Annual report 2017

Annual report and financial statements
for the year ended
31 December 2017

ebiquity

Contents

Strategic report

Highlights 2
At a glance 4
Chairman's statement 6
Market overview 8
Chief Executive Officer's review 10
Our business model 16
Our strategy for growth 18
Case studies 26
Chief Financial Officer's review 30

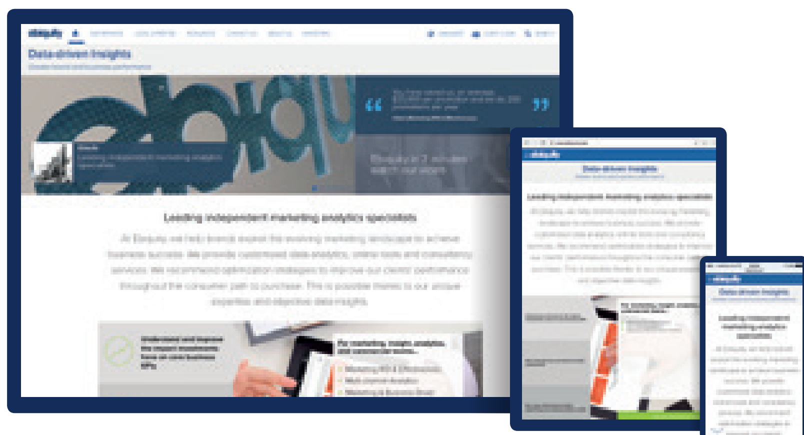
Corporate governance

Board of Directors 34
Corporate governance report 36
Audit & Risk Committee report 40
Remuneration Committee report 42
Directors' report 45

Financial statements

Statement of Directors' responsibilities 49
Independent auditors' report 50
Consolidated income statement 56
Consolidated statement of comprehensive income 56
Consolidated statement of financial position 57
Consolidated statement of changes in equity 58
Consolidated statement of cash flows 59
Notes to the consolidated financial statements 60
Independent auditors' report 94
Company statement of financial position 98
Company statement of changes in equity 99
Notes to the Company financial statements 100
Advisers 108
Shareholder information 108
Glossary IBC

Visit us online at www.ebiquity.com/en/investors



Creating clarity

At Ebiquity, our role is 'creating clarity for our clients'. In fact, it's our declared purpose.

This means enabling marketers to work with their partners to choose the level of transparency that's right for them.

It means subjecting marketing performance to ever-greater scrutiny.

And it means harnessing advances in technology and data to competitive advantage.

This is how we empower our clients to be sure that every marketing decision leads to enhanced effectiveness. To better return on investment.

By creating clarity in the ever-more digital, increasingly opaque media landscape, we help drive accountability in marketing.

Highlights

Michael Karg, PhD
Group Chief Executive Officer

Ebiquity's long-term ambition is to be the world's leading, tech-enabled independent marketing and media consultancy, the 'left brain' adviser to the CMO.

Final results for the year ended 31 December 2017

Ebiquity plc, ('Ebiquity' or 'the Company') a leading, tech-enabled independent marketing and media consultancy, announces final results for the year ended 31 December 2017. Ebiquity provides services to over 80 of the top 100 global advertisers, with 20 offices across 14 countries.

Outlook

Taking advantage of the rapid changes in media and marketing – driven by changes in technology, consumer behaviour, and data – requires players in the industry to adjust their business models. As many of our clients and partners have embarked on this journey, so have we. The sale of the Advertising Intelligence business now better focuses Ebiquity on service areas offering structural market growth.

The actions that have been taken in 2017, has positioned the business for faster revenue growth in 2018 and beyond. With an expectation of a turnaround in performance in the US in 2018, together with continued revenue growth outside of the US, we remain confident of delivering against the financial goals we set out in the Growth Acceleration Plan.

Michael Karg, CEO, commented:

"2017 was a year of change for Ebiquity. The planned sale of the Advertising Intelligence business, in particular, was significant and resource intensive. While our financial performance was held back by disappointing results in the US, we achieved important milestones on our multi-year transformational journey. The underlying changes that we are driving throughout our business are designed to align our services with client-side trends – as well as competitive dynamics – which provide mid- to long-term growth opportunities.

We are positioning Ebiquity to become the preferred, independent adviser to marketers at world-leading brands. We have a clear, focused and differentiated destination and are implementing the relevant changes to get these, now and going forward."

A transformational year for Ebiquity

Anticipated £26m sale of Advertising Intelligence business to Nielsen Media Research Limited

Clear progress against Growth Acceleration Plan, including expansion of Effectiveness practice in Continental Europe, US, and Singapore, culminating in the addition of a significant, multi-market consumer goods client in Q4 2017

Announced restructure of our business into three core service offerings: Ebiquity Media, Ebiquity Analytics and Ebiquity Tech

As previously reported, revenue performance from the US MVM and MPO practices was disappointing and impacted the Group's revenue performance in 2017. With new practice leadership in place we expect to see an improved performance in 2018

Continued service and tool development with launch of Ebiquity Portfolio Digital, Ebiquity Connect, Ebiquity Total View Attribution, and Ebiquity Tech

Extension of digital analytics capability to Asia Pacific, with the acquisition of Digital Balance in September 2017. Acquired the remaining non-controlling interest in French subsidiary

Appointment to the Board of Chairman Designate Rob Woodward, who will replace Michael Higgins as Chairman in May 2018

Appointment of US-based Chief Operating Officer in January 2018

Faster revenue growth in H2. Performance outside of the US in line with expectations

Revenue up 4.6% to £87.4m (2016: £83.6m), with like-for-like constant currency revenue growth of 0.8%

Excluding MI segment, revenue up 6.7% to £64.2m (2016: £60.2m), with like-for-like[1], constant currency[2] revenue growth of 2.3%, up 5.5% in the second half of the year

On a like-for-like constant currency basis revenue up 5.8% excluding US MVM and MPO practice revenues

Underlying[3] operating profit at £12.0m (2016: £13.0m), and underlying PBT of £11.0m (2016: £11.8m)

Statutory operating profit was £5.5m (2016: £7.8m) and statutory profit before tax was £4.5m (2016: £6.6m)

Underlying diluted EPS 9.4p (2016: 11.3p)

Underlying cash conversion from underlying operating profit of 93% (2016: 88%)

Net debt at £28.9m (31 December 2016: £28.1m)

Increase of 10% in proposed dividend to 0.71p (2016: 0.65p) per share reflecting maintained progressive dividend policy

1. 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.
2. Constant currency is calculated by taking current year denominated results restated at last year's foreign exchange rates.
3. Alternative performance measures are set out in the summary of results section of this report.

At a glance

Ebiquity is a leading, tech-enabled, independent marketing and media consultancy.

We help the world's biggest brands leverage data and analytics to drive greater transparency in the marketing ecosystem, to create more impactful customer experiences and to deliver greater returns on marketing investment.

We go to market with three practice areas

Media Value Measurement ('MVM')

Helping clients to increase efficiency and transparency in their media performance

59% revenue

Market Intelligence ('MI')

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

27% revenue

Marketing Performance Optimisation ('MPO')

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

14% revenue

Market presence

Our clients

We work with over 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.

Chairman's statement

"I have greatly enjoyed being part of Ebiquity's evolution over the past 12 years and believe that, with Rob Woodward's arrival, we have the right leadership at the Board's helm to support the executive team, led by Michael Karg, in seizing Ebiquity's unique market opportunities."

Michael Higgins
Non-Executive Chairman

In 2006, when I became Chairman of Ebiquity (then Thomson Intermedia), the Company operated from four offices – three in London and one in New York. At that time, three-quarters of our revenue came from clients headquartered in the UK. I stand down from the Board this year with a business that spans the globe, with 20 offices in 14 countries, and proud to count over 80 of the world's 100 largest advertisers among its clients.

The marketing industry has been through a period of substantial change during this time, bringing with it extraordinary complexity. In 2006, Facebook celebrated its second birthday and Twitter was born. Meanwhile, eight-year-old Google was already valued at $50 billion. Now it's over 17 times that figure, and these three companies alone generated over $130 billion of advertising revenue in 2017. Add to this the ever-evolving capabilities of technology and the creation of a totally pervasive online ecosystem, and the balance of relationships and the level of complexity within marketing today has fundamentally changed.

In 2006, Ebiquity was already focusing on transparency and accountability. One key issue then was the need to verify whether adverts that had been paid for had actually appeared in newspapers. We were able, in part, to apply technology to the old-style vouching process. From 2007 through 2015, the underlying platform for the business we have today was assembled – mainly through acquisition – and we established our market-leading position in media benchmarking internationally. We acquired additional skills to address some of the emerging opportunities, and our Marketing Performance Optimisation segment was created. Since 2016, there has been substantial progress in defining our strategic direction and delivering a simplified and streamlined service offering as One Ebiquity around the world. This initiative is designed to ensure that our clients recognise us as one business with uniform capability and to reposition our service offering around our clients' needs. There have also been some important new hires of senior executives, individuals with both operational and industry-based skills who will help us capitalise on our position in the marketplace.

Transparency and accountability remain the most significant challenges for the marketing industry. The revelations and recommendations that came out of the 2016 ANA report were pivotal in creating advertisers' prevailing and enduring mindset. For Ebiquity, it not only put us at the heart of the debate. It also increased awareness of the need for an independent party with the right skills to help advertisers create clarity around the results that their investments in media deliver, and the returns they generate.

The Chief Executive Officer's report sets out last year's financial performance in detail, as well as our developments and achievements throughout the year. It explains how we will be running our business going forward, by our Media, Analytics, and Tech practices. This aligns our business with the challenges that our clients face, and it follows the planned divestment of the Advertising Intelligence business.

On behalf of the Board, I must thank everyone who works at Ebiquity for the great commitment they show in deploying their skills for the benefit of our clients.

I would also like to thank my Board colleagues, and welcome Rob Woodward, my successor, to Ebiquity. Rob has a set of skills and experience ideally suited to our business as well as to today's opportunities and challenges.

Ebiquity is now well-positioned at the heart of the marketing industry. We have a significant opportunity to deploy our experience, skills, and talent for our clients' benefit from our uniquely independent position.

Michael Higgins
Non-Executive Chairman

21 March 2018

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.

Marketing continues to experience a period of constant change and dynamic innovation. Driven by a change in consumer behaviour, the ongoing and incremental opportunities that digital tools, technologies, and social media platforms can offer, marketers can find it hard to keep up with this relentless pace of change. It can feel as if they're running to stand still. The rewards for getting it right can be huge, but the risks of getting it wrong mean the role of the Chief Marketing Officer ('CMO') has never been more challenging. At the same time, CMO tenure is one of the shortest in the C-suite.

Among big-spending consumer brands, CMOs are in post for three-and-a-half years. That's two years less than typical CFOs, and less than half as long as CEOs, The Wall Street Journal recently reported[1]. Marketing leaders are faced with the paradox of needing to achieve more but having less time in which to do it.

As a result, executions in promising but niche areas can often capture marketers' attention. At times, too much activity is focused on short-term, tactical wins. This is at the expense of strategic marketing that delivers business impact and **real and tangible return on investment**.

