Total tax charge/(credit)	**2,570**	**(340)**	**2,230**	(576)	(756)	(1,332)

The difference between tax as charged/(credited) in the financial statements and tax at the nominal rate is explained below:

	Year ended 31 December 2016 £'000	Eight month period ended 31 December 2015 £'000
Profit/(loss) before tax	**6,625**	(7,446)
Corporation tax at 20% (31 December 2015: 20%)	**1,325**	(1,489)
Non-deductible taxable expenses	**265**	943
Overseas tax rate differential	**189**	24
Overseas losses not recognized	**66**	832
Share options	**319**	—
Losses utilized not previously recognized	**(7)**	(80)
Adjustment in respect of prior years	**89**	(396)
Effect of change in statutory tax rates	**9**	(265)
Deferred tax movement	**224**	(985)
Recognition of deferred tax not previously recognized	**(249)**	—
Other	**—**	84
Total tax charge/(credit)	**2,230**	(1,332)

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. Further reductions to 17% (effective 1 April 2020) were substantively enacted on 6 September 2016. As these changes have been substantively enacted at the statement of financial position date, their effects are included in these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

8. Earnings/(loss) per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 31 December 2016 £'000	Eight month period ended 31 December 2015 £'000
Earnings for the purpose of basic earnings per share being net profit/(loss) attributable to equity holders of the parent	**4,150**	(6,221)
Adjustments:		
Impact of highlighted items (net of tax)[1]	**4,837**	5,885
Earnings for the purpose of underlying earnings per share	**8,987**	(336)
Number of shares:		
Weighted average number of shares during the period		
– basic	**77,186,127**	76,976,240
– dilutive effect of share options	**2,598,806**	1,993,033
– diluted	**79,784,933**	78,969,273
Basic earnings/(loss) per share	**5.38p**	(8.08)p
Diluted earnings/(loss) per share	**5.20p**	(8.08)p
Underlying basic earnings/(loss) per share	**11.64p**	(0.44)p
Underlying diluted earnings/(loss) per share	**11.26p**	(0.43)p

1. Highlighted items attributable to equity holders of the parent (see note 3), stated net of their total tax impact.

9. Goodwill

	£'000
Cost	
At 1 May 2015	58,096
Adjustments in respect of a pre-acquisition period	(177)
Foreign exchange differences	37
At 31 December 2015	57,956
Additions[1]	**426**
Foreign exchange differences	**2,792**
At 31 December 2016	**61,174**
Accumulated impairment	
At 1 May 2015	—
At 31 December 2015	(3,129)
Impairment	—
At 31 December 2016	**(3,129)**
Net book value	
At 31 December 2016	**58,045**
At 31 December 2015	54,827

1. £426,000 of goodwill was recognized following the acquisition of the remaining 50% interest in the Group's Irish media consultancy associate, Fairbrother Marsh Company Limited. Refer to note 28 for further details.

Goodwill has been allocated to the following segments:

	Year ended 31 December 2016 £'000	Eight month period ended 31 December 2015 £'000
Media Value Measurement	**28,778**	26,886
Market Intelligence	**22,360**	21,904
Marketing Performance Optimization	**6,907**	6,037
	58,045	54,827

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill may be potentially impaired. Goodwill is allocated to the Group's cash-generating units ('CGUs') in order to carry out impairment tests. The Group's remaining carrying value of goodwill by CGU at 31 December was as follows:

Cash-generating unit	Reporting segment	Year ended 31 December 2016 £'000	Eight month period ended 31 December 2015 £'000
Advertising UK/USA/International	Market Intelligence	**19,114**	19,114
Media UK and International[1]	Media Value Measurement	**9,238**	8,770
Stratigent (MCA)	Marketing Performance Optimization	**5,229**	4,359
China	Media Value Measurement	**4,966**	4,429
Media Germany	Media Value Measurement	**4,319**	4,297
Media Value Group	Media Value Measurement/Marketing Performance Optimization	**3,035**	2,624
FirmDecisions	Media Value Measurement	**2,981**	2,981
Media Australia	Media Value Measurement	**2,506**	2,115
Advertising Germany	Market Intelligence	**2,333**	2,016
Effectiveness	Marketing Performance Optimization	**1,678**	1,678
Advertising Australia	Market Intelligence	**764**	645
Media America	Media Value Measurement	**604**	604
Media France	Media Value Measurement	**559**	527
Media Italy	Media Value Measurement	**382**	330
Russia	Media Value Measurement	**337**	337
		58,045	54,827

1. At 31 December 2016, the balance included £426,000 of acquired goodwill recognized following the acquisition of the remaining 50% interest in the Group's Irish media consultancy associate, Fairbrother Marsh Company Limited. Refer to note 28 for further details.

The impairment test involves comparing the carrying value of the CGU to which the goodwill has been allocated to the recoverable amount. The recoverable amount of all CGUs has been determined based on value in use calculations.

Under IFRS, an impairment charge is required for goodwill when the carrying amount exceeds the recoverable amount, defined as the higher of fair value less costs to sell and value in use. No impairment of goodwill was recognized in the year ended 31 December 2016 (eight months ended 31 December 2015: £3,129,000).

Value in use calculations

The key assumptions used in management's value in use calculations are budgeted operating profit, pre-tax discount rate and the long-term growth rate. The Directors prepare a three-year pre-tax cash flow forecast based on the following financial year's budget as approved by the Board, with revenue and cost forecasts for the following two years adjusted by segment and geography. The forecast takes account of actual results from previous years combined with management expectations of market developments.

The Directors estimate discount rates using rates that reflect current market assessments of the time value of money and risk specific to the CGUs. The three-year pre-tax cash flow forecasts have been discounted at between 7.2% and 8.7% (31 December 2015: between 8.2% and 9.7%).

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for the year ended 31 December 2016

9. Goodwill continued

Cash flows beyond the three-year period are extrapolated at a rate of 2.25% (31 December 2015: 2.25%), which does not exceed the long-term average growth rate in any of the markets in which the Group operates.

The excess of the value in use to the goodwill carrying values for each CGU gives the level of headroom in each CGU. The estimated recoverable amounts of the Group's operations in all CGUs significantly exceed their carrying values with the exception of China, where the headroom exceeds its carrying value by £1.8 million.

Sensitivity analysis

The Group's calculations of value in use for its respective CGUs are sensitive to a number of key assumptions. Other than disclosed below, management does not consider a reasonably possible change in isolation, of any of the key assumptions to cause the carrying value of any CGU to exceed its value in use.

	China %
Budgeted operating profit	(21.7)
Pre-tax discount rate	1.6
Long-term growth rate	(1.9)

10. Other intangible assets

	Capitalized development costs £'000	Computer software £'000	Purchased intangible assets[1] £'000	Total intangible assets £'000
Cost				
At 1 May 2015	2,997	2,194	23,259	28,450
Additions	652	175	—	827
Disposals	—	(13)	—	(13)
Foreign exchange differences	(11)	27	40	56
At 31 December 2015	3,638	2,383	23,299	29,320
Additions	**1,091**	**781**	**—**	**1,872**
Acquisitions[2]	**—**	**—**	**225**	**225**
Disposals	**(453)**	**(260)**	**—**	**(713)**
Foreign exchange differences	**68**	**147**	**1,414**	**1,629**
At 31 December 2016	**4,344**	**3,051**	**24,938**	**32,333**
Amortization and impairment				
At 1 May 2015	(1,136)	(1,120)	(11,016)	(13,272)
Charge for the period[3]	(194)	(190)	(1,327)	(1,711)
Disposals	—	12	—	12
Impairment[4]	(214)	—	(559)	(773)
Foreign exchange differences	—	(22)	(27)	(49)
At 31 December 2015	(1,544)	(1,320)	(12,929)	(15,793)
Charge for the year[3]	**(256)**	**(330)**	**(1,865)**	**(2,451)**
Disposals	**425**	**260**	**—**	**685**
Foreign exchange differences	**(1)**	**(127)**	**(612)**	**(740)**
At 31 December 2016	**(1,376)**	**(1,517)**	**(15,406)**	**(18,299)**
Net book value				
At 31 December 2016	**2,968**	**1,534**	**9,532**	**14,034**
At 31 December 2015	2,094	1,063	10,370	13,527

1. Purchased intangible assets consist principally of customer relationships with a typical useful life of 10 years.
2. Customer relationships of £142,000 and a brand valuation of £83,000 were recognized during the year as part of the acquisition of Fairbrother Marsh Company Limited. Refer to note 28 for further details.
3. Amortization is charged within administrative expenses so as to write off the cost of the intangible assets over their estimated useful lives. The amortization of purchased intangible assets is included as a highlighted administrative expense.
4. No impairment charge is required for the year to 31 December 2016 following management's review of the carrying value of other intangible assets. In the prior period, an impairment charge of £773,000 was recorded to fully write off the purchased intangible assets and related capitalized development costs of the Reputation business.