Over the last 12 months, several marketers have started to get more involved in the details of how their marketing spend is allocated. Some very well-known high-profile marketers are taking the lead on the issues that have held the industry back during digital advertising's teenage years. Principal among these issues has been **media transparency**. And following the lead of the two marketers with the world's biggest budgets – P&G's Marc Pritchard and Unilever's Keith Weed – the global marketing community is now routinely putting transparency high on the agenda.

In addition to marketers' growing desire for media transparency across partners and suppliers, we believe that this change in attitudes and behaviour is driven by three further, interconnected trends.

First

Heightened scrutiny of digital marketing performance. It is undeniable that digital advertising was given too much of a free pass as it developed. Many brands overinvested with insufficient emphasis on ROI. The exponential increase in data, algorithms, and data processing power are now being harnessed by some leading brands to measure what matters.

Second

Ever-more complexity in both technology and data. Before digital advertising, there were typically just agencies and publishers between brands and their customers. Today, there are dozens of different links in the transactional chain; the World Federation of Advertisers ('WFA') estimates as many as 50. This poses obvious challenges to marketers looking to run impactful campaigns, but the new ecosystem also offers the potential for transformational returns for those who get it right.

Third

Increased focus on evidence-based marketing, particularly in leveraging data to drive better customer experiences and enhanced marketing performance. Today's marketers operate in a paradoxical environment, where it's never been more challenging and at the same time never more possible to use data to drive evidence-based decision-making.

> **"My guess is that the biggest challenge for marketers this year will be GDPR. If 2017 was the year of digital media transparency, then 2018 may well be the year of data transparency and ensuring that all of our data is kept safe and secure."**
>
> **David Wheldon**
> **president of the WFA**

It is undeniable that the dominant theme of marketing in 2017 was media transparency. The practical steps that everyone can take to secure greater transparency governed the tone and content of the debate. With reference to the arrival of the EU's General Data Protection Regulation in May of this year, the president of the WFA, **David Wheldon**, said in January 2018[2]:

"My guess is that the biggest challenge for marketers this year will be GDPR. If 2017 was the year of digital media transparency, then 2018 may well be the year of data transparency and ensuring that all of our data is kept safe and secure."

At Ebiquity, we agree with David's analysis, but would go further. Our role – indeed, our declared purpose – at Ebiquity is **'creating clarity for our clients'**. This means ensuring that marketers work with their partners to choose the level of transparency which is right for them. It means subjecting digital marketing to ever-greater scrutiny. It means harnessing advances in technology and data for their advantage. And it means taking an evidence-based approach to measurement and evaluation. It is encouraging to hear Marc Pritchard, in his recent address at ISBA, put increased focus on data and analytics, but change will take time in an industry obsessed with shiny new objects often at the expense of employing rigour to drive real **business impact**.

The media industry in general – and digital media in particular – will never truly become simple and straightforward, and the issues that have dogged marketing for many years – from ad misplacement to fraud, from brand safety to non-human traffic – won't disappear overnight. It is encouraging that the industry is taking steps in the right direction, but we firmly believe that there is much more that needs to be done.

1. http://on.wsj.com/2nRrF7g
2. http://bit.ly/2FwEX1h

Chief Executive Officer's review

"I would like to express our deep gratitude to Michael Higgins for his significant contribution over the past 12 years, where his guidance has been invaluable in the successful development of the Company.

We wish him all the very best for the future."

Michael Karg, PhD
Group Chief Executive Officer

2018 starts with two pieces of significant news.

As previously announced, we have appointed a new Chairman, Rob Woodward, who joined Ebiquity on 1 March. Rob succeeds Michael Higgins who will retire after 12 years as Chairman of Ebiquity, following the AGM on 9 May.

Rob brings a wealth of both media and senior Board-level experience to Ebiquity. He was CEO of STV Group plc for nearly 11 years where he led their successful transformation into a pre-eminent digital media group. Prior to joining STV, Rob was Commercial Director at Channel 4 Television for four years and was previously a Managing Director with UBS Corporate Finance and lead partner for Deloitte's TMT industry group in Europe. Rob is an experienced leader who has an inspiring track record in building teams and delivering successful outcomes. His approach and personality are a great fit for Ebiquity and I am looking forward to partnering with him.

I would like to express our deep gratitude to Michael Higgins for his significant contribution over the past 12 years, where his guidance has been invaluable in the successful development of the Company. We wish him all the very best for the future.

Additionally, in February 2018, we announced that we had entered into an agreement to sell our Advertising Intelligence business to Nielsen. The sale is subject to UK Competition and Markets Authority ('CMA') approval, and completion is anticipated to take place in the second quarter of 2018, assuming the CMA provides clearance following its high-level Phase 1 examination. If the CMA instead refer the transaction for a more detailed Phase 2 investigation, the completion would likely take place in Q4 2018. The Advertising Intelligence business represents in excess of 90% of the reported revenue and underlying operating profit within the Market Intelligence ('MI') segment, and 25% of Group revenues and contributed £4.4 million to operating profit before allocation of overheads, and for this reason we refer in places of this report to revenue growth excluding the MI segment.

2017 financial performance overview

Revenues for the year to 31 December 2017 grew 4.6% to £87.4 million. With the majority of revenue denominated in non-sterling currencies, revenue was boosted by sterling being on average weaker against the euro and the dollar in 2017 than in 2016. In total, currency movements benefited revenue by 3.4%, with acquisitions further increasing revenue by 0.4%. This resulted in like-for-like, constant currency revenue growth of 0.8%.

Excluding performance of the MI segment, which contains the Advertising Intelligence business, revenue growth was 6.7% and 2.3% on a like-for-like, constant currency basis. Revenue was more evenly phased across 2017 than in 2016, when revenue was front-half weighted. Like-for-like, constant currency revenue growth was 5.5% in the second half of 2017 compared with the second half of 2016.

As previously highlighted, revenue performance from the US business was well below management expectations, and this impacted the Group's revenue growth year-on-year. In our US MVM segment (excluding FirmDecisions, our contract compliance business), the trend we observed in the first half of the year of clients facing cuts to their marketing and advertising budgets and consequently deferring Media benchmarking spending, continued into the second half.

In the US MPO business unit, after delivering greater than 50% revenue growth between 2014 and 2016, revenue declined in 2017. The US MPO business had a high concentration of revenue with a small number of clients. The two biggest clients reduced spend – mainly driven by internal reorganisations – which caused revenue to fall by 19.8% in 2017. US MPO revenues were higher in H2 2017 than H1 2017, through the addition of new clients in Q4 2017. Given the scale of the US advertising market, and our relative size, we feel positive about our mid- to long-term opportunities. With new leadership of our US MPO and US Media business units now in place we expect to see a sustained turnaround in 2018. Excluding the performance of the US MVM and MPO segment (but including US FirmDecisions), the MVM and MPO segments grew by 10.0% and 7.4% respectively on a like-for-like, constant currency basis.

The MVM segment reported revenue up 9.2%, an increase of 5.2% on a like-for-like, constant currency basis. As clients focused on the issue of media transparency, this significantly benefited FirmDecisions, which recorded exceptional revenue growth in 2017. Outside of the US, MVM revenue was in line with management expectations, with continued good progress in Europe, South-East Asia, and Australia offsetting slightly weaker performance in China, resulting from a change in management post the end of the earn-out period.

In the MPO segment, reported revenue fell by 2.3% compared to 2016 and was down by 7.7% on a like-for-like, constant currency basis. Performance from the MPO segment was impacted by the significant decline in revenue from the US MPO segment. Revenue from the MPO segment outside of the US grew by 6.4%, with revenues from MPO Effectiveness services outside of the UK representing 10% of total revenue. The year saw a scaling up of our MPO Effectiveness services in Continental Europe and our MPO practice in APAC. The UK MPO business continued to deliver double-digit revenue growth of 17.1%, while revenue from our MPO team in Spain (acquired as part of Media Value in February 2016) declined in 2017, reflecting high staff turnover during the year.

Revenue from the MI segment declined by 0.9%, and declined by 3.1% on a like-for-like constant currency basis. Revenue from the Advertising Intelligence business grew by 0.1% on a like-for-like constant currency basis, with a slightly weaker second half. Revenues from our project based Reputation business declined as expected from £2.0 million in 2016 to £1.2 million in 2017. In March 2018, we entered into an agreement to sell the trade and assets of our Reputation business to Echo Research Holdings Limited. Completion will take place on 31 March 2018.

Underlying operating profit was £12.0 million. This represents a drop in operating margin from 2016 of 1.7pp to 13.8%. This reflects lower profitability from the US MPO business, combined with planned investment in our Growth Acceleration Plan – notably in investing in MPO Effectiveness resources in new markets. Investment in the Growth Acceleration Plan was scaled back during 2017 and cost control measures were implemented in the US MPO business during 2017, but these were not sufficient to offset the revenue decline.

Margins in the MVM segment were consistent with 2016, as strong performance from our Contract Compliance business offset lower profitability from our US Media benchmarking business. Margins in the MPO segment declined sharply in 2017, reflecting the revenue decline in the US MPO business, together with the investment in the expansion of the MPO segment in Europe and APAC. Central costs, which are not allocated to a segment, were in line with the prior year.

Underlying profit before tax was £11.0 million. Statutory operating profit was £5.5 million, down from £7.8 million in 2016, and statutory profit before tax decreased to £4.5 million, from £6.6 million in 2016. The lower statutory operating profit and profit before tax reflect both lower underlying profitability as well as an increase highlighted items. Highlighted items are detailed in the CFO's report.

Chief Executive Officer's review continued

Our service offerings.

In the last quarter of 2016, we defined the core purpose of Ebiquity to be '**creating clarity for our clients**'. The consequence of the clarity that we create for marketers – through independent, impartial advice, delivered by the most knowledgeable and experienced consultants in the industry – is better informed marketing investment decision-making. Through our different service offerings, we empower our clients to focus on the metrics that matter for their businesses. We then show them how to use these to judge what's working well for them, what's not, and how they should adjust their media and marketing investment plans accordingly.

'Creating clarity' is the North Star which guides everything we do. This includes how we advise and guide our clients, and is the foundation that underpins our long-term strategic ambition to become the leading media and marketing analytics consultancy, globally.

For the past few years, we have gone to market with three, core practice areas: Media Value Measurement, Marketing Performance Optimisation, and Market Intelligence.

Media Value Measurement ('MVM')

Ebiquity is the global market leader in media performance benchmarking, media agency management, and contract compliance.

We enable our clients to increase media efficiency and transparency through media performance reviews, benchmarking, and measurement.

Dietmar Kruse
Practice Principal, Media Performance

"Advertisers face many challenges in media today. Transparency, programmatic, and meaningful metrics for walled-garden platforms like Google and Facebook – to name but three. By defining digital media benchmarks, we help our clients to create clarity."

And we enable them to make the right, long-term decisions – including finding and working with the right agency partners.

Laetitia Zinetti
Practice Principal, Media Consulting

"Good relationships between brands and their agencies need constant vigilance. With the right support and a thought-through, end-to-end process, brands can ensure their agency relationships – both well-established and new – deliver for the long-term future."

We also assess agencies' compliance with contractual terms via our specialist contract compliance business, FirmDecisions. In 2017, FirmDecisions undertook more than 300 contract compliance audits covering activity in 70 markets. 40 of the world's leading 100 advertisers consulted with FirmDecisions over the course of the year.

Stephen Broderick
Global CEO of FirmDecisions

"It is only through well-written, regularly-updated contracts that marketers can secure the level of transparency they desire. With the industry changing so fast, brands need to review and update their contracts regularly to stay ahead of the game."

Marketing Performance Optimisation ('MPO')

We guide clients to decide how much they need to spend on marketing, where to allocate, and how to optimise their marketing investments. We help them choose which analytics technologies to select, and how to improve digital customer journeys. Our work in this practice has two distinct service offerings: econometric modelling and customer experience analytics.

Mike Campbell
Head of International Effectiveness

"Marketers are rewarded by the C-suite for delivering real and tangible ROI. And it's only by understanding the relative and absolute contribution of all channels and platforms – taking and attributing the Total View, online and offline – that they can accomplish this."

Tim Hussain
Practice Principal, Tech – Europe

"There are so many options for marketing technology that many marketers don't know where to turn for simple, clear, and impartial advice. By building a team from right across the industry – and by remaining staunchly independent – we are helping our clients make informed advertising technology decisions."

Market Intelligence ('MI')

For almost 20 years, we have provided clients with a clear picture of their own and their competitors' in-market creative executions, ad spend, and media strategies. Our market-leading family of Ebiquity Portfolio media platforms was joined in 2017 by Ebiquity Portfolio Digital, providing comprehensive coverage of creative and spend data for digital advertising content. This is supported by specialist insight, market, and earned media research experts who combine automated analytics with native-language human analysis. The sale process of the AdIntel business required significant time investment by our senior management over the course of 2017.

Morag Blazey
Managing Principal, Intel

"With the sale of the Advertising Intelligence business, the combined entity will be a strong global player, with the scale and strategic focus to continue the level of investment needed to keep the business evolving and deliver better long-term career growth."

Chief Executive Officer's review continued

Changing structure, changing reporting

As the media industry is changing rapidly, so Ebiquity is transforming and developing to meet the needs of the world's marketers and brand custodians.

Continued transformational change in 2017

Strategic moves

- Outlined vision
- Developed strategy
- Simplified service offering
- Acquired Digital Balance (Australia)
- Announced sale of AdIntel business

Product & service launches

- Tech Practice
- Total View Attribution
- Portfolio Digital
- Ebiquity Connect

Talent & organisation enhancements

- Moved to matrix organisation
- New Managing Director, Media North America
- Head of Analytics, North America
- New Managing Director, China
- New Managing Director, France
- Chief Operating Officer
- New Chief Strategy Officer

As the media industry is changing rapidly, so Ebiquity is transforming and developing to meet the needs of the world's marketers and brand custodians. When I joined Ebiquity as Group CEO in 2016, we launched a Growth Acceleration Plan designed to achieve a compound annual growth rate of 10% by 2021. This strategy is designed to make our business the best-equipped partner to help our clients to build accountability into their marketing investments.

The sale of our Advertising Intelligence business is clear evidence of our transformation in action. Creating a more operationally-aligned, streamlined business will allow us to respond better to our clients' needs and focus on our Growth Acceleration Plan moving forward.

Accordingly, we have now restructured our business into three core service offerings. This restructure better reflects both advertisers' needs and the reality of the media and marketing ecosystem today and for the years to come.

Operating under an agile, One Ebiquity consulting model, we have now structured ourselves as:

Ebiquity
Media
covering services such as media performance benchmarking, media agency management, and contract compliance

Ebiquity
Analytics
incorporates areas such as marketing effectiveness, market mix modelling, total view attribution, and data-driven customer experience optimisation

Ebiquity
Tech
comprising services such as strategy, vendor selection, and implementation for ad tech, martech, and data management

Christian Polman
Chief Strategy Officer

"By creating a three-practice business that addresses our clients' needs in Media, Analytics, and Tech, we've made our market offering both more relevant and more buyable. We've shown our clients that we understand the challenges they face in the ever-more complex media and marketing ecosystem."

From 2018 onwards, we will also, therefore, move from segmental reporting as MPO, MVM, and MI, to reporting by 1) Media, 2) Analytics and Tech, and until such time as the sale of the Advertising Intelligence business is completed, 3) Intel.

Michael Karg, PhD
Group Chief Executive Officer

Our business model

We apply data-driven insights to help marketers deliver accountability of their marketing investment.

Our data-driven approach to creating clarity from complexity is hardwired into all our different products and services. It is also central to our business model.

Our engagements always start with a strategic review of where our clients are today, where they want to get to, and what their motivations are. This is true both for 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, organise, and harmonise that data; we generate actionable, data-driven insights; and, we tell our clients data-driven stories from which they can take practical action to achieve their business and marketing objectives. In this way, we empower our clients to take rightful ownership of their digital marketing strategy, technology, data, and media spend.

Inputs: data & insights

- Advertiser data – media, spend, sales, social media, market research/polling data
- Consumer data – behavioural, web-data (1st, 2nd, and 3rd party), customer profiles, attitudinal data inferred from behaviours
- Market data – creative assets, competitor performance, third-party demographic data

> Find out more **about our divisions** on pages 12 and 13

4
We apply advanced analytics

MODELLERS

ANALYSTS

CLARITY

MEDIA EXPERTS

5
We generate actionable insights

DIGITAL EXPERTS

CLIENT PARTNERS

6
We tell data-driven stories

Outcomes: business impact

- Improved media and marketing decision-making
- Increased sales – e.g. optimised marketing investments, enhanced marketing response
- Better cost control – e.g. ensuring trading partners deliver against savings claims

> Find out more **in our strategy** section on pages 22 and 23

Our strategy for growth

Everything we do is shaped by our corporate purpose, 'creating clarity for our clients'.

It is our ambition to be the world's leading, tech-enabled independent marketing and media consultancy. Everything we do in pursuit of this objective is shaped by our corporate purpose, 'creating clarity for our clients'. We have established five-year goals which are grouped into 5Ps, covering: People, Product, Process, Profile, and Performance. And our 5Ps provides the framework for us to measure our progress towards our long-term business objectives.

Ebiquity's 5P goals

Goal	Description
1. People	Attract, retain, and develop high-calibre talent from the media, analytics and 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 organisation and its processes to support broader and deeper client relationships, locally and globally
4. Profile	Raise our brand profile and broaden the perception of our expertise to support our growth plans
5. Performance	Deliver our Growth Acceleration Plan resulting in sustainable, double-digit revenue growth at sustainable operating margins

How we're doing on our five-year objectives for each strategic pillar of the 5Ps – in terms of progress, priorities, KPIs, and risks – is summarised on pages 22 and 23. But first, I want to focus on some of the highlights for each of the 5Ps that we've delivered during 2017.

1. People

For all the great tech, data, and smart use of analytics, Ebiquity is first and foremost a people business. During the course of 2017, the global Talent Team and our capability leaders have developed the first iteration of a Global Competency Framework.

This model allows people at all levels of the organisation to understand what behaviours and skills are required – to do their jobs and to meet targets. By marrying this with a skills map, we can systematically assess where we have skills and what the development needs for Ebiquity are, at both an individual and a company level.

The senior hires we have made and the roles we have developed and created during the course of 2017 demonstrate the scope of our ambitions for Ebiquity. So, too, do the range and diversity of backgrounds from which our new team members come, including media agencies, digital, consulting, and technology. For instance, we now have a global Chief Operating Officer, our first global chairman of media, and a new Chief Strategy Officer.

We have new leadership in China and France, and new leadership for both Media and Analytics in the US. We have strengthened our offering across Europe with the launch of our Tech practice, and in Australia with the acquisition of Digital Balance. It is through talents like these that we will achieve our objective of becoming the world's leading marketing analytics consultancy.

2. Product

To stay relevant and anticipate our clients' needs in the constantly-evolving digital marketing ecosystem, it's critical that we continually innovate our products and services. At Ebiquity, we encourage and facilitate innovation from the ground up, based on the opportunities our teams know can help advertisers to meet their business and marketing objectives.

During 2017, our Media practice has completed development of and rolled out a new media data management platform called **Ebiquity Connect**. This platform is designed to help agencies upload our advertiser clients' media data consistently, efficiently, and securely. Designed to drive data security and efficiency, Ebiquity Connect saves both our clients and media agencies partners' time and resource and enables us to produce even more relevant and insightful media measurement.

Our Media Consulting team has codified and standardised an end-to-end **Ebiquity Agency Selection** approach. Using this approach, we provided pitch management services to almost 100 national and global brands in 2017, with total, combined media billings of almost £9 billion. This makes Ebiquity the biggest and most experienced agency relationship management business.

Our Media practice in Australia has developed an innovative methodology to benchmark and analyse online video advertising performance. With advertisers following audiences who are shifting their viewing habits from broadcast TV towards online video, this methodology enables us to assess performance of online video advertising per se, and compared to the cost and efficiency of traditional TV advertising.

To help clients navigate the complexity of programmatic advertising, and the myriad choices of martech and ad tech providers, we launched a new **Ebiquity Tech practice** area, including hiring a European ad tech team based out of our London office. The team's remit includes helping advertisers select, implement, and manage their digital programmatic trading technology.

Our Analytics practice has developed and launched our pioneering **Ebiquity Total View Attribution** solution. Ebiquity Total View is a multi-channel attribution model that considers and weights the relative impact of all relevant inputs on consumer behaviour, online and offline. Combining top-down econometrics with bottom-up digital attribution, the Ebiquity Total View approach is a clear-box solution that lets the data decide cause and effect.

3. Process

In part as a legacy of a business that has grown through acquisition, and in part because operational efficiency across our network had not – historically – been identified as a strategic priority, a comprehensive analysis of operations has identified scope for enhanced delivery of products and services. This programme was started in Q4 2016 by the recruitment of new team members whose purpose is to drive operational efficiency and synergies across practices. And it has been strengthened considerably by the appointment of Jason Bailis at the start of 2018 as Global Chief Operating Officer, following a 10-year stint in senior operations roles at Publicis Groupe, for Sapient Nitro, Razorfish, and DigitasLBi.

Jason Bailis
Chief Operating Officer

"Operational excellence is a win-win. A win for clients, who get great services, delivered smarter. A win for our people, who do what they do brilliantly, but in a systematised and streamlined fashion."

We have also started to put in place a group of senior global client partners to service the needs of some of our biggest clients better and more holistically. Our client partners are specialists in our clients' businesses and generalists in the full spectrum of marketing and media consultancy advice our different practices offer. This enables them to bring forward the right service to the right client at the right time.

Andrew Challier
Chief Client Officer

"Our clients are at the heart of everything we do. They face very real challenges in securing optimal return on their marketing investments. By addressing these challenges directly, our teams can help our clients deliver real value."

Our strategy for growth continued

4. Profile

Ebiquity's profile is now higher than it ever has been. Our thought leadership content is sought and widely used around the world. Our leaders have spoken at more industry events than ever, and they are now regularly contacted for comment. These approaches are from both specialist marketing media and generalist business media, from Campaign to The Financial Times. Our research is now quoted in the analyst reports commentating on marketing, including Liberum and Bank of America.

In 2017, we published a first-of-its-kind study of programmatic media buying in the US marketplace. The study analysed 16.4 billion impressions from 445 completed campaigns, making it the most comprehensive study of its kind. It was conducted and published with the US and Canadian Associations of Advertisers, and AD/FIN.