11. Property, plant and equipment

	Motor vehicles £'000	Fixtures, fittings and equipment[1] £'000	Computer equipment £'000	Short leasehold land and building improvements £'000	Total £'000
Cost					
At 1 May 2015	37	1,584	5,873	1,049	8,543
Additions	—	92	355	103	550
Disposals	—	(201)	(1,307)	(2)	(1,510)
Foreign exchange differences	1	15	21	—	37
At 31 December 2015	38	1,490	4,942	1,150	7,620
Reclassification[2]	**—**	**—**	**—**	**384**	**384**
Additions	**—**	**104**	**398**	**28**	**530**
Acquisitions	**—**	**—**	**10**	**—**	**10**
Disposals	**—**	**(192)**	**(454)**	**(52)**	**(698)**
Foreign exchange differences	**6**	**102**	**403**	**127**	**638**
At 31 December 2016	**44**	**1,504**	**5,299**	**1,637**	**8,484**
Accumulated depreciation					
At 1 May 2015	(3)	(821)	(4,120)	(405)	(5,349)
Charge for the period	(3)	(83)	(527)	(157)	(770)
Disposals	—	161	1,307	2	1,470
Foreign exchange differences	—	(10)	(26)	(7)	(43)
At 31 December 2015	(6)	(753)	(3,366)	(567)	(4,692)
Reclassification[2]	**—**	**—**	**—**	**(384)**	**(384)**
Charge for the year	**(5)**	**(140)**	**(826)**	**(260)**	**(1,231)**
Disposals	**—**	**192**	**454**	**52**	**698**
Foreign exchange differences	**(2)**	**(64)**	**(311)**	**(60)**	**(437)**
At 31 December 2016	**(13)**	**(765)**	**(4,049)**	**(1,219)**	**(6,046)**
Net book value					
At 31 December 2016	**31**	**739**	**1,250**	**418**	**2,438**
At 31 December 2015	32	737	1,576	583	2,928

1. The Group holds assets under finance leases within fixtures, fittings and equipment with cost of £21,000 (31 December 2015: £21,000) and accumulated depreciation of £13,000 (31 December 2015: £8,000).
2. During the year, an amount of short leasehold land and buildings improvements previously included within the net book value of short leasehold land and building improvements and netted against depreciation, has been reclassified to cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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12. Subsidiaries

Details of the Company's subsidiaries are set out below.

Subsidiary undertaking	Proportion of nominal value of issued ordinary shares held	Country of incorporation	Nature of business
Adtrack Limited	100%[3]	UK	Non-trading
AMMO Limited	100%[3]	UK	Non-trading
Axiology Limited	100%[3]	UK	Non-trading
Barsby Rowe Limited	100%[3]	UK	Non-trading
BCMG Acquisitions Limited	100%[3]	UK	Non-trading
BCMG Limited	100%	UK	Holding company
Billetts Consulting Limited	100%[3]	UK	Non-trading
Billetts International Limited	100%[3]	UK	Non-trading
Billetts Limited	100%[3]	UK	Non-trading
Billetts Marketing Investment Management Limited	100%[3]	UK	Non-trading
Billetts Marketing Sciences Limited	100%[3]	UK	Non-trading
Billetts Media Consulting Limited	100%[3]	UK	Non-trading
Brief Information Limited	100%[3]	UK	Non-trading
Checking Advertising Services Limited	100%	UK	Non-trading
China Media (Shanghai) Management Consulting Company Limited[2]	100%[3]	China	Media consultancy
China Media Consulting Group Limited	100%[3]	Hong Kong	Holding company
Data Management Services Group Limited	100%[3]	UK	Non-trading
Digireels Limited UK	100%[3]	UK	Non-trading
Ebiquity Asia Pacific Limited	100%[3]	UK	Holding company
Ebiquity Associates Limited[2]	100%	UK	Media monitoring and consultancy
Ebiquity Germany GmbH[2]	94.03%[3]	Germany	Media monitoring and consultancy
Ebiquity Holdings Inc.	100%	USA	Holding company
Ebiquity Inc.[2]	100%[3]	USA	Media monitoring and consultancy and reputation management
Ebiquity Italia S.r.l.[2]	51%[3]	Italy	Media consultancy
Ebiquity Pte. Limited[2]	100%[3]	Singapore	Media consultancy
Ebiquity Pty Limited[2]	100%[3]	Australia	Media monitoring and consultancy
Ebiquity Russia Limited[2]	50.1%[3]	UK	Media consultancy
Ebiquity Russia OOO[2]	50.1%[3]	Russia	Media consultancy
Ebiquity SAS[2]	80%[3]	France	Media consultancy
Ebiquity US Financing Limited	100%	UK	Non-trading
Ebiquity US Holdings Limited	100%[3]	UK	Holding company
Ebiquity US Holdings LLC	100%[3]	USA	Holding company
Echo Group Limited	100%	UK	Holding company
Echo Research Limited[2]	100%[3]	UK	Reputation management
Echo Research Pte Limited	100%	Singapore	Reputation management
Efficiency Elements SL[2]	100%[3]	Spain	Marketing effectiveness

Subsidiary undertaking	Proportion of nominal value of issued ordinary shares held	Country of incorporation	Nature of business
Fairbrother Lenz Eley Limited	100%[3]	UK	Non-trading
Fairbrother Marsh Company Limited[1]	100%[3]	Ireland	Media monitoring and consultancy
Faulkner Group Pty Limited	100%[3]	Australia	Non-trading
Firm Decisions ASJP Germany GmbH	100%[3]	Germany	Media consultancy
Firm Decisions Group Limited	100%	UK	Holding company
FirmDecisions ASJP LLC[2]	100%[3]	USA	Media consultancy
FirmDecisions Pty Limited[2]	100%[3]	Australia	Media consultancy
FirmDecisions Limited[2]	100%[3]	UK	Media consultancy
FLE Holdings Limited	100%	UK	Holding company
Fouberts Place Subsidiary No. 4 Limited	100%[3]	UK	Non-trading
Freshcorp Limited	100%[3]	UK	Non-trading
Media Value SL[2]	100%[3]	Spain	Media consultancy
Mediaadvantage Consulting L.d.a[2]	100%[3]	Portugal	Media consultancy
Nova Vision Europe S.A.	100%[3]	Belgium	Non-trading
Prominent Pages Limited	100%[3]	UK	Non-trading
Shots Limited	100%[3]	UK	Non-trading
Stratigent LLC[2]	100%[3]	USA	Multi-channel analytics
Telefoto Monitoring Services Limited	100%[3]	UK	Non-trading
The Billett Consultancy Limited	100%[3]	UK	Non-trading
The Communication Trading Company Limited	100%[3]	UK	Non-trading
The Press Advertising Register Limited	100%[3]	UK	Non-trading
The Register Group Limited	100%[3]	UK	Non-trading
Worldwide Media Management Limited	100%[3]	UK	Non-trading
Xtreme Information Limited	100%[3]	UK	Non-trading
Xtreme Information Services (Australia) Pty Limited	100%[3]	Australia	Non-trading
Xtreme Information Services Limited	100%	UK	Holding company
Xtreme Information Services SPRL	100%[3]	Belgium	Non-trading
Xtreme Information (USA) Limited	100%[3]	UK	Non-trading

1. On 11 March 2016, the Group acquired the outstanding 50% interest in its Irish media consultancy associate, Fairbrother Marsh Company Limited. Refer to note 28 for further details.
2. Principal trading entity.
3. Shares held by an intermediate holding company.

13. Investment in associates

	31 December 2016 £'000	31 December 2015 £'000
Aggregated amounts relating to associates		
Total assets	**—**	362
Total liabilities	**—**	(275)
Revenues	**—**	365
Profit	**—**	27
Opening balance	**45**	32
Acquisitions (note 28)	**(45)**	—
Group's share of profit	**—**	13
Net investment in associates	**—**	45

During the year, the Group acquired the outstanding 50% ordinary shares of its associate, Fairbrother Marsh Company Limited (incorporated in Ireland). Refer to note 28 for further details.

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14. Trade and other receivables

	31 December 2016 £'000	31 December 2015 £'000
Trade and other receivables due within one year		
Net trade receivables (note 25)	**19,291**	16,283
Other receivables	**845**	1,104
Prepayments	**1,207**	1,678
Accrued income	**7,073**	5,253
	28,416	24,318

The Directors consider that the carrying amount of trade and other receivables are reasonable approximations of their fair value.

15. Cash and cash equivalents

	31 December 2016 £'000	31 December 2015 £'000
Cash and cash equivalents	**6,662**	8,755

The Group has certain legally enforceable rights of offset for cash and cash equivalents and bank overdrafts. Cash and cash equivalents earn interest at between 0% and 1.5%.

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	31 December 2016 £'000	31 December 2015 £'000
Cash and cash equivalents	**6,662**	8,755
Bank overdrafts (note 18)	**(2,062)**	(2,391)
Cash, cash equivalents and bank overdrafts	**4,600**	6,364

16. Trade and other payables

	31 December 2016 £'000	31 December 2015 £'000
Trade payables	**3,071**	3,538
Other taxation and social security	**2,281**	2,302
Other payables	**567**	726
	5,919	6,566

The Directors consider that the carrying amount of trade and other payables are reasonable approximations of their fair value.