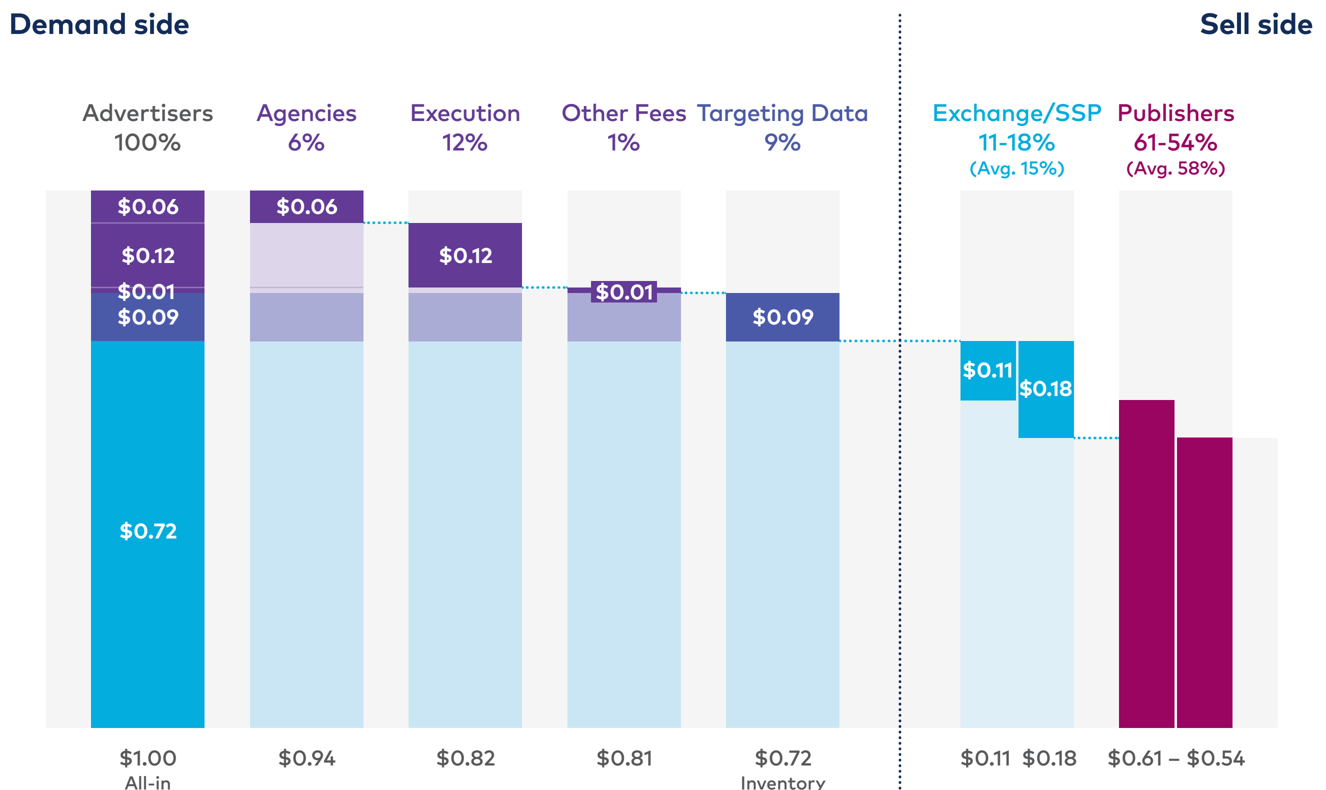
Two studies on the long-term value and return on investment delivered by TV were published during the year, one in the UK in association with ThinkBox, the other in Australia in partnership with ThinkTV.

Our partnership with global and national trade bodies, including the ANA, World Federation of Advertisers ('WFA'), and I-COM, strengthens and deepens. These partnerships generate joint research, drive client conversations, and result in leads. A sample of our thought leadership research in 2017 is summarised on page 21.

Andreas Cohen
Chairman of I-COM Global

"Ebiquity have continued to plant their credentials on the world stage of marketing analytics and play a growing and important role within the I-COM community. Whether speaking at our annual Global Summit, serving on our numerous boards and councils, or as frontrunners in our Data Science Hackathon, Ebiquity is partnering with us in our mission to help clients achieve competitive advantage in data-driven marketing."

How each dollar moves through the programmatic supply chain.
Data from Programmatic: Seeing through the financial fog report, produced with AD/FIN



Summary of major research studies by Ebiquity and partners in 2017

Month	Partner(s)	Title and scope of study	Short link
April	World Federation of Advertisers ('WFA')	"**Online advertising effectiveness**". Research among world's leading advertisers on attitudes, aspirations, and behaviours for online advertising.	http://bit.ly/2qj3YrN
May	US Association of National Advertisers ('ANA') Canadian Association of National Advertisers AD/FIN	"**Seeing through the programmatic fog**". First-of-its-kind study into programmatic media buying in the US marketplace. Study investigated costs and economics of programmatic. 16.4 billion impressions from 445 completed campaigns analysed.	http://bit.ly/2qOoSZo
June	ThinkTV	"**Payback Australia**". Econometric study demonstrating how and how much different media channels deliver in terms of ROI. Multi-category (FMCG, automotive, e-commerce, finance). TV, online search, and radio the most effective media.	http://bit.ly/2EyOqL6
October	WFA	"**Global Ad Viewability & Ad Fraud Levels**". By aggregating data from six leading verification companies (comScore, DoubleVerify, Integral Ad Science, Meetrics, Moat and Pixalate), we produced the industry's first collective view of viewability and fraud levels across more than 20 markets.	(WFA members only)
November	Thinkbox, Gain Theory	"**Profit Ability: the business case for advertising**". Total profit generated by different types of advertising quantified. ROI of £3.24 for every pound spent over three years, £4.20 for TV which accounts for 71% of profit. TV shown to deliver best return.	http://bit.ly/2Hlzmg3

Stephan Loerke
CEO of the World Federation of Advertisers

"As our longest standing partner, Ebiquity has been instrumental in helping us understand market dynamics. They have allowed us to surface global marketplace issues before they become mainstream discussion topics. They have also provided practical solutions and steps that our members can take to help get ahead of these challenges and improve their marketing effectiveness."

Richard Basil-Jones, Managing Director of Ebiquity Asia-Pacific shares findings of 'Payback Australia' study for ThinkTV

Our strategy for growth continued

5. Performance

The performance of Ebiquity in 2017 is summarised in more detail in the CEO review.

Total revenue growth in 2017 was 4.6%, and 0.8% on a like-for-like, constant currency basis. Performance in our US Media and US MPO business units provided a drag on revenue growth. Outside of the US, we made progress against our revenue growth goal in both the MPO and MVM segments.

During 2017, we achieved a series of key milestones of our Growth Acceleration Plan set out in September 2016. Further detail of both revenue growth in 2017 and progress against the Growth Acceleration Plan is detailed below.

	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	• Launched first iteration of Global Competency Framework • Kicked off Future Leaders Training programme	• Launched Ebiquity Connect • Expanded Marketing Effectiveness footprint in Europe and APAC • Rolled out Portfolio Digital • Launched Total View Attribution
PRIORITIES	• Organising global sales meeting • Raising digital skill levels	• Roll-out Phase I of digital paid media measurement tool, Optix • Grow Marketing Effectiveness internationally • Continue expansion of FirmDecisions internationally • Harmonise core methodologies used in our Media practice
KPIs	• Target voluntary attrition rate below 20%	• Increase 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 organisation 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.
• Embedded operational tools (e.g. Salesforce) to improve management information • Hired a Global Chief Operating Officer • Appointed Global Client Partners	• More press mentions in trade and business publication than ever before (e.g. FT) • Expanded presence at key industry events such as I-COM, WFA, ISBA, ANA, ProcureCon	• Continued growth of Marketing Effectiveness practice in the UK • Delivered strong growth in our Contract Compliance business globally
• Improve sales forecasts • Streamline hiring process • Introduce stage gate process for key investments in innovations	• Publication of thought leadership articles providing insightful and actionable points • Roll-out a refreshed brand identity across all key brand touchpoints, including website	• Delivery against the milestones published within our Growth Acceleration Plan • Launch of marketing analytics and tech services in new markets
• Percentage of clients taking two or more products/services	• Publish quoted thought leadership pieces • Average billings per employee	• Revenue CAGR of +10% between 2016-2021 • Medium term underlying operating profit margin target of 12-13%
• Our clients often have complex decentralised 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	• Inability to capitalise on the opportunities arising from the focus on media transparency • Some of the industry trends become less important or are resolved	• Identifying key talent to enable expansion of Marketing Analytics and Tech businesses 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

Our strategy for growth continued

The focus for our practices in 2018

For each of our three practice areas Media, Analytics, and Tech we have a clear and distinct plan to drive growth.

In **Media**, we are the global market leader for media performance benchmarking, agency selection, and contract compliance. For 2018, we plan to **cement our leading position**, helping our clients to attain the levels of transparency they desire.

In **Analytics**, we will **accelerate**. In 2018, we plan to scale and grow across existing and selected new territories, as well as across existing and new categories. We will do this through a combination of our best-in-class, integrated modelling engine capable of running more complex models than our competitors; through machine-learning; and, through cloud-based data processing of Big Data sets.

And for our **Tech** practice, our strategy is **ignite**. This newly-codified practice brings together products and services, team members and leadership who were already in the business before the practice was created, together with a series of senior hires with strong ad tech, martech, and media agency backgrounds. Our combined experience, tools, and approach is designed to help advertisers secure optimal return on investment on digital advertising and technologies. We have particular expertise and a growing client base in programmatic.

10-year ambition

to be the world's leading tech-enabled marketing consultancy

Our purpose

creating clarity for our clients

In summary

Across each of our three practices, we help our clients tackle today's critical challenges in marketing, delivered through a comprehensive service offering.

In **Media**, we help achieve greater transparency of media spend and performance.

In **Analytics**, we help build evidence-based marketing programmes rooted in data and analytics.

And in **Tech**, we help deploy the right technology – effectively – to create a unified, single customer view.

And so, with our purpose and values, 10-year mission, five-year goals and strategy in place and active; with clear progress against each of our 5Ps; and, with our company structure reorganising around client needs, we are in the right position to ultimately achieve our mission of becoming the trusted adviser of the Chief Marketing Officer. Naturally, our approach and offer will continue to evolve as both the media and marketing ecosystems, and as such CMO needs, change.

To do this, we will work as One Ebiquity, ensuring that our clients recognise us as one business with uniform capability. By developing deeper relationships with our clients, we introduce them to the full array of products and services we can offer. By working across practices, across geographies, and across boundaries, we deliver more to our clients and more to their bottom line.

The One Ebiquity mindset encourages a truly holistic view of marketing services. This enables our clients to ensure that their marketing is strategic marketing, designed to optimise the value and utility of their brands to their customers, and it will enable us to deliver against our Growth Acceleration Plan.

Our values

Clear	Agile	Curious	Objective
pragmatic down-to-earth straightforward	always-on adaptable collaborative	inquisitive engaging driven	informed knowledgeable honest

Case study

Enhancing media investment ROI

Achieved continuous and sustained improvements in ROI from media investments

Leveraged halo effects of specific product lines across entire product portfolio

Client objectives

Mazda Spain wanted to understand how its media investments were performing. As the decision to buy a car is long and complex, the analysis needed to show not just impact on sales, but impact all along the purchase funnel; from web visits to dealer/showroom visits, and on to final orders. By knowing what was working – and what was not – Mazda was looking to optimise its media buying.

Ebiquity approach

We conducted a comprehensive assessment of Mazda's media investment, price discounts, new car releases, competitor activity, and PR activations along the whole purchase lifecycle. Our marketing effectiveness team built bespoke econometric models to identify Mazda's most impactful sales drivers. We helped the company to deploy the optimal media mix, phase spend appropriately, and support the right product lines that work hardest for the company overall. We used our learnings to develop forecasts and simulations to enhance future media planning and decision-making.

Outcomes

Our analysis enabled Mazda Spain to understand with absolute clarity that TV advertising is fundamental to driving ROI for them. Conventional TV advertising was shown to be more effective than programme sponsorship. And we identified which creative executions were the most effective, not only in generating sales for specific models shown but also in driving sales across the portfolio.

"By understanding the impact that our media spend has right across the purchase funnel for different models of our cars, we've been able to fine tune our media plans with precision. Econometric modelling is a powerful tool. It's enabled to do more of what works brilliantly, less of what we were already doing more than enough of, and to drop altogether what's not relevant or impactful in our category or for our company."

José Manuel Loscos
Marketing Director, Spain

Case study

Paid, earned, owned social media modelling

Achieved best-in-class social media engagement in the quick-service restaurant category

Fine-tuned content strategies to optimise impact of specific channels and platforms

Client objectives

Subway needed to understand the effectiveness of its social media activity. The marketing leadership team wanted to give the Board a rationale for what they should invest in which channels, based on actual social media impact. And as Subway is a franchised operation, the team needed to address franchisee questions about what central marketing delivered through social.

Ebiquity approach

We analysed all paid, earned, and owned social media content generated by and about Subway in the UK & Ireland, compared with the other three big players in the category. We found Subway generated the most positive and neutral sentiment across Twitter and Facebook. The company also experienced the largest percentage growth in fans and followers on both platforms, despite much less offline advertising. Our Effectiveness team found that TV and radio drove earned media coverage, while out-of-home had minimal impact.

Outcomes

The analysis of peaks and troughs of activity enabled Subway to plan social better as a properly integrated component of marketing. It joined up messaging across social and other channels, making best use of different channels to optimise engagement: Facebook to entertain, Twitter to give healthy lifestyle advice, and Instagram to feature product and packaging. This allowed Subway to outperform its competitors on significantly leaner budgets.

"Before we assessed the impact of social, we found it hard to make a solid business case – to the company or our franchisees – about how we were performing and what we should do as a result. By understanding what topics, issues, and types of content drive conversation and engagement, we've been able to fine-tune our content and engagement strategies."

Sacha Clark
Country Marketing Director at Subway UK & Ireland

Case study

L'ORÉAL®

Agency selection and management

Identified and appointed new agency partner following best-in-class Agency Selection process

Engaged cross-functional teams of internal stakeholders from five divisions, five departments

Client objectives

L'Oréal France is one of the biggest advertisers in the country, and France is one of L'Oréal's top three markets worldwide. After more than 10 years in partnership with its media agency of record ('AOR'), the beauty giant decided to benchmark the service, cost performance, and thinking it received from its agency against the market.

Ebiquity approach

Ebiquity Paris worked with L'Oréal France to understand motivations for and expectations of agency review. We interviewed 30 internal stakeholders to shape the tender and review requirements. We ran workshops with multiple teams in different divisions to design the optimal review process.

Five of the six global media agency groups participated in the Request for Information ('RFI') stage, answering 10 critical questions in writing and discussing three questions in a one-hour chemistry meeting. The request for proposals ('RFP') was split into two lots, one for all paid media except search, the second for search.

Outcomes

L'Oréal France has now gone through a best-in-class process for AOR and search agency review and secured new partners for both. The company has confidence that they have ideal partners – not just for today, but for several years to come.

> "Reviewing agencies is a major undertaking and shouldn't be entered lightly or with insufficient time, energy, and resource. It's important that everyone relevant in an advertiser business – across multiple functions and levels of responsibility – is involved. And a clear and methodical process should be followed, giving prospective partners enough time and scope to demonstrate why they're the right fit – not just for today, but for the medium-term future."
>
> **Celine Largy**
> **Marketing Director, L'Oréal France**

Case study

Bespoke training in media planning and strategy

Improved understanding of media planning process across the business

Enhanced media ROI through improved knowledge and expertise in all relevant functions

Client objectives

Soft-drink manufacturer Britvic runs a broad-ranging education programme, but the company's marketing and insight teams needed to increase their understanding of media planning and strategy to challenge agency recommendations. Specifically, the teams wanted help ensuring that agency plans successfully extended Britvic's reach to the broadest possible audience to optimise sales.

Ebiquity approach

Our media experts ran a series of workshops with Britvic's marketing leadership to develop a best-in-class media planning and strategy training course. We helped them to plot their vision for better media planning and how to build knowledge across the marketing department.

Britvic has delivered its new course to dozens of marketing and insight colleagues. The course covers how the agency planning process works, with a special focus on digital planning practices. Real strategy documents and media plans were reviewed to identify improvements, and the strength of Britvic's own data was also addressed. The course addresses best practice in briefing agencies, what they should expect in return, and how to ensure KPIs are applied to track improvements over time.

Outcomes

The Britvic marketing and insight team has established a new working framework with its media agency. The agency provides planning information in a report format of Britvic's design that shows the various media choices and provides full visibility of costs and reach.

> "The training's been a big help and has increased the marketing team's focus on where we're spending our media budget – one of Britvic's biggest annual investments. Everyone now has far more confidence to ask the right questions, especially around value for money on digital. The session itself was really brought to life and made real by analysing our own historic strategy documents and media plans."
>
> **Fiona Graham**
> **Senior Capability Manager, Britvic Soft Drinks**

Chief Financial Officer's review

Performance outside of the US in line with expectations

Highlights

- 4.6% revenue growth, 6.7% revenue growth excluding the Market Intelligence segment
- Underlying operating profit margin of 13.8%
- Underlying diluted EPS of 9.4p
- 10% increase in proposed dividend to 0.71p per share
- Underlying cash conversion of 93%

Andrew Noble
Chief Financial Officer

Alternative Performance Measures

In these results we refer to 'underlying' and 'statutory' results, as well as other non-GAAP Alternative Performance Measures.

Alternative Performance Measures ('APMs') used by the Group are:

- constant currency like-for-like revenue growth;
- underlying operating profit;
- underlying operating margin;
- underlying profit before tax;
- underlying effective rate of tax;
- underlying fully dilutive EPS; and
- underlying operating cash flow conversion.

Underlying results are not intended to replace statutory results but are presented by removing the impact of highlighted items in order to provide a better understanding of the underlying performance of the business. The above APMs are consistent with how business performance is measured internally by the Group.

Underlying profit is not recognised under IFRS and may not be comparable with underlying profit measures used by other companies.

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 amortisation 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 contingent consideration on acquired entities, asset impairment charges, management restructuring 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.

Further detail of highlighted items are set out below as well as within the consolidated income statement and notes 1 and 3 of the financial statements.

Disposal of Advertising Intelligence and Reputation businesses

On 13 February 2018, the Company announced the disposal of its Advertising Intelligence business to Nielsen Media Research Limited for consideration of £26 million plus customary adjustments for working capital. The disposal is subject to certain conditions, including approval from the Competition and Markets Authority.

The Directors consider that as at 31 December 2017 the sale of the Advertising Intelligence business did not meet the definition of being highly probable, and therefore the division is not reported as a business held for sale in the financial statements.

Headline financials

Revenue £m

FY2017	87.4
FY2016	83.6

Operating profit £m

FY2017	12.0
FY2016	13.0

Diluted EPS pence

FY2017	9.4
FY2016	11.3

The Advertising Intelligence business represents in excess of 90% of the revenue and operating profit of the MI segment. On a pro-forma basis, the impact of the disposal on the 2017 results would be to reduce revenue by £21.9 million with a reduction of operating profit of £4.4 million reflecting the contribution to profit from the business before allocated overheads.

On 19 March 2018, the Company entered into an agreement to sell the trade and assets of its Reputation business to Echo Research Holdings Limited. Completion will take place on 31 March 2018. The consideration payable is dependent upon the revenue performance of the business during the 12 months following completion. During 2017 the business contributed £1.2 million of revenue and generated a £0.2 million operating loss.

Acquisitions

On 1 September 2017, the Group completed the acquisition of Digital Balance Pty ('Digital Balance'), an independent digital analytics consultancy located in Perth, Australia. The acquisition of Digital Balance further extends the MPO segment in Asia Pacific, bringing capabilities in Tech and Analytics.

Digital Balance was acquired for an initial cash consideration of AU$475,000 in cash. The maximum total consideration is AU$5 million payable in cash depending on the performance of the acquired business up to 31 December 2020. Digital Balance contributed revenue of £424,000 and operating profit £123,000 in the period since acquisition.

P&L overview

Commentary on segmental revenues are set out within the Chief Executive Officer's report.

Revenues grew to £87.4 million which represents 4.6% revenue growth over £83.6 million recorded over the 12 months ended 31 December 2016 ('2016'). Revenue grew by 1.2% on a constant currency basis and, removing the impact of acquisitions, by 0.8% on a constant currency like-for-like basis.

Underlying operating profit was £12.0 million compared with £13.0 million in 2016 reflecting a decrease in underlying operating profit margin from 15.5% to 13.8%. Operating profit margin declined in both the MPO and MI segments. Lower margins in the MPO segment reflect investment in the expansion of our Marketing Effectiveness services – as set out in the Growth Acceleration Plan – together with weaker revenue performance from our US analytics business. The MI segment operating profit margin decline reflects both a revenue decline from our project-based Reputation business and investment in our Portfolio platform within our Advertising Intelligence business.

Statutory operating profit decreased by £2.3 million from £7.8 million in 2016 to £5.5 million in 2017, reflecting a £1.0 million reduction in underlying operating profit and a £1.3 million increase in highlighted items. Highlighted items increased in 2017 reflecting costs associated with the sale of the Advertising Intelligence business together with severance costs and reorganisation changes.

Highlighted items are set out in more detail below.

Net finance costs were £1.0 million in the year to December 2017 (2016: £1.1 million), the reduction reflects lower average gross debt in 2017 compared with 2016.

Underlying profit before tax was £11.0 million in the year to December 2017 (2016: £11.8 million). Reported profit before was £4.5 million in the year to December 2017 (2016: £6.6 million), due to lower underlying operating profit and an increase in highlighted items compared with 2016.

Highlighted items

Highlighted items total £6.5 million in the year to December 2017, (2016: £5.2 million). Highlighted items comprised the following:

- £2.0 million related to purchased intangible asset amortisation (2016: £1.9 million);
- £0.7 million share-based payment expenses (2016: £0.6 million);
- £2.4 million of severance and reorganisation costs including the cost of post-earnout management change in China, leadership change in France and severance costs across a number of markets in Europe; and
- £1.4 million in relation to acquisition and strategic costs including £1.0 million of costs in relation to the disposal of the Advertising Intelligence business, £0.2 million in respect of adjustments to contingent deferred consideration, and £0.1 million associated to the acquisition of Digital Balance.