17. Accruals and deferred income

	31 December 2016 £'000	31 December 2015 £'000
Accruals	**4,827**	4,663
Deferred income	**7,063**	7,677
	11,890	12,340

18. Financial liabilities

	31 December 2016 £'000	31 December 2015 £'000
Current		
Bank overdraft	**2,062**	2,391
Bank borrowings	**2,410**	2,410
Finance lease liabilities	**4**	4
Contingent deferred consideration	**1,777**	3,422
	6,253	8,227
Non-current		
Bank borrowings	**30,205**	32,615
Finance lease liabilities	**5**	9
Contingent deferred consideration	**238**	1,431
	30,448	34,055
Total financial liabilities	**36,701**	42,282

	Bank overdrafts £'000	Bank borrowings £'000	Finance lease liabilities £'000	Contingent deferred consideration £'000	Total £'000
At 1 May 2015	1,411	34,291	17	8,999	44,718
Additions	980	—	—	—	980
Paid	—	—	(4)	(4,063)	(4,067)
Charged to the income statement	—	60	—	(82)	(22)
Discounting charged to the income statement	—	—	—	(148)	(148)
Discounting charged to the statement of financial position	—	—	—	(49)	(49)
Borrowings	—	2,578	—	—	2,578
Repayments	—	(1,982)	—	—	(1,982)
Foreign exchange released to the income statement	—	78	—	198	276
Foreign exchange released to reserves	—	—	—	(2)	(2)
At 31 December 2015	2,391	35,025	13	4,853	42,282
Recognized on acquisition	**—**	**—**	**—**	**557**	**557**
Additions	**(329)**	**—**	**—**	**—**	**(329)**
Paid	**—**	**—**	**(4)**	**(5,110)**	**(5,114)**
Charged to the income statement	**—**	**90**	**—**	**638**	**728**
Discounting charged to the income statement	**—**	**—**	**—**	**155**	**155**
Discounting charged to the statement of financial position	**—**	**—**	**—**	**(39)**	**(39)**
Borrowings	**—**	**3,336**	**—**	**—**	**3,336**
Repayments	**—**	**(6,410)**	**—**	**—**	**(6,410)**
Foreign exchange released to the income statement	**—**	**574**	**—**	**808**	**1,382**
Foreign exchange released to reserves	**—**	**—**	**—**	**153**	**153**
At 31 December 2016	**2,062**	**32,615**	**9**	**2,015**	**36,701**

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18. Financial liabilities continued

A currency analysis for the bank borrowings is shown below:

	31 December 2016 £'000	31 December 2015 £'000
Pounds sterling	**32,615**	32,096
Euros	**—**	2,929
Total bank borrowings	**32,615**	35,025

All bank borrowings are held jointly with Barclays and Royal Bank of Scotland ('RBS'). The committed facility, totalling £40,000,000, comprises a term loan of £10,000,000 (of which £3,750,000 remains outstanding at 31 December 2016 (31 December 2015: £6,250,000)), and a revolving credit facility ('RCF') of £30,000,000 (of which £29,000,000 was drawn down at 31 December 2016 (31 December 2015: £29,000,000)). Both the term loan and the RCF have a maturity date of 2 July 2018. The £10,000,000 term loan is being repaid on a quarterly basis to maturity, and the drawn RCF and any further drawings under the RCF are repayable on maturity of the facility. The facility may be used for deferred consideration payments on past acquisitions, to fund future potential acquisitions, and for general working capital requirements.

Loan arrangement fees of £135,000 (31 December 2015: £225,000) are offset against the term loan, and are being amortized over the period of the loan.

The facility bears variable interest of LIBOR plus a margin of 2.50%. The margin rate is able to be lowered each quarter end depending on the Group's net debt to EBITDA ratio.

The undrawn amount of the revolving credit facility is liable to a fee of 40% of the prevailing margin. The Group may elect to prepay all or part of the outstanding loan subject to a break fee, by giving five business days' notice.

All amounts owing to the bank are guaranteed by way of fixed and floating charges over the current and future assets of the Group. As such, a composite guarantee has been given by all significant subsidiary companies in the UK, USA and Germany.

Contingent deferred consideration represents additional amounts that are expected to be payable for acquisitions made by the Group and is held at fair value at the statement of financial position date. All amounts are expected to be fully paid by August 2017.

All finance lease liabilities fall due within five years. The minimum lease payments and present value of the finance leases are as follows:

	Minimum lease payments	
	31 December 2016 £'000	31 December 2015 £'000
Amounts due:		
Within one year	**6**	6
Between one and five years	**6**	12
	12	18
Less: finance charges allocated to future periods	**(3)**	(5)
Present value of lease obligations	**9**	13

The minimum lease payments approximate the present value of minimum lease payments.

19. Provisions

	Onerous property leases[1] £'000	Dilapidations[2] £'000	Total £'000
At 1 May 2015	55	551	606
Utilisation of provision	(47)	—	(47)
Unused amounts released to income statement	(1)	—	(1)
Increase in provision	—	17	17
At 31 December 2015	7	568	575
Utilisation of provision	**(7)**	**—**	**(7)**
Unused amounts released to income statement	**—**	**(175)**	**(175)**
Arising on acquisition	**—**	**8**	**8**
Increase in provision	**—**	**—**	**—**
Foreign exchange	**—**	**1**	**1**
At 31 December 2016	**—**	**402**	**402**
Current	—	9	9
Non-current	—	393	393

1. The onerous property lease obligations in the prior period related to properties that the Group has vacated where there is a shortfall between the head lease costs and sub lease income, properties with excess vacant space and certain property leases, held in acquired companies upon acquisition, where lease payments are payable above a fair market rate. The provision was fully utilized by January 2016.
2. The dilapidations provision relates to the expected costs of vacating various properties. The provision is expected to be fully utilized by December 2020.

20. Deferred tax

	Tangible assets £'000	Intangible assets £'000	Share-based payments £'000	Tax losses £'000	Other timing differences £'000	Total £'000
At 1 April 2015	—	(2,821)	1,337	—	71	(1,413)
Credit/(charge) to income	—	577	46	631	(4)	1,250
Credit to equity	—	—	186	—	—	186
At 31 December 2015	—	(2,244)	1,569	631	67	23
Credit/(charge) to income	**225**	**146**	**(188)**	**(631)**	**(13)**	**(461)**
Credit to equity	**—**	**—**	**(321)**	**—**	**—**	**(321)**
Acquisitions	**—**	**(28)**	**—**	**—**	**—**	**(28)**
At 31 December 2016	**225**	**(2,126)**	**1,060**	**—**	**54**	**(787)**

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balance (after offset) for financial reporting purposes:

	31 December 2016 £'000	31 December 2015 £'000
Deferred tax assets – non-current	**1,338**	2,267
Deferred tax liabilities – non-current	**(2,125)**	(2,244)
	(787)	23

At the period end, the Group had tax losses of £nil (31 December 2015: £3,154,000) available for offset against future profits. A deferred tax asset of £nil (31 December 2015: £631,000) has been recognized in respect of such losses.

The Group has unrecognized tax losses of £548,000 (31 December 2015: £1,060,000) and unrecognized deferred tax assets of £110,000 (31 December 2015: £212,000) in relation to tax losses.

Deferred tax on unremitted earnings has not been recognized as management do not intend to pay dividends from jurisdictions where a tax charge would be incurred and dividends received are not taxed in the UK.

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for the year ended 31 December 2016

21. Operating leases

Lessee

The Group leases various offices under non-cancellable operating leases with the majority of these expiring within one to five years. The leases have varying terms, break clauses and renewal rights.

The Group has future aggregate minimum lease payments under non-cancellable operating leases which fall due as follows:

	31 December 2016		31 December 2015	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Within one year	**1,410**	**76**	1,883	80
Between one and five years	**3,055**	**202**	5,763	220
After five years	**7**	**—**	—	—
	4,472	**278**	7,646	300

Lessor

There is no minimum aggregate future rent receivable under non-cancellable operating leases as at 31 December 2016 (2015: £nil).

22. Ordinary shares

	Number of shares	Nominal value £'000
At 1 May 2015 – ordinary shares of 25p	76,771,654	19,193
Share options exercised	390,034	97
At 31 December 2015 – ordinary shares of 25p	77,161,688	19,290
Share options exercised	**38,063**	**10**
At 31 December 2016 – ordinary shares of 25p	**77,199,751**	**19,300**

Ordinary shares carry voting rights and are entitled to share in the profits of the Company (dividends). At the year end, 4,201,504 shares were held by the ESOP (31 December 2015: 4,201,504). The Company does not have a limited amount of authorized capital.

23. Reserves

Share premium

The share premium reserve shows the amount subscribed for share capital in excess of the nominal value. On 8 June 2016, the Group announced the cancellation of the share premium account (the "Capital Reduction") effective 9 June 2016 following registration of the Court order confirming the Capital Reduction by the Registrar of Companies.

Other reserves

Other reserves consists of the merger reserve, ESOP reserve, hedging reserve and translation reserve.

Merger reserve

The merger reserve arose on the issuance of shares at a premium on a group restructure, where the premium on issue qualified for merger relief. There has been no movement in the period.

Convertible loan note reserve

On 29 March 2016, the Group agreed to increase the total cap on consideration payable on the Stratigent LLC ('Stratigent') acquisition. The Group acquired Stratigent on 19 August 2013. Stratigent's management held a 7% economic interest in Stratigent which was acquired by the Group for a total consideration to be determined by the financial performance of Stratigent over the three financial years ending 30 April 2016 and capped at $1.5 million. Stratigent's financial performance over the first two financial years resulted in consideration of $1.1 million being paid to Stratigent's management. In order to ensure that management remains incentivized to continue to drive and generate the financial performance achieved over the first two financial years, the Group agreed to increase the total cap on consideration payable to management. Accordingly, in March 2016, the cap on consideration was increased by an amount of $1.5 million, with any excess over and above the existing cap on consideration payable 25% in cash and 75% in new ordinary shares in Ebiquity plc (capped at 600,000 new shares). A convertible loan note reserve amounting to £634,000 was created in equity in respect of the convertible loan note representing 600,000 new shares in the Company.