Chief Financial Officer's review continued

Taxation

The total tax charge for the year ended December 2017 is £2.0 million (FY2016: £2.2 million) representing a current tax charge of £1.6 million (FY2016: £1.8 million) and a deferred tax charge of £20,000 (FY2016: £0.5 million).

The effective rate of tax on underlying profit before tax for the year ended 31 December 2017 is 26.4% (FY2016: 21.7%). The effective rate of tax is increased by a deferred tax liability booked in 2017 of £0.4 million arising from differences between IFRS and German GAAP. Excluding the impact of the above deferred tax liability, the underlying effective tax rate for the year ended 31 December 2017 is 22.6% which is broadly in line with the prior year.

Earnings per share

Underlying diluted earnings per share was 9.4p in the year to 31 December 2017 (2016: 11.3p), reflecting a decrease in underlying profit before tax combined with an increase in the effective tax rate to 26.4% (2016: 21.7%). Statutory diluted earnings per share was 2.6p in the year to 31 December 2017 (2016: 5.2p).

Revenue	**FY2017 for the year ended 31 December 2017 £'000**	FY2016 for the year ended 31 December 2016 £'000
Media Value Measurement	**51,482**	47,161
Marketing Performance Optimisation	**12,746**	13,048
Market Intelligence	**23,146**	23,360
Total revenue	**87,374**	83,569
Underlying operating profit		
Media Value Measurement	**14,037**	12,124
Marketing Performance Optimisation	**1,646**	3,739
Market Intelligence	**3,163**	3,902
Central costs	**(6,820)**	(6,806)
Total underlying operating profit	**12,026**	12,959
Highlighted items	**(6,491)**	(5,202)
Reported operating profit	**5,535**	7,757
Net finance costs	**(1,044)**	(1,132)
Reported profit before tax	**4,491**	6,625
Underlying profit before tax	**10,982**	11,827
Underlying diluted earnings per share	**9.4p**	11.3p

Dividend

It is the Board's intention to pay a dividend of 0.71p per share for the 12 months ended 31 December 2017, (FY2016: 0.65p per share). This would represent an increase in dividend per share of 10% 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 9 May 2018. If shareholders approve this payment, the dividend will be paid on 15 May 2018 to all shareholders who were on the Register of Members at close of business on 12 April 2018.

Equity

During the 12 months to December 2017, 397,710 shares were issued upon the exercise of employee share options and a further 600,000 were issued as deferred consideration for the acquisition of Stratigent LLC. As a result our share capital increased to 78,197,461 ordinary shares (31 December 2016: 77,199,751).

Cash conversion

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Reported cash from operations	**7,948**	10,782
Underlying cash from operations	**11,203**	11,342
Underlying operating profit	**12,026**	12,959
Cash conversion	**93.2%**	87.5%

Underlying cash from operations represents the cash flows from operations excluding the impact of highlighted items. The underlying net cash inflow from operations was £11.2 million in the year ended 31 December 2017 (FY2016: £11.3 million).

After highlighted items are considered, reported net cash inflow from operations for 2017 was £8.0 million (FY2016: £10.8 million).

Underlying cash conversion has improved over 2016 by 6 percentage points. We continue to improve policies and processes to further improve the management of working capital. This will become particularly important following the disposal of the subscription based Advertising Intelligence business.

Net debt and banking facilities

	31 December 2017 £'000	31 December 2016 £'000
Net cash	**4,325**	4,600
Bank debt[1]	**(33,250)**	(32,750)
Net debt	**(28,926)**	(28,150)

1. Bank debt in the statement of financial position at 31 December 2017 is shown net of £0.2 million (31 December 2016: £0.1 million) of loan arrangement fees that have been paid and which are amortised 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 £45,000,000, comprises a term loan of £10,000,000 (of which £1,250,000 remains outstanding at 31 December 2017 (31 December 2016: £3,750,000)), and a revolving credit facility of £35,000,000 (of which £32,000,000 was drawn down at 31 December 2017 (31 December 2016: £29,000,000)).

During the year the Group extended the revolving credit facility through to 30 June 2019, and increased the facility to £35,000,000. The term loan remains repayable by 30 June 2018.

During the period, the Group continued to trade within each of its banking facilities and associated covenants. Net debt to EBITDA ratio was 2.10x at 31 December 2017 (31 December 2016: 1.94x).

Statement of financial position and net assets

A summary of the Group's balance sheet as at 31 December 2017 and 31 December 2016 is set out below:

	31 December 2017 £'000	31 December 2016 £'000
Goodwill and intangible assets	**72,440**	72,079
Other non-current assets	**3,331**	3,776
Net working capital	**12,443**	10,607
Other current liabilities	**(2,014)**	(1,855)
Other non-current liabilities	**(2,288)**	(2,522)
Deferred consideration	**(2,094)**	(2,015)
Net debt	**(28,926)**	(28,015)
Net assets	**52,982**	52,055

Net assets as at 31 December 2017 increased by £0.9 million to £53.0 million (2016: £52.1 million) due to an increase in goodwill and intangible assets of £0.4 million following the acquisition of Digital Balance and an increase in net working capital of £1.8 million resulting from an increase in net trade receivables of £1.7 million. These increases in asset values were offset by an increase in net debt of £0.9 million.

Outlook

The actions that have been taken in 2017, has positioned the business for faster revenue growth in 2018 and beyond. With an expectation of a turnaround in performance in the US in 2018, together with continued revenue growth outside of the US, we remain confident of delivering against the financial goals we set out in the Growth Acceleration Plan.

By order of the Board

Andrew Noble
Chief Financial Officer

21 March 2018

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 Premier Technical Services Group PLC, a niche specialist service provider and non-executive Chairman of IPSX UK. He is an alternate member of the Panel on Takeovers and Mergers on behalf of the Quoted Companies Alliance.

Committees

Michael Karg, PhD

Group Chief Executive Officer

Michael joined Ebiquity plc as CEO on 1 January 2016 and is a member of the Nomination Committee.

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.

Committees

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.

Morag Blazey

Managing Principal, Market Intelligence

In 2016 Morag took up the 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 organisations. 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

Rob Woodward

Non-Executive Director, Chairman Designate

Rob joined the Board as a Non-Executive Director on 1 March 2018 and Chairman Designate. He will succeed Michael Higgins who will retire following the Company's AGM on 9 May 2018. Rob currently sits on the Remuneration Committee, the Audit & Risk Committee and the Nomination Committee.

Experience

Prior to joining Ebiquity, Rob was CEO of STV Group plc for nearly 11 years where he led their successful transformation into a pre-eminent digital media group and oversaw a dramatic increase in shareholder value. Prior to STV, Rob was Commercial Director at Channel 4 Television for four years and was previously a Managing Director with UBS Corporate Finance and the lead partner for Deloitte's TMT Industry Group in Europe. He is currently Chairman of the AIM-listed data services provider Blancco Technology Group plc.

Committees

A N R

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

Corporate governance report

We are committed to maintaining appropriate standards of corporate governance 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 2017.

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 which are appropriate to the nature and size of the business.

Corporate governance code

As a company listed on AIM, Ebiquity is not required to comply with the UK Corporate Governance Code but considers the UK Code as part of its overall corporate governance strategy, taking into account the Group's size and complexity.

Ebiquity seeks to comply with 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 organisation 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. We acknowledge that shareholders look to the Board to promote the long-term success of the Company and, as Chairman, I recognise it is my role to provide the leadership to the Board to do so.

Michael J. Higgins

Michael Higgins
Chairman

21 March 2018

Board of Directors
Role of the Board

The Board is responsible to shareholders for the strategic direction and 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 49.

Composition of the Board and roles of the Directors

Nick Manning stood down as a Director of the Company on 31 December 2017. On 1 March 2018, Rob Woodward joined the Board as a Non-Executive Director and Chairman Designate. He will succeed Michael Higgins who will retire as Chairman following the AGM on 9 May 2018. The Board of Directors now comprises an independent Non-Executive Chairman, four further independent Non-Executive Directors and three 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. 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.

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. In light of the Company's announcement that it is selling its Advertising Intelligence business, Morag is part of this business and will transfer with the business.

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 organisations such as Accenture. She is currently chairman of Harvey Nash plc, which is listed on AIM. 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.

Rob Woodward (independent Non-Executive Director and Chairman Designate) brings a wealth of Board-level experience to Ebiquity. He was CEO of STV Group plc for nearly 11 years and is currently Chairman of the AIM-listed data services provider Blancco Technology Group plc. Prior to STV, Rob was Commercial Director at Channel 4 for four years and previously a Managing Director for UBS Corporate Finance.

Further biographical details regarding the Directors are contained on pages 34 and 35.

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 Board portal. 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 a business update, 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. Directors may take independent professional advice at the Company's expense as and when necessary to support the performance of their duties as Directors of the Company.

Risk management

The Board retains ultimate control and direction over appropriate strategic, financial, organisational and compliance issues. The Board has put in place an organisational 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. There is an internal Risk Committee which regularly meets to review existing risks and discuss new risks. The output of this is fed into the Audit and Risk Committee of the Board.

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 currently comprises Richard Nichols, Michael Higgins, Rob Woodward 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 consider the Group's risks 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.

The Audit & Risk Committee report can be found on pages 40 and 41.

Remuneration Committee

The Remuneration Committee, which meets at least twice a year, is chaired by Julie Baddeley. The Remuneration Committee currently comprises Julie Baddeley, Michael Higgins, Rob Woodward 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 42 to 44.

Nomination Committee

The Nomination Committee is chaired by Michael Higgins. The Nomination Committee currently comprises Michael Higgins, Rob Woodward, 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	3/3	4/4	1/1
Michael Karg, PhD	10/10	—	—	1/1
Andrew Noble	10/10	—	—	—
Nick Manning	9/10	—	—	—
Morag Blazey	10/10	—	—	—
Richard Nichols	10/10	3/3	—	1/1
Julie Baddeley	10/10	—	4/4	1/1
Tom Alexander	10/10	3/3	4/4	1/1

Management committees

Additionally, and not formal committees of the Board, the Company's management has constituted a number of executive 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 and the Group's risk management process which aims 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 35.

The Committee met on three occasions during the year. The attendance of its members is set out in the table on page 39. 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;
- **capitalisation of intangibles:** the Committee reviews the nature and quantum of the items proposed by management to be capitalised, together with the period over which the capitalised items will be amortised, 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. The Committee reviewed the impact of IFRS15 on the Group's revenue recognition policy;
- **sale of Advertising Intelligence business:** the Committee reviews the disclosure relating to the sale of the Advertising Intelligence business in relation to whether the assets of the business should be treated as held for sale and the carrying value of goodwill; 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 was appointed for 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 £46,000 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

21 March 2018

Remuneration Committee report

Remuneration policy

The Board recognises 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 incentivising them to perform.