ESOP reserve

The ESOP reserve represents the cost of own shares acquired in the Company by the Employee Benefit Trust ('EBT'). The purpose of the EBT is to facilitate and encourage the ownership of shares by employees, by acquiring shares in the Company and distributing them in accordance with employee share schemes. The EBT may operate in conjunction with the Company's existing share option schemes and other schemes that may apply from time to time.

Hedging reserve

The hedging reserve is used to record the effective portion of the movements in fair value of the Group's financial instruments that qualify for hedge accounting and are deemed to be effective hedges.

Translation reserve

The translation reserve arises on the translation into sterling of the net assets of the Group's foreign operations, offset by any changes in fair value of financial instruments used to hedge this exposure. At this time there are no hedges in place.

Retained earnings

The retained earnings reserve shows the cumulative net gains and losses recognized in the consolidated income statement.

For detailed movements on each of the above reserves, refer to the consolidated statement of changes in equity.

24. Share-based payments

The Group operates a number of equity-settled share incentive schemes used to award employees of the Group. A charge based on the fair value of the award on the grant date is taken to the consolidated income statement over the vesting period to recognize the cost of these.

Options outstanding at 31 December 2016:

Name of share option scheme	Life of option	Exercise period	Exercise price (pence)	Weighted average exercise price (pence)	Number
Executive Incentive Plan – 27 January 2016	10 years	January 2016 – January 2026	25.0	25.0	500,000
Executive Incentive Plan – 12 May 2010	10 years	May 2011 – May 2020	35.0	35.0	4,200,000
Executive Share Option Plan – 01 October 2015	10 years	May 2018 – October 2025	25.0	25.0	1,349,111
Executive Share Option Plan – 15 May 2014	10 years	May 2017– April 2024	25.0	25.0	1,892,500
Executive Share Option Plan – 17 January 2014	10 years	May 2016 – January 2024	25.0	25.0	375,459
Executive Share Option Plan – 23 May 2013	10 years	May 2016 – May 2023	25.0	25.0	148,353
Executive Share Option Plan – 27 September 2012	10 years	September 2012 – September 2022	25.0 – 98.0	97.5	195,167
EMI and UCSOP Scheme	10 years	May 2004 – August 2021	nil – 72.0	38.3	903,196
					9,563,786

Executive Incentive Plan ('EIP')

This is a discretionary scheme for the Directors of the Company. Vesting of the options was subject to the satisfaction of performance criteria designed to achieve growth of the business while at the same time maintaining and enhancing underlying earnings per share over the period to 30 April 2013.

On 27 January 2016, 200,000 options with an exercise price of 25p each were awarded under the EIP to an Executive Director. 100,000 of these options will vest after six months' service and the remaining 100,000 options will vest after 12 months' service, in each case subject to the Executive Director remaining in the employment of the Company.

Also on 27 January 2016, an additional 300,000 options with an exercise price of 25p each were granted under the EIP to an Executive Director. These options will vest conditionally on the satisfaction of performance criteria relating to the growth of the Company's diluted adjusted earnings per share ('EPS') as described below. 200,000 options ("tranche one") will vest conditionally on the satisfaction of EPS growth for the financial year ending 31 December 2016 over the previous 12 month period ended 31 December 2015. 100,000 options ("tranche two") will vest conditionally on the satisfaction of EPS growth for the financial year ending 31 December 2017 over the prior financial year. Any options from tranche one which do not vest will be rolled over into tranche two and will be capable of vesting along with the options granted as part of tranche two.

EPS growth, over the relevant performance period for each tranche, of 10% or more will result in all of the options in that tranche vesting. EPS growth of 4% over the relevant performance period will vest one-fifth of the options in that tranche. None of the options in a tranche will vest if EPS growth over the relevant performance period is less than 4%. Three-fifths of the options in a tranche will vest if EPS growth over the relevant performance period is 8%. The options in a tranche will vest on a straight-line basis where EPS growth over the relevant performance period is between 4% and 8% or between 8% and 10%.

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24. Share-based payments continued

Executive share option plan ('ESOP')

This is a discretionary scheme, comprised of an HMRC approved schedule and an unapproved schedule. The ESOP provides a lock-in incentive to Executive Directors and key management. Vesting of these options is subject to the satisfaction of certain performance criteria and typically around the rate of growth of diluted adjusted earnings per share over a three-year period. Rights to ESOP options lapse if the employee leaves the Company.

Options awarded in the 2015 and May 2014 grants vest based on a sliding scale of compound growth rates of between 4% and 10% whilst options awarded in the January 2014 and 2013 grants vest based on a sliding scale of compound growth rates of between 5% and 15%. In May 2014, a one-off award was made to an Executive Director in recognition of his continued service through to retirement. These options vest according to the rate of annual growth, in the range between 4% and 12%, in the total shareholder returns ('TSR') over a three-year period. The remaining options issued in the 2012 grant have no performance conditions attached.

No share options have been granted to any employees under the ESOP in the year ended 31 December 2016.

Enterprise management incentive scheme ('EMI scheme')

The EMI scheme is a discretionary share option scheme which provides that options with a value at the date of grant of up to £120,000, may be granted to employees. The EMI scheme provides a lock-in incentive to key management and is also utilized to attract key staff. Rights to EMI share options lapse if the employee leaves the Company. There are no further performance conditions.

No share options have been granted under this scheme since 13 April 2010 as the Group was, from that date, too large to qualify under the HMRC EMI scheme rules.

Unapproved company share option plan ('UCSOP')

This is a discretionary scheme, which provides that options may be granted where employees were not eligible to join the EMI scheme. The UCSOP provides a lock-in incentive to key management. Rights to UCSOP options lapse if the employee leaves the Company.

No share options have been granted to any employees under the UCSOP in the year ended 31 December 2016.

Movements in outstanding ordinary share options:

	31 December 2016		31 December 2015	
	Number of share options	**Weighted average exercise price (pence)**	Number of share options	Weighted average exercise price (pence)
Outstanding at beginning of year/period	**10,280,037**	**31.9**	9,463,919	33.7
Granted during the year/period	**500,000**	**25.0**	1,519,111	25.0
Exercised during the year/period	**(38,063)**	**69.6**	(390,034)	46.4
Forfeited during the year/period	**(297,000)**	**29.1**	(312,959)	35.3
Performance criteria not expected to be met	**(881,188)**	**25.0**	—	—
Outstanding at the end of the year/period	**9,563,786**	**32.1**	10,280,037	31.9
Exercisable at the end of the year/period	**6,236,286**	**35.9**	5,367,537	38.2

During the year, share options were granted with a weighted average fair value of 119.1p (31 December 2015: 121.8p). These fair values were calculated using the Black-Scholes model with the following inputs:

	31 December 2016	31 December 2015
Weighted average share price	**143.4p**	146.5p
Exercise price	**25p**	25p
Expected volatility[1]	**17.4%**	18.9%
Vesting period	**0.5 to 2 years**	0 to 3 years
Risk-free interest rates	**0.18% to 0.35%**	0% to 0.52%

1. Expected volatility is based on historical volatility of the Company over the period commensurate with the expected life of the options.

Options exercised in the period resulted in 38,063 shares (31 December 2015: 390,034 shares) being issued at a weighted average price of 69.6p each (31 December 2015: 46.4p). The weighted average share price on the dates of exercise for options exercised during the year was 126.5p (31 December 2015: 129.7p).

The options outstanding at the end of the year have a weighted average remaining contractual life of 5.4 years (31 December 2015: 6.4 years), with a range of exercise prices being between 25.0p and 97.5p.

The total credit in respect of share option schemes recognized in the consolidated income statement during the period amounted to £92,000 (31 December 2015: £203,000 charge).

25. Capital and financial risk management

General objectives, policies and processes

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. The Board has overall responsibility for the determination of the Group's risk management policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating the processes that ensure the effective implementation of the financial risk management objectives and policies, to the Group's finance function. The Board receives monthly reports from the Group's finance function through which it monitors the effectiveness of the processes put in place and the appropriateness of the policies it sets. Further details regarding these policies are set out below.

Capital and other reserves

The Group considers its capital to comprise of its cash and cash equivalents, borrowings, ordinary share capital, share premium, convertible loan notes, non-controlling interests, reserves and accumulated retained earnings.

The Group's objective when maintaining capital is to safeguard the entity's ability to continue as a going concern so that it can continue to invest in the growth of the business and ultimately to provide an adequate return to its shareholders. The Directors believe the Group has sufficient capital to continue trading in the foreseeable future.

The following table summarizes the capital of the Group:

	31 December 2016 £'000	31 December 2015 £'000
Financial assets:		
Cash and cash equivalents	**6,662**	8,755
Financial liabilities held at amortized cost:		
Bank overdraft	**(2,062)**	(2,391)
Bank borrowings	**(32,615)**	(35,025)
Net debt	**(28,015)**	(28,661)
Equity	**(52,055)**	(42,409)
Capital	**(80,070)**	(71,070)

Financial risk management

The Group is exposed to risks that arise from its use of financial instruments. The Group's objectives, policies and processes for managing those risks and the methods used to measure them are described below. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Group is exposed through its operations to a variety of financial risks: credit risk; market risk (including interest rate and currency risk); and liquidity risk.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations.

Trade receivables

The Group operates in an industry where most of its customers are reputable and well-established multinational or large national businesses. When the credit worthiness of a new customer is in doubt, credit limits and payment terms are established and authorized by the Territory Finance Director. The Group will suspend the services provided to customers who fail to meet the terms and conditions specified in their contract where it is deemed necessary.

There is no concentration of credit risk within the Group. The maximum credit risk exposure relating to financial assets is represented by the carrying values as at the year end.

The credit control function of the Group monitors outstanding debts of the Group. Debtor reports are reviewed and analyzed on a regular basis. Trade receivables are analyzed by the ageing and value of the debts. Customers with any overdue debts are contacted for payment and progress is tracked on a credit control report. Based on these procedures, management assessed the credit quality of those receivables that are neither past due nor impaired as low risk. There have been no significant changes to the composition of receivables counterparties within the Group that indicate this would change in the future.

The Directors consider that the carrying amount of trade and other receivables are reasonable approximations of their fair value.

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25. Capital and financial risk management continued

Credit risk continued

Financial assets past due but not impaired

The following is an analysis of the Group's trade receivables identifying the totals of trade receivables which are past due but not impaired:

	Total £'000	Past due + 30 days £'000	Past due + 60 days £'000
At 31 December 2016	**5,855**	**2,130**	**3,725**
At 31 December 2015	4,865	1,825	3,040

The following is an analysis of the Group's provision against trade receivables:

	31 December 2016			31 December 2015		
	Gross value £'000	**Provision £'000**	**Carrying value £'000**	Gross value £'000	Provision £'000	Carrying value £'000
Trade receivables	**19,491**	**(200)**	**19,291**	16,472	(189)	16,283

The Group records impairment losses on its trade receivables separately from the gross amounts receivable. Impaired receivables are provided against based on expected recoverability. The movements on this allowance during the year are summarized below:

	31 December 2016 £'000	31 December 2015 £'000
Opening balance	**189**	118
Increase in provision	**138**	132
Written off against provision	**(15)**	(62)
Recovered amount reversed	**(119)**	—
Foreign exchange	**7**	1
Closing balance	**200**	189

Market risk

Market risk arises from the Group's use of interest bearing, tradable and foreign currency financial instruments. There is a risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Interest rate risk

The Group is exposed to interest rate risk from bank loans and a revolving credit facility.

To illustrate the Group's exposure to interest rate risk, a 0.5% increase/decrease in the rate applied to the Group's borrowings would have resulted in a post-tax movement of £139,000 (31 December 2015: £95,000).

Currency risk

The Group is exposed to currency risk on foreign currency trading and intercompany balances, and also on the foreign currency bank accounts which it holds. These risks are offset by the holding of certain foreign currency bank borrowings. The translation of the assets and liabilities of the Group's overseas subsidiaries represents a risk to the Group's equity balances.

The Group's exposure to currency risk at the year end can be illustrated by the following:

	31 December 2016		31 December 2015	
	Increase in profit before tax[1] £'000	**Increase in equity[1] £'000**	Increase in profit before tax[1] £'000	Increase in equity[1] £'000
10% strengthening of US dollar	**59**	**4,342**	123	4,119
10% strengthening of euro	**465**	**1,530**	104	1,257
10% strengthening of Australian dollar	**(51)**	**964**	(10)	469

1. An equal weakening of any currency would broadly have the opposite effect.

The currency profile of the financial assets at 31 December 2016 is as follows:

	Cash and cash equivalents		Gross trade receivables	
	31 December 2016 £'000	31 December 2015 £'000	**31 December 2016 £'000**	31 December 2015 £'000
Pounds sterling	**1,937**	3,267	**5,091**	5,229
US dollar	**1,626**	2,014	**6,005**	4,605
Euro	**1,667**	2,218	**7,064**	5,663
Australian dollar	**438**	444	**749**	642
Russian rouble	**272**	201	**259**	83
Singapore dollar	**75**	—	**10**	73
Chinese renminbi	**647**	611	**291**	134
New Zealand dollar	**—**	—	**22**	43
	6,662	8,755	**19,491**	16,472

Other price risks

The Group does not have any material exposure to other price risks.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments, the risk being that the Group may not meet its financial obligations as they fall due.

The liquidity risk of each group company is managed centrally by the Group. All surplus cash in the UK is held centrally to maximize the returns on deposits through economies of scale. The type of cash instrument used and its maturity date will depend on the Group's forecast cash requirements. Throughout the year, the Group maintained a draw down facility with Barclays and Royal Bank of Scotland ('RBS') (see note 18) to manage any short-term cash requirements. At 31 December 2016: £nil (31 December 2015: £nil) was undrawn. The facility expires in July 2018 at which point drawn down amounts will be repayable.

It is a condition of the borrowings that the Group pass various covenant tests on a quarterly basis and the Group finance team regularly monitors the Group forecasts to ensure they are not breached.

Categories of financial assets and liabilities

The following tables set out the categories of financial instruments held by the Group. All of the Group's financial assets and liabilities are measured at amortized cost, except forward currency contracts and interest rate swaps, which are held as hedging derivatives.

Financial assets

	31 December 2016 £'000	31 December 2015 £'000
Current financial assets		
Loans and receivables:		
Trade and other receivables[1] (note 14)	**20,136**	17,387
Cash and cash equivalents (note 15)	**6,662**	8,755
Total financial assets	**26,798**	26,142

1. Trade and other receivables includes net trade receivables and other receivables and excludes prepayments and accrued income.

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25. Capital and financial risk management continued

Financial liabilities

	31 December 2016 £'000	31 December 2015 £'000
Current financial liabilities		
Other financial liabilities at amortized cost:		
Trade and other payables[1]	**3,638**	4,264
Accruals	**4,827**	4,663
Bank overdrafts	**2,062**	2,391
Finance lease liabilities	**4**	4
Loans and borrowings	**2,410**	2,410
Liabilities at fair value through profit and loss:		
Contingent deferred consideration	**1,777**	3,422
	14,718	17,154
Non-current financial liabilities		
Other financial liabilities at amortized cost:		
Loans and borrowings	**30,205**	32,615
Finance lease liabilities	**5**	9
Liabilities at fair value through profit and loss:		
Contingent deferred consideration	**238**	1,431
	30,448	34,055
Total financial liabilities	**45,166**	51,209

1. Trade and other payables includes trade payables and other payables and excludes other taxation and social security and deferred income.

The following table illustrates the contractual maturity analysis of the Group's financial liabilities:

	Within one year £'000	One to five years £'000	Total £'000
At 31 December 2016			
Trade and other payables	**3,638**	**—**	**3,638**
Accruals	**4,827**	**—**	**4,827**
Finance lease liabilities	**6**	**6**	**12**
Bank loans and overdrafts	**5,484**	**33,285**	**38,769**
Contingent deferred consideration	**1,777**	**238**	**2,015**
Total financial liabilities	**15,732**	**33,529**	**49,261**
Less: finance charges allocated to future periods	**(1,014)**	**(3,081)**	**(4,095)**
Present value	**14,718**	**30,448**	**45,166**
At 31 December 2015			
Trade and other payables	4,264	—	4,264
Accruals	4,663	—	4,663
Finance lease liabilities	6	12	18
Bank loans and overdrafts	6,011	34,382	40,393
Contingent deferred consideration	3,422	1,431	4,853
Total financial liabilities	18,366	35,825	54,191
Less: finance charges allocated to future periods	(1,212)	(1,770)	(2,982)
Present value	17,154	34,055	51,209

Fair value measurement

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
At 31 December 2016				
Financial liabilities				
Contingent deferred consideration	**—**	**—**	**2,015**	**2,015**
	—	**—**	**2,015**	**2,015**
At 31 December 2015				
Financial liabilities				
Contingent deferred consideration	—	—	4,853	4,853
	—	—	4,853	4,853

Refer to note 18 for a reconciliation of movements during the year.

26. Dividends

	31 December 2016 £'000	31 December 2015 £'000
Dividend in respect of the prior year	**292**	291
Total dividend paid	**292**	291

A dividend of £292,000 (0.4p per share) was paid during the current financial year (31 December 2015: £291,000). Dividends were paid to non-controlling interests as shown in the consolidated statement of changes in equity.

27. Cash generated from operations

	31 December 2016 £'000	31 December 2015 £'000
Profit/(loss) before taxation	**6,625**	(7,446)
Adjustments for:		
Depreciation (note 11)	**1,231**	770
Amortization (note 10)	**2,451**	1,711
Impairment of goodwill	**—**	3,129
Impairment of intangible assets	**—**	773
Loss on disposal	**33**	18
Unrealized foreign exchange loss	**(107)**	(95)
Share option charges (note 3)	**652**	228
Finance income (note 6)	**(18)**	(13)
Finance expenses (note 6)	**1,150**	813
Share of profit of associates (note 13)	**—**	(13)
Contingent deferred consideration revaluations	**1,599**	(32)
	13,616	(157)
(Increase)/decrease in trade and other receivables	**(3,968)**	5,549
Increase/(decrease) in trade and other payables	**1,313**	(333)
Movement in provisions	**(179)**	(31)
Cash generated from operations	**10,782**	5,028

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

28. Acquisitions

Fairbrother Marsh Company Limited

On 11 March 2016, the Group acquired the outstanding 50% interest in its Irish media consultancy associate, Fairbrother Marsh Company Limited ('FMC'). The 50% interest in FMC was acquired for an initial cash consideration of €150,000 (£118,000). €643,000 (£500,000) in deferred consideration was recognized at acquisition however, the maximum total purchase consideration is up to €2,000,000 (£1,559,000), payable in cash, depending on the performance of the FMC business during the period ending 31 December 2020.