The Remuneration Committee has maintained the policy set out in the annual report for the period ended 31 December 2015, which is used to determine Executive Directors' remuneration and as a guide for the Executive Committee in setting organisation-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	Incentivises 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)	Incentivises 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 in exceptional 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 consulted with its largest institutional investors during 2016/17 with the intention of amending its Long-Term Incentive ('LTI') plans to better align Directors' (and other Executives') interests with those of shareholders and with the longer-term strategy of the Group. The Company did not issue LTIs to executives during 2016 or 2017 due to this ongoing consultation with shareholders and the strategic review which resulted in the decision to sell the Advertising Intelligence business. The Company was unable to attain consensus amongst its major institutional investors and – given the need to retain and incentivise management – has since granted LTIs to Executives under the previously established executive incentive plan, details of which were shared with major institutional shareholders and are presented below.

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 2017

	Salary/fees £'000	Taxable benefits £'000	Bonus £'000	**FY2017 year ended 31 December 2017 Total £'000**	FY2016 year ended 31 December 2016 Total £'000
Executive					
Michael Karg, PhD	400	27	—	**427**	529[1]
Andrew Noble	170	8	—	**178**	54[2]
Nick Manning	300	—	—	**300**	300
Morag Blazey	250	9	—	**259**	243
Andrew Beach[3]	—	—	—	**—**	172
Michael Greenlees[4]	—	—	—	**—**	110
Non-Executive					
Michael Higgins	70	—	—	**70**	68
Richard Nichols	35	—	—	**35**	35
Julie Baddeley	35	—	—	**35**	35
Tom Alexander	35	—	—	**35**	35
	1,295	44	—	**1,339**	1,581

1. Michael Karg was in receipt of a £120,000 sign-on bonus in the financial year ended 2016.
2. Andrew Noble was appointed as Chief Financial Officer and a Director with effect from 9 September 2016.
3. Andrew Beach (previously Chief Financial Officer) left the Company on 14 October 2016.
4. Michael Greenlees (previously Chief Executive Officer) left the Company on 30 April 2016.

Long-Term Incentives

During the year, a total of 79,425 share options that were previously granted to Directors under the Company's Executive Incentive Plan vested (FY2016: 311,355) as follows:

Beneficiary	Grant date	Volume	Exercise price	Performance conditions	Achievement vs condition	% vested	Number vested
Morag Blazey	15 May 2014	150,000	£0.25	Growth in adjusted diluted EPS vs 2013/14	11.2p/share vs 10.7p – 4.12% compound growth	21.18%	31,770
Nick Manning	15 May 2014	200,000					42,360
Andrew Noble	15 May 2014	25,000					5,295

During the fiscal period, no options were granted to any Directors under the Group's Executive Incentive Plan (FY2016: nil).

The totals above are inclusive of annual performance bonuses (FY2016: £8,000). 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 (FY2016: nil). Contributions totalling £26,301 (FY2016: £28,127) were made to Directors' private pension schemes (£14,010 to the highest paid Director, FY2016: £14,000) during the year.

Directors exercised share options during the year (FY2016: nil). The highest paid Director exercised no share options, (FY2016: nil).

Remuneration Committee report continued

Termination payments to Directors

One Director, Nick Manning, left the Company in the year ended 31 December 2017 and has since been paid six months' pay in lieu of notice and pension entitlements (£150,000) and an ex-gratia termination payment of £50,000 (2016: no directors, £nil).

Implementation of remuneration policy in 2018

The Executive Directors' remuneration for the year that commenced on 1 January 2018 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 target 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 target 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.

Share options have been granted to Directors since the period end in respect of the financial years 2016 and 2017 when no LTIs were granted to the executive management. These were as follows:

Beneficiary	Grant date	Volume	Exercise price	Performance conditions	Vesting Date
Michael Karg	13 February 2018	350,000	£0.25	Growth in adjusted diluted EPS over five-year period to 31 December 2020 vs 2015; 4%=20% vesting, 8%=60% vesting, 10%+=100% vesting. A quarter of the total may vest early if Total Shareholder Return from 1 January 2016-31 December 2018 is in top quartile of AIM Media Index.	30 April 2021
Andrew Noble	13 February 2018	150,000			
Michael Karg	13 February 2018	350,000		Growth in adjusted diluted EPS over five-year period to 31 December 2021 vs 2015; 4%=20% vesting, 8%=60% vesting, 10%+=100% vesting. A quarter of the total may vest early if Total Shareholder Return from 1 January 2017-31 December 2019 is in top quartile of AIM Media Index.	30 April 2022
Andrew Noble	13 February 2018	150,000			

Gender pay reporting

The Company has published and reported its UK business Gender Pay Gap for the first time under the UK Government's new reporting guidelines in relation to the snapshot date of 5 April 2017 and the year to that date. This is available on our website at https://www.ebiquity.com/media/187419/ebiquity-gender-pay-gap.pdf.

Julie Baddeley
Chair of the Remuneration Committee

21 March 2018

Directors' report

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2017.

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. Its overseas operations are subsidiaries (see note 12).

Future developments

The future developments of the Group are considered in the strategic report on pages 2 to 33.

Dividends

The Board is recommending the payment of a final dividend of 0.71p per share for the year ended 31 December 2017. If shareholders approve this payment at the AGM on 9 May 2018, the dividend will be paid on 15 May 2018 to all shareholders who were on the Register of Members at close of business on 12 April 2018.

Research and development

The Group continues to invest in the development of products. During the period a total of £1.2 million was capitalised in relation to development projects. This has resulted in the development of a number of new products and services.

Political donations and political expenditure

No political donations were made and no political expenditure was incurred in the period (2016: nil).

Modern Slavery Act 2015

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

Acquisitions

On 1 September 2017, the Group completed the acquisition of Digital Balance Pty ('Digital Balance'), an independent digital analytics consultancy located in Perth, Australia. Digital Balance is one of a small number of consultancies who are certified sales and implementation partners of both Google and Adobe. Digital Balance will provide an important extension to Ebiquity's digital analytics services in Australia. Digital Balance was acquired for an initial cash consideration of AU$475,000 in cash. The maximum total consideration is AU$5,000,000 payable in cash depending on the performance of the acquired business up to 31 December 2020.

Events after the reporting period

On 13 February 2018, the Company announced the disposal of its Advertising Intelligence business to Nielsen Media Research Limited for consideration of £26 million plus customary adjustments for working capital. The disposal is subject to certain conditions, including approval from the Competition and Markets Authority ('CMA'). Completion is anticipated to take place during the second quarter of 2018, assuming the CMA provides clearance following its high-level Phase 1 examination. In the event the CMA should instead refer the transaction for a more detailed Phase 2 investigation, then Completion is unlikely to take place before the fourth quarter of 2018.

On 19 March 2018, the Company entered into an agreement to sell the trade and assets of its Reputation business to Echo Research Holdings Limited. Completion will take place on 31 March 2018. The consideration payable is dependent upon the revenue performance of the business during the 12 months following completion. During 2017 the business contributed £1.2 million of revenue and generated a £0.2 million operating loss.

Directors' report continued

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
Rob Woodward		Non-Executive Director and Chairman Designate
Michael Karg, PhD	Executive Director	Chief Executive Officer
Andrew Noble	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

Nick Manning stood down as a Director on 31 December 2017.

Mark Sanford, General Counsel, acts as the Company Secretary to the Board and its Committees.

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 2017		31 December 2016	
	Ordinary shares	**Options**	Ordinary shares	Options
Michael Higgins	**64,500**	**—**	64,500	—
Michael Karg	**—**	**500,000**	—	500,000
Andrew Noble	**—**	**40,295**	—	60,000
Morag Blazey	**—**	**483,199**	—	601,429
Richard Nichols	**100,000**	**—**	100,000	—
Julie Baddeley	**—**	**—**	—	—
Tom Alexander	**—**	**—**	—	—

No Director has any direct interest in the shares of any subsidiary company between 31 December 2017 and the date of this report. Michael Karg has been awarded options over a further 700,000 ordinary shares and Andrew Noble has been awarded options over a further 300,000 ordinary shares.

Further information about the Directors' interests is provided in the Remuneration Committee report on pages 42 to 43.

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 and a deed if indemnity is in place between the Company and each of the Directors. There were no pension scheme indemnity provisions in place during the period.

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 organisation on the back of these findings.

During 2017, the Company launched the Future Leaders programme which was created to ensure that the Group develops a pipeline of the leaders of tomorrow and supports the careers of high-potential individuals. We also developed and deployed a Global Competency Framework which is supporting our annual Talent Review process and the continuous development of our people's behaviours, skills and knowledge.

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.

The Group seeks to recruit, develop and employ throughout the organisation suitably qualified, capable and experienced people, irrespective of sex, age, race, disability, religion or belief, marital or civil partnership status or sexual orientation. The Group gives full and fair consideration to all applications for employment made by people with disabilities, having regard to 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 24 to the financial statements.

Substantial shareholdings

At the date of this report the Company's issued share capital consisted of 78,367,690 ordinary shares of 25p each and a total of 74,167,690 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.

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.

Directors' report continued

Financial instruments continued
Substantial shareholdings continued

Name	Number of shares	% of issued share capital	% of total voting rights
Artemis Investment Management	12,142,282	15.49%	16.37%
T Rowe Price Global Investments	8,557,742	10.92%	11.54%
Kabouter Management	8,093,228	10.33%	10.91%
JO Hambro Capital Management	7,384,944	9.42%	9.96%
Invesco Perpetual	5,374,876	6.86%	7.25%
Herald Investment Management	5,341,125	6.82%	7.20%
Legal & General Investment Management	5,139,200	6.56%	6.93%
Hargreave Hale	3,992,500	5.09%	5.38%

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. Furthermore, the anticipated proceeds from the sale of the Advertising Intelligence business would allow the Group to repay a significant proportion of its outstanding bank facility. For these reasons 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

Mark Sanford
Company Secretary

21 March 2018

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 audit of the group financial statements

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 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated statement of financial position as at 31 December 2017; the consolidated income statement and statement of comprehensive income, the consolidated statement of cash flows, and the consolidated statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

- Overall group materiality: £547,000 (2016: £587,000), based on 5% of profit before tax and highlighted items.

- Eight reporting units were audited as full scope entities. These units were located in the U.K., Germany, USA and Australia.
- The USA entities in scope were visited and audited by the group engagement team.
- Australian and German components were audited by local audit teams.