The fair value of the purchase consideration for the acquisition of FMC is as follows:

	£'000
Cash	**118**
Net present value of contingent deferred consideration[1]	**500**
Total purchase consideration	**618**

1. The fair value of contingent deferred consideration payable is based on EBIT for the years ending 31 December 2019 and 31 December 2020 with stage payments each year from 2017 onwards based on two year averages. The potential range of future payments that Ebiquity plc could be required to make under the contingent consideration arrangement is between £nil and £1,441,000 and will be paid in cash. All contingent deferred consideration payments are expected to be paid by June 2021.

The carrying value and the provisional fair value of the net assets recognized at the date of acquisition are as follows:

	Carrying value £'000	Fair value adjustments[1] £'000	Fair value £'000
Customer relationships	**–**	**142**	**142**
Brands	**–**	**83**	**83**
Property, plant and equipment	**10**	**–**	**10**
Trade and other receivables	**140**	**–**	**140**
Cash and cash equivalents	**162**	**–**	**162**
Trade and other payables	**(250)**	**(27)**	**(277)**
Deferred tax liabilities	**–**	**(28)**	**(28)**
Net assets acquired	**62**	**170**	**232**
Fair value of 50% previously held equity interest[2]			**(40)**
Goodwill arising on acquisition[3]			**426**
Total purchase consideration			**618**

1. The fair value adjustments relate to the finalisation of the allocation of the purchase consideration accounting for intangible assets (customer relationships and brands), trade and other payables and deferred tax liabilities. The fair value of trade and other receivables includes trade receivables with a fair value and gross contractual value of £94,000.
2. A loss of £5,000 was recognized and charged to the income statement on the disposal of the original 50% previously held equity interest in FMC.
3. The goodwill recognized of £426,000 is attributable to the assembled workforce, expected synergies and other intangible assets, which do not qualify for separate recognition. None of the goodwill arising from the acquisition is expected to be tax deductible.

FMC contributed £519,000 to revenue and £62,000 to profit before tax for the period between the date of acquisition and the year ended 31 December 2016. If the above transaction had been completed on 1 January 2016, management estimates Group revenue would have been £83,640,000 and Group operating profit before highlighted items would have been £12,922,000 during the financial year to 31 December 2016.

Acquisition-related costs of £20,000 were charged to the Group's financial statements as administrative expenses during the year ended 31 December 2016. Refer to note 3 "highlighted items" for further details.

Fairbrother Iberica and Partners SL

On 15 December 2015, the Group acquired the remaining 35% in its subsidiary undertaking, Fairbrother Iberica and Partners SL, from the minority shareholder for cash consideration of €60,000 (£43,000). Subsequently, Fairbrother Iberica and Partners SL was liquidated and its business and assets were transferred to Media Value SL.

29. Contingent liabilities

The Group is subject to claims and litigation arising in the ordinary course of business and provision is made where liabilities are considered likely to arise on the basis of current information and legal advice.

30. Related party transactions

The Group has a related party relationship with its subsidiaries (refer to note 12), its associates (refer to note 13), and key management personnel including Directors and Executive Committee members.

Transactions between the Company and its subsidiaries, or between subsidiaries, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Compensation of key management personnel

The remuneration of the Directors, who are considered to be the key management personnel of the Group, is set out in note 5. There were no post-employment or other long-term benefits other than contributions to private pension schemes.

Transactions with companies related to key management personnel

Revenue of £14,000 (31 December 2015: £nil) was recognized by the Group from Travelzoo Inc., who has a common director with the Company.

Costs of £1,500 (31 December 2015: £1,000) for a membership subscription were charged to the Company by the Quoted Companies Alliance, who has a common director with the Company.

Costs of £79,000 (31 December 2015: £35,000) for public relations consultancy were charged to the Company by Instinctif Partners Limited, who has a common director with the Company.

As at the year end, £16,000 (31 December 2015: £9,000) was owed to Instinctif Partners Limited and £nil (31 December 2015: £nil) was owed to the Quoted Companies Alliance.

Transactions with associates

On 11 March 2016, the Group acquired the outstanding 50% interest in its Irish media audit associate, Fairbrother Marsh Company Limited ('FMC'). The 50% interest in FMC was acquired for an initial cash consideration of €150,000. The maximum total consideration is up to €2 million, payable in cash, depending on the performance of the FMC business during the period ending 31 December 2020. No revenue or costs from FMC have been treated as transactions with associates during the year as FMC is now accounted for as a 100% subsidiary undertaking.

Revenue of £nil (31 December 2015: £21,000) was earned by Ebiquity Associates Limited from FMC during the period.

Costs of £nil (31 December 2015: £24,000) were charged to Ebiquity Associates Limited by FMC during the period.

As at the year end £nil (31 December 2015: £nil) was owed to or by any associate companies.

31. Events after the reporting period

There have been no events after the reporting period requiring disclosure.

INDEPENDENT AUDITORS' REPORT

to the members of Ebiquity plc

Report on the parent company financial statements

Our opinion

In our opinion, Ebiquity plc's parent company financial statements (the 'financial statements'):

- give a true and fair view of the state of the parent company's affairs as at 31 December 2016;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the annual report, comprise:

- the Company statement of financial position as at 31 December 2016;
- the Company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the annual report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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 addition, in light of the knowledge and understanding of the parent company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the strategic report and the Directors' report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the statement of Directors' responsibilities, set out on page 41, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the strategic report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.

Other matter

We have reported separately on the Group financial statements of Ebiquity plc for the year ended 31 December 2016.

Simon O'Brien
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors
London

27 March 2017

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

Company number: 03967525

	Note	31 December 2016 £'000	Restated[1] 31 December 2015 £'000
Fixed assets			
Intangible assets	6	**990**	358
Property, plant and equipment	7	**21**	32
Investments in subsidiaries	8	**74,890**	74,288
		75,901	74,678
Current assets			
Trade and other receivables	9	**15,290**	12,352
Cash at bank and in hand		**—**	—
		15,290	12,352
Creditors: amounts falling due within one year	10	**(35,599)**	(28,670)
Net current liabilities		**(20,309)**	(16,318)
Total assets less current liabilities		**55,592**	58,360
Creditors: amounts falling due after more than one year	11	**(30,205)**	(32,615)
Net assets		**25,387**	25,745
Equity			
Ordinary shares	12	**19,300**	19,290
Share premium	13	**—**	11,764
Other reserves	13	**(99)**	(733)
Retained earnings	13	**6,186**	(4,576)
Total shareholders' funds		**25,387**	25,745

1. As at 31 December 2015, the balance of amounts owed to Group undertakings amounting to £22,352,000 has been reclassified to 'falling due within one year' from 'falling due after more than one year' to reflect that they were repayable on demand.

The notes on pages 84 to 90 are an integral part of the financial statements of the Company. The financial statements on pages 82 to 90 were approved and authorized for issue by the Board of Directors on 27 March 2017 and were signed on its behalf by:

Michael Karg, PhD
Director

Andrew Noble
Director

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 May 2015		19,193	11,657	(733)	2,071	32,188
Loss for the period		—	—	—	(6,584)	(6,584)
Other comprehensive (loss)/income for the period		—	—	—	—	—
Total comprehensive loss for the period		—	—	—	(6,584)	(6,584)
Proceeds from shares issued	12	97	107	—	—	204
Share-based payments charge	14	—	—	—	(45)	(45)
Capital contribution relating to share-based payments		—	—	—	273	273
Dividends to shareholders		—	—	—	(291)	(291)
At 31 December 2015		19,290	11,764	(733)	(4,576)	25,745
Loss for the year		**—**	**—**	**—**	**(1,380)**	**(1,380)**
Other comprehensive (loss)/income for the year		**—**	**—**	**—**	**—**	**—**
Total comprehensive loss for the year		**—**	**—**	**—**	**(1,380)**	**(1,380)**
Proceeds from shares issued	12	**10**	**16**	**—**	**—**	**26**
Share premium reduction[1]		**—**	**(11,780)**	**—**	**11,780**	**—**
Convertible loan note[2]		**—**	**—**	**634**	**—**	**634**
Share-based payments credit	14	**—**	**—**	**—**	**474**	**474**
Capital contribution relating to share-based payments	8	**—**	**—**	**—**	**180**	**180**
Dividends to shareholders		**—**	**—**	**—**	**(292)**	**(292)**
At 31 December 2016		**19,300**	**—**	**(99)**	**6,186**	**25,387**

1. On 8 June 2016, the Group announced the cancellation of the share premium account (the "Capital Reduction") effective 9 June 2016 following registration of the Court order confirming the Capital Reduction by the Registrar of Companies.
2. A convertible loan note reserve of £634,000 was created during the year to 31 December 2016. Refer to note 13 for further details.

The notes on pages 84 to 90 are an integral part of the financial statements of the Company.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2016

1. General information

Ebiquity plc (the 'Company') acts as a holding company and is incorporated and domiciled in the UK. The address of its registered office is CityPoint, One Ropemaker Street, London EC2Y 9AW.

The financial statements of the Company represent the results for the year ended 31 December 2016 whilst the comparatives represent the results for the eight months ended 31 December 2015. The change of year end was made to enable greater certainty of year end out-turn earlier in the Company's financial year.

The financial statements present information about the Company as an individual undertaking and not about its group.

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006. The Company has taken advantage of the following disclosure exemptions under FRS 101:

a. the requirements of paragraphs 45(b) and 46-52 of IFRS 2 'Share-based Payment' (details of the number of weighted-average exercise prices of share options, and how the fair value of goods and services received was determined);

b. the requirements of IFRS 7 'Financial Instruments: Disclosures';

c. the requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for 'Fair Value Measurement' of assets and liabilities);

d. the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:

   i. paragraph 79(a)(iv) of IAS 1;

   ii. paragraph 73(e) of IAS 16 'Property, Plant and Equipment';

   iii. paragraph 118(E) of IAS 38 'Intangible Assets' (reconciliations between the carrying amount at the beginning and end of the period);

   The following paragraphs of IAS 1 'Presentation of Financial Statements':

   i. 10D (statement of cash flows);

   ii. 16 (statement of compliance with all IFRS);

   iii. 38A (requirement for minimum of two primary statements, including cash flow statements);

   iv. 38B-D (additional comparative information);

   v. 111 (cash flow statement information); and

   vi. 134–136 (capital management disclosures).

e. IAS 7 'Statement of Cash Flows';

f. paragraphs 30 and 31 of IAS 8 'Accounting Policies', changes in accounting estimates and errors (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);

g. paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation); and

h. the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group.

Summary of significant accounting policies

The principal accounting policies adopted are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Finance income and expenses

Finance income and expenses represents interest receivable and payable. Finance income and expense is recognized on an accruals basis, based on the interest rate applicable to each bank or loan account.

Foreign currency transactions

The results and financial position of the Company are expressed in pounds sterling, which is the functional currency of the Company and the presentation currency for the Company financial statements.

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial period.

All transactions involving foreign exchange gains and losses are dealt with through the income statement as and when they arise.

Share-based payments

The Company issues equity-settled share-based payments to its employees and employees of subsidiaries using the Company's equity instruments. These are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant and expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. A corresponding credit is recorded in equity.

For share options without performance conditions, fair value is measured by use of the Black–Scholes Model. The expected life used in the model has been adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity financial statements.

Retirement benefits

For defined contribution pension schemes, the Company pays contributions to privately administered pension plans on a voluntary basis. The Company has no further payment obligations once the contributions have been paid. Contributions are charged to the income statement in the period to which they relate.

Dividend income

Dividend income is recognized when the right to receive payment is established.

Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Intangible assets

Computer software

Purchased computer software intangible assets are amortized on a straight-line basis over their useful lives which vary from four to five years.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognized impairment loss.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives and is recognized in the income statement within administrative expenses. The rates applied are as follows:

Fixtures, fittings and equipment	20% per annum straight-line
Computer equipment	25% straight-line

Investments in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

Where the purchase consideration for the acquisition of an interest in a subsidiary is contingent on one or more future events, the cost of investment includes a reasonable estimate of the fair value of the amounts of consideration that are expected to be payable in the future. The cost of investment and the contingent consideration liability is adjusted until the ultimate payable is known.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and short-term deposits. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

Share capital

Equity instruments issued by the Company are recorded at the amount of the proceeds received, net of direct issuance costs.

Deferred taxation

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilized. The recognition of deferred tax assets is reviewed at each year end date.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the year end date and are expected to apply when the deferred tax liabilities/assets are settled/recovered.

Financial instruments

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

The Company classifies its financial assets as 'loans and receivables'. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Financial liabilities

Borrowings consisting of interest-bearing secured and unsecured loans and overdrafts are initially recognized at fair value net of directly attributable transaction costs incurred and subsequently measured at amortized cost using the effective interest method. The difference between the proceeds received net of transaction costs and the redemption amount is amortized over the period of the borrowings to which they relate. The revolving credit facility is considered to be a long-term loan.

Trade and other payables are initially recognized at their nominal value which is usually the original invoiced amount.

Interest rate swaps are carried at fair value with changes in fair value being reflected in the statement of comprehensive income, and are classified within other financial liabilities.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

2. Basis of preparation continued

Derivative financial instruments

The Company uses derivative financial instruments to reduce its exposure to foreign exchange and interest rate movements. The Company does not hold or issue derivative financial instruments for financial trading purposes but derivatives that do not qualify for hedge accounting are accounted for at fair value through the income statement. Derivative financial instruments are initially recognized at fair value at the contract date and continue to be stated at fair value at the statement of financial position date with gains and losses on revaluation being recognized immediately in the income statement.

Cash flow hedging is used to hedge against fluctuations in future cash flows on the Company's debt funding due to movements in interest rates. When a cash flow hedge is employed and hedge accounting applied, the effective portion of the change in the fair value of the hedging instrument is recognized directly in equity (hedging reserve) until the gain or loss on the hedged item is realized. Any ineffective portion is always recognized in the income statement.

The fair value of derivatives is determined by reference to market values for similar instruments.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle that obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the year end date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate which reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligations.

Employee Share Ownership Plan ('ESOP')

The ESOP's investment in the Company's shares is deducted from shareholders' equity in the statement of financial position as if they were treasury shares, except that profits on the sale of ESOP shares are not credited to the share premium account.

Critical accounting estimates and judgements

In preparing the Company financial statements in conformity with FRS 101, the Directors are required to make certain estimates and judgements relating to the reported results of revenue and expenses during the period and the financial position of the Company at the reporting date. Actual results may differ from those estimates.

Due to the nature of operations, the key area of judgement that has the most significant effect on the amounts recognized in the Company financial statements, is the review for impairment of the carrying value of investments in subsidiaries.

3. Company results for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 not to present its own income statement in these financial statements.

The movement in reserves of the Company includes a loss for the year of £1,380,000 (31 December 2015: loss for the period of £6,584,000).

4. Operating loss

Auditors' remuneration

Fees for the audit of the Company are £3,000 (31 December 2015: £3,000). Fees paid to the Company's auditors for services other than the statutory audit of the Company are disclosed in note 4 to the consolidated financial statements.

Directors' remuneration

Fees paid to the Company's Directors are disclosed in note 5 to the consolidated financial statements.

5. Tax on loss on ordinary activities

	Year ended 31 December 2016 £'000	Eight month period ended 31 December 2015 £'000
The tax charge is made up as follows:		
Current tax	—	—
	—	—
Deferred tax		
Origination and reversal of timing differences	—	—
Taxation on ordinary activities	—	—

The tax assessment for the year differs to the standard rate of corporation tax in the UK of 20% (31 December 2015: 20%). The differences are explained below:

	Year ended 31 December 2016 £'000	Eight month period ended 31 December 2015 £'000
Loss on ordinary activities before taxation	**(1,380)**	(6,584)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 20% (31 December 2015: 20%)	**(276)**	(1,317)
Effects of:		
Expenses not deductible for tax purposes	**31**	868
Capital allowances for year in excess of depreciation	**(1)**	(11)
Additions to intangibles	**41**	—
Relieved to other group companies	**205**	308
Losses carried forward	—	152
Current tax charge for the year	—	—

Deferred tax on unremitted earnings has not been recognized as management do not intend to pay dividends from jurisdictions where a tax charge would be incurred and dividends received are not taxed in the UK.

6. Intangible assets

	Computer software £'000	Total £'000
Cost		
At 1 January 2016	454	454
Additions	**743**	**743**
At 31 December 2016	**1,197**	**1,197**
Amortization		
At 1 January 2016	(96)	(96)
Charge for the year	**(111)**	**(111)**
At 31 December 2016	**(207)**	**(207)**
Net book value		
At 31 December 2016	**990**	**990**
At 31 December 2015	358	358

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

7. Property, plant and equipment

	Fixtures, fittings and equipment £'000	Computer equipment £'000	Total £'000
Cost			
At 1 January 2016	1	46	47
At 31 December 2016	**1**	**46**	**47**
Depreciation			
At 1 January 2016	—	(15)	(15)
Charge for the year	**—**	**(11)**	**(11)**
At 31 December 2016	**—**	**(26)**	**(26)**
Net book value			
At 31 December 2016	**1**	**20**	**21**
At 31 December 2015	1	31	32

8. Investments in subsidiaries

	£'000
Cost and net book value	
At 31 December 2015	74,288
Additions[1]	**422**
Capital contributions relating to share-based payments	**180**
At 31 December 2016	**74,890**

1. Additions of £422,000 comprises an additional capital contribution in Ebiquity Holdings Inc.

The Company's principal trading subsidiaries and associated undertakings are listed in note 12 to the consolidated financial statements. The Directors believe that the carrying value of the remaining investments is supported by their underlying net assets.

9. Trade and other receivables

	31 December 2016 £'000	31 December 2015 £'000
Amounts owed by Group undertakings	**14,989**	12,034
Other receivables	**6**	8
Prepayments	**295**	310
	15,290	12,352

Included within the amounts owed by Group undertakings above is an amount which is unsecured, earns interest at 3% above EURIBOR, has no fixed date of repayment and is repayable on demand.

Also included within the amounts owed by Group undertakings above is an amount which is unsecured, earns interest at 2.65% above LIBOR, has no fixed date of repayment and is repayable on demand.

The residual amounts owed by Group undertakings are unsecured, non-interest bearing, have no fixed date of repayment and are repayable on demand.

10. Creditors: amounts falling due within one year

	31 December 2016 £'000	Restated[1] 31 December 2015 £'000
Bank loans and overdrafts	**4,472**	4,800
Trade creditors	**844**	641
Other taxation and social security	**34**	12
Other creditors	**20**	1
Accruals	**669**	864
Amounts owed to Group undertakings[2]	**29,560**	22,352
	35,599	28,670

1. The balance of amounts owed to Group undertakings as at 31 December 2015 has been reclassified from amounts falling due after more than one year to reflect that they were repayable on demand.
2. Included within amounts owed to Group undertakings is an amount which is unsecured, incurs interest at 5.5% plus Bank of England base rate, has no fixed date of repayment and is repayable on demand. The residual amounts owed to Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

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

	31 December 2016 £'000	31 December 2015 £'000
Bank loans – between two and five years	**30,205**	32,615
	30,205	32,615

All bank borrowings are held jointly with Barclays and Royal Bank of Scotland ('RBS'). The committed facility, totalling £40,000,000, comprises a term loan of £10,000,000 (of which £3,750,000 remains outstanding at 31 December 2016 (31 December 2015: £6,250,000)), and a revolving credit facility ('RCF') of £30,000,000, (of which £29,000,000 was drawn down at 31 December 2016 (31 December 2015: £29,000,000)). Both the term loan and the RCF have a maturity date of 2 July 2018. The £10,000,000 term loan is being repaid on a quarterly basis to maturity, and the drawn RCF and any further drawings under the RCF are repayable on maturity of the facility. The facility may be used for deferred consideration payments on past acquisitions, to fund future potential acquisitions, and for general working capital requirements.

Loan arrangement fees of £135,000 (31 December 2015: £225,000) are offset against the term loan, and are being amortized over the period of the loan.

The facility bears variable interest of LIBOR plus a margin of 2.50%. The margin rate is able to be lowered each quarter end depending on the Group's net debt to EBITDA ratio.

The undrawn amount of the revolving credit facility is liable to a fee of 40% of the prevailing margin. The Group may elect to prepay all or part of the outstanding loan subject to a break fee, by giving five business days' notice.

All amounts owing to the bank are guaranteed by way of fixed and floating charges over the current and future assets of the Group. As such, a composite guarantee has been given by all significant subsidiary companies in the UK, USA and Germany.

12. Ordinary shares

	Number of shares	Nominal value £'000
Allotted, called up and fully paid		
At 30 April 2015 – ordinary shares of 25p	76,771,654	19,193
Share options exercised	390,034	97
At 31 December 2015 – ordinary shares of 25p	77,161,688	19,290
Share options exercised	**38,063**	**10**
At 31 December 2016 – ordinary shares of 25p	**77,199,751**	**19,300**

Ordinary shares carry voting rights which are entitled to share in the profits of the Company. During the period, the Company paid a dividend of 0.4p per share, a total of £292,000 (31 December 2015: 0.4p with a total of £291,000) to shareholders.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

13. Reserves

Share premium

The share premium reserve shows the amount subscribed for share capital in excess of the nominal value. On 8 June 2016, the Company announced the cancellation of the Company's share premium account (the "Capital Reduction") effective 9 June 2016 following registration of the Court order confirming the Capital Reduction by the Registrar of Companies.

Other reserves

Other reserves consists of the merger reserve and ESOP reserve.

Merger reserve

The merger reserve arose on the issuance of shares at a premium on a group restructure, where the premium on issue qualified for merger relief. There has been no movement in the year.

Convertible loan note reserve

On 29 March 2016, the Group agreed to increase the total cap on consideration payable on the Stratigent LLC ('Stratigent') acquisition. The Group acquired Stratigent on 19 August 2013. Stratigent's management held a 7% economic interest in Stratigent which was acquired by the Group for a total consideration to be determined by the financial performance of Stratigent over the three financial years ending 30 April 2016 and capped at $1.5 million. Stratigent's financial performance over the first two financial years resulted in consideration of $1.1 million being paid to Stratigent's management. In order to ensure that management remains incentivized to continue to drive and generate the financial performance achieved over the first two financial years, the Group agreed to increase the total cap on consideration payable to management. Accordingly, in March 2016, the cap on consideration was increased by an amount of $1.5 million, with any excess over and above the existing cap on consideration payable 25% in cash and 75% in new ordinary shares in Ebiquity plc (capped at 600,000 new shares). A convertible loan note reserve amounting to £634,000 was created in equity in respect of the convertible loan note representing 600,000 new shares in the Company.

ESOP reserve

The ESOP reserve represents the cost of own shares acquired in the Company by the Employee Benefit Trust ('EBT'). The purpose of the EBT is to facilitate and encourage the ownership of shares by employees, by acquiring shares in the Company and distributing them in accordance with employee share schemes. The EBT may operate in conjunction with the Company's existing share option schemes and other schemes that may apply from time to time.

The ESOP trusts were created to award shares to certain employees at less than market value. The trusts in aggregate hold unallocated shares costing £1,471,000 (31 December 2015: £1,471,000) funded by the Company. The sponsoring company is responsible for the administration and maintenance of the trust. The number of shares held by the trust is 4,201,504 (31 December 2015: 4,201,504), all of which are under option to the employees of the Group. As at the statement of financial position date, all of the shares in the ESOP had vested (31 December 2015: all had vested).

Retained earnings

The retained earnings reserve shows the cumulative net gains and losses recognized in the income statement. For detailed movements on each of the above reserves, refer to the statement of changes in equity.

14. Share-based payments

Full disclosure of share-based payments is included in the consolidated financial statements (see note 24 to the consolidated financial statements).

15. Commitments

Capital commitments contracted but not provided for by the Company amount to £nil (31 December 2015: £nil). The Company has no operating lease commitments (31 December 2015: none).

16. Contingent liabilities

The Company is subject to claims and litigation arising in the ordinary course of business and provision is made where liabilities are considered likely to arise on the basis of current information and legal advice.

17. Related party transactions

Under FRS 101.8(k), the Company is exempt from the requirement to disclose transactions with entities that are part of the Ebiquity plc Group, or investees of the Group qualifying as related parties, as all of the Company's voting rights are controlled within the Group. The Company has no other material related parties. Related party transactions are detailed in note 30 to the consolidated financial statements.

Transactions with key management personnel

FRS 101.8(j) exempts entities from the disclosures in respect of the compensation of key management personnel.

ADVISERS

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
1 Embankment Place
London WC2N 6RH

Nominated adviser and broker
Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Registrars
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH

SHAREHOLDER INFORMATION

Country of incorporation
Ebiquity plc is registered and incorporated in England and Wales.

Number of securities in issue
As of 27 March 2017, the Company's issued share capital consists of 77,199,751 ordinary shares of 25p each. The Company has no treasury shares.

Details of any restrictions on the transfer of securities
There are no restrictions on any of the Company's AIM securities.

Securities not in public hands
As of 27 March 2017, the percentage of the Company's issued share capital that is not in public hands is 23.26%.

Company registration
Registered office
CityPoint
One Ropemaker Street
London EC2Y 9AW

Company number 03967525

GLOSSARY

AI	the Group's Advertising Intelligence business
ANA	Association of National Advertisers
APAC	Asia Pacific
CAGR	compound annual growth rate
Capital Reduction	the cancellation of the share premium account
CGUs	cash-generating units
the Company	Ebiquity plc
Constant currency ('CC')	calculated by taking current year denominated results restated at last year's foreign exchange rates
DLG	Direct Line Group
DMP	data measurement platform
DSP	demand-side platform
EBITDA	earnings before interest, tax, depreciation and amortization
EBT	Employee Benefit Trust
EIP	Executive Incentive Plan
EMI scheme	enterprise management incentive scheme
EPS	earnings per share
ESOP	Executive Share Option Plan
FMC	Fairbrother Marsh Company Limited
FRS 101	Financial Reporting Standard 101 'Reduced Disclosure Framework'
the Group	Ebiquity plc and its subsidiaries
Highlighted items	highlighted items comprise non-cash charges and non-recurring items which are highlighted in the income statement because separate disclosure is considered relevant in understanding the underlying performance of the business
IAB	Internet Advertising Bureau
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IPA	Institute of Practitioners in Advertising
ISAs	International Standards on Auditing
ISBA	Incorporated Society of British Advertisers
KPIs	key performance indicators
LIBOR	London Interbank Offered Rate
Like-for-like ('LFL')	prior year results are adjusted to include the results of recent acquisitions as if they had been owned for the same period in the prior year
LTI	Long-Term Incentive
MCA	the Group's Multi-Channel Analytics business
MGM	Manning Gottlieb Media
MI	Market Intelligence
MPO	Marketing Performance Optimisation
MVM	Media Value Measurement
Net debt	long-term borrowings, short-term borrowings less cash and cash equivalents
PwC	PricewaterhouseCoopers LLP
QCA Code	Quoted Companies Alliance – Corporate Governance Code for Small and Mid-Size Quoted Companies 2013
RBS	Royal Bank of Scotland
RCF	revolving credit facility
Stratigent	Stratigent LLC
TSR	total shareholder returns
UCSOP	unapproved company share option plan
Underlying performance	underlying performance refers to the results of operations before highlighted items
WFA	World Federation of Advertisers

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Ebiquity plc
CityPoint
One Ropemaker Street
London
EC2Y 9AW

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