- Risk of impairment of goodwill and intangible assets.
- Accounting for contract revenue recognition.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Risk of impairment of goodwill and intangible assets We focused on this area because management's assessment of the carrying value of goodwill and intangible assets involves complex and subjective judgements about the future results of the business. No impairment was recognised during the year. We focused on those Cash Generating Units (CGUs) we considered to carry more judgement because of current year losses or historical underperformance against budgets, or for which management's impairment assessment model gave lower headroom relative to other CGUs. The value in use calculations in relation to the Group's China CGU (goodwill of £4,839k) was most sensitive to changes in key assumptions. The key judgements involved were future revenue growth, cost assumptions and the discount rate applied as set out in Note 9 to the Group financial statements.	We have evaluated management's future cash flow forecasts, which were prepared to a sufficiently detailed level, including comparing them to the latest Board approved budgets, testing the integrity of the underlying calculations and assessing how both internal and external drivers of performance were incorporated into the projections. We also challenged the discount rates used by independently recalculating the cost of capital. Given the China CGU has seen a weaker performance in 2017, new management has been put in place to address this and the carrying value of the goodwill is dependent on the CGUs ability to generate profits from 2019 onwards. We compared 2017 financial performance to budget and understood the reasons for the differences from the forecasts prepared for the 31 December 2016 financial statements and their impact on the future drivers of improvement in profitability. For the Group's China CGU, we also performed sensitivity analysis around the key drivers of the cash flow forecasts, in particular the revenue, growth, cost assumptions and discount rate. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill and intangible assets to be impaired, we considered the likelihood of such movement arising in those key assumptions. Management has built increased profitability into their forecasts for the CGU and we challenged them on the realistic impact of the actions they have taken, and intend to take, to improve the profitability. Although we considered management' expectations of the impact of the their actions to be reasonable in light of the evidence available, failure to meet these forecasts and to generate a profit may result in impairment of the goodwill associated with the China CGU. Therefore we also examined the disclosures made in the financial statements and concluded that they are appropriate.

Independent auditors' report continued

to the members of Ebiquity plc

Key audit matter	How our audit addressed the key audit matter
Accounting for contract revenue recognition Income is recognised evenly over the period of the contract for Market Intelligence businesses, and in accordance with the stage of completion of the contract activity for the Media Value Measurement and Marketing Performance Optimisation 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 recognised 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 recognised to the extent of contract costs incurred that it is probable would be recoverable. Costs are recognised as an expense in the period in which they are incurred. Careful consideration needs to be given to projects open at year end requiring significant judgement in respect of the stage of completion and the associated revenue and profit to be recognised. The total amount of revenue and profit to be recognised under a contract can be affected by changes in conditions and circumstances over time, such as: • variations to the original contract terms • cost overruns • scope changes that require further negotiation and settlement. Variations can arise from changing client specifications, changes to the job based on unforeseen circumstances (e.g. macroeconomic factors), as well as from inefficiencies on the part of either party. There can be some uncertainties, therefore, in determining the amounts to be recovered from any additional work performed. The risk is, therefore, that contract revenue is not recognised in the correct period or that revenue and associated profit is misstated.	We understood management's policies and their controls for recording revenue. We performed detailed end-to-end walkthroughs of the finance and operational processes, utilising our understanding from the prior years to reassess the design effectiveness of the key internal controls and identify changes, if any. We reviewed a sample of the terms and conditions attached to revenue contracts and evaluated management's judgements used to determine the timing of recognition of revenue. We selected a number of contracts: • with significant revenue recognised in the year or • with significant accrued income • a further sample on a random basis. To assess whether revenue and profit is accurately recorded, we tested the hours complete on a sample of contracts by obtaining an understanding from project managers as to how they had estimated these hours, challenging the assumptions, evaluating the outturn of previous estimates and agreeing the actual hours incurred post-year end to the forecast for the period. We also assessed how the project managers determined that the stage of completion was correctly calculated by obtaining their calculations and agreeing the inputs to supporting evidence and correspondence with customers. We found that revenue was recorded appropriately. To test the timing of contract revenue, we challenged management's judgements on the completeness of work for our sample of contracts by checking original contracts, amendments to contracts, where applicable (e.g. due to agreed changes in scope), and checking that the contractual milestones had been reached. No significant issues were noted from our work.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which it operates.

The following matters are considered when determining the scope of the audit by component:

- We identify components which are financially significant to the Group;
- We identify components considered likely to include a significant risk of material misstatement to the Group financial statements;
- We consider the findings from prior year audits and assess whether it would provide further insight to the Group to revisit certain territories to provide an update; and
- We consider if there are any other components that contribute a significant amount to key income statement and balance sheet measures and ensure sufficient coverage of each material line item in the financial statements is obtained through components in scope.

We also considered locations visited and those out of scope in the prior three years. The scoping calculation is based upon obtaining sufficient coverage of each financial statement line item, which varies depending on the risk assessment.

The Group operates through subsidiaries in the US, Australia, China, UK, France, Germany and other European countries. There are three financially significant components being: Ebiquity plc, Ebiquity Associates Ltd, and Ebiquity Germany GmbH; for the purpose of obtaining required coverage over the group balances, we have also included in our scope Firm Decision Ltd and Ebiquity Russia Ltd (both incorporated in UK), Ebiquity Inc and Stratigent LLC (both incorporated in USA) and Ebiquity Pty Ltd (incorporated in Australia).

The scoping calculation is based upon obtaining sufficient coverage of each financial statement line item, which varies depending on the risk assessment.

The Group audit is performed in the UK by the same engagement leader and team; the German and Australia components have been audited by other network firms. As part of our audit procedures we have obtained access to the audit files of the components not directly audited by PwC UK and have reviewed the work performed. In the current year we visited the component in Germany and Australia and attended the clearance meeting with the local management.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£547,000 (2016: £587,000).
How we determined it	5% of profit before tax and highlighted items.
Rationale for benchmark applied	Based on the benchmarks used in the annual report, profit before tax and highlighted items is the primary measure used by the shareholders in assessing the performance of the group, and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £46,000 and £489,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £10,000 (2016: £10,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent auditors' report continued

to the members of Ebiquity plc

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 49, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report

This report, including the opinions, has been prepared for and only for the 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.

Other required reporting

Companies Act 2006 exception reporting

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
- certain disclosures of directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

Other matter

We have reported separately on the company financial statements of Ebiquity plc for the year ended 31 December 2017.

Richard Porter
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
London

21 March 2018

Consolidated income statement

for the year ended 31 December 2017

		Year ended 31 December 2017			Year ended 31 December 2016		
	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	**87,374**	**–**	**87,374**	83,569	–	83,569
Cost of sales		**(45,130)**	**–**	**(45,130)**	(38,282)	–	(38,282)
Gross profit		**42,244**	**–**	**42,244**	45,287	–	45,287
Administrative expenses		**(30,218)**	**(6,491)**	**(36,709)**	(32,328)	(5,202)	(37,530)
Operating profit/(loss)	4	**12,026**	**(6,491)**	**5,535**	12,959	(5,202)	7,757
Finance income	6	**17**	**–**	**17**	18	–	18
Finance expenses	6	**(1,061)**	**–**	**(1,061)**	(1,150)	–	(1,150)
Net finance costs		**(1,044)**	**–**	**(1,044)**	(1,132)	–	(1,132)
Profit/(loss) before taxation		**10,982**	**(6,491)**	**4,491**	11,827	(5,202)	6,625
Taxation (charge)/credit	7	**(2,897)**	**854**	**(2,043)**	(2,570)	340	(2,230)
Profit/(loss) for the year		**8,085**	**(5,637)**	**2,448**	9,257	(4,862)	4,395
Attributable to:							
Equity holders of the parent		**7,522**	**(5,458)**	**2,064**	8,987	(4,837)	4,150
Non-controlling interests		**563**	**(179)**	**384**	270	(25)	245
		8,085	**(5,637)**	**2,448**	9,257	(4,862)	4,395
Earnings per share							
Basic	8			**2.65p**			5.38p
Diluted	8			**2.57p**			5.20p

The notes on pages 60 to 93 are an integral part of these financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2017

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Profit for the year	**2,448**	4,395
Other comprehensive income/(expense):		
Items that will not be reclassified subsequently to profit or loss		
Exchange differences on translation of overseas subsidiaries	**(623)**	4,844
Total other comprehensive income/(expense) for the year	**(623)**	4,844
Total comprehensive income for the year	**1,825**	9,239
Attributable to:		
Equity holders of the parent	**1,441**	8,994
Non-controlling interests	**384**	245
	1,825	9,239

The notes on pages 60 to 93 are an integral part of these financial statements.

Consolidated statement of financial position

as at 31 December 2017

	Note	31 December 2017 £'000	31 December 2016 £'000
Non-current assets			
Goodwill	9	**59,317**	58,045
Other intangible assets	10	**13,123**	14,034
Property, plant and equipment	11	**1,829**	2,438
Deferred tax asset	19	**1,502**	1,338
Total non-current assets		**75,771**	75,855
Current assets			
Trade and other receivables	13	**32,509**	28,416
Cash and cash equivalents	14	**4,732**	6,662
Total current assets		**37,241**	35,078
Total assets		**113,012**	110,933
Current liabilities			
Trade and other payables	15	**(7,401)**	(5,919)
Accruals and deferred income	16	**(12,665)**	(11,890)
Financial liabilities	17	**(2,473)**	(6,253)
Current tax liabilities		**(1,598)**	(1,841)
Provisions	18	**—**	(9)
Deferred tax liability	19	**(412)**	—
Total current liabilities		**(24,549)**	(25,912)
Non-current liabilities			
Financial liabilities	17	**(33,193)**	(30,448)
Provisions	18	**(393)**	(393)
Deferred tax liability	19	**(1,895)**	(2,125)
Total non-current liabilities		**(35,481)**	(32,966)
Total liabilities		**(60,030)**	(58,878)
Total net assets		**52,982**	52,055
Equity			
Ordinary shares	21	**19,549**	19,300
Share premium		**21**	—
Other reserves		**4,877**	6,134
Retained earnings		**27,495**	25,860
Equity attributable to the owners of the parent		**51,942**	51,294
Non-controlling interests		**1,040**	761
Total equity		**52,982**	52,055

The notes on pages 60 to 93 are an integral part of these financial statements. The financial statements on pages 56 to 59 were approved and authorised for issue by the Board of Directors on 21 March 2018 and were signed on its behalf by:

Michael Karg, PhD
Director

Andrew Noble
Director

Consolidated statement of changes in equity

for the year ended 31 December 2017

	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
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	21	10	16	—	—	26	—	26
Share premium reduction[2]		—	(11,780)	—	11,780	—	—	—
Shares issued to employees[3]		—	—	634	—	634	—	634
Share options charge	3	—	—	—	652	652	—	652
Deferred tax on share options	19	—	—	—	(321)	(321)	—	(321)
Dividends paid to shareholders	25	—	—	—	(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
Profit for the year		**—**	**—**	**—**	**2,064**	**2,064**	**384**	**2,448**
Other comprehensive income		**—**	**—**	**(623)**	**—**	**(623)**	**—**	**(623)**
Total comprehensive income for the year		**—**	**—**	**(623)**	**2,064**	**1,441**	**384**	**1,825**
Shares issued for cash	21	**99**	**21**	**—**	**—**	**120**	**—**	**120**
Shares issued to employees[3]		**150**	**—**	**(634)**	**484**	**—**	**—**	**—**
Share options charge	3	**—**	**—**	**—**	**729**	**729**	**—**	**729**
Deferred tax on share options	19	**—**	**—**	**—**	**(61)**	**(61)**	**—**	**(61)**
Acquisition of non-controlling interest		**—**	**—**	**—**	**(1,107)**	**(1,107)**	**—**	**(1,107)**
Dividends paid to shareholders	25	**—**	**—**	**—**	**(474)**	**(474)**	**—**	**(474)**
Dividends paid to non-controlling interests		**—**	**—**	**—**	**—**	**—**	**(105)**	**(105)**
31 December 2017		**19,549**	**21**	**4,877**	**27,495**	**51,942**	**1,040**	**52,982**

1. Includes £3,667,000 (31 December 2016: £3,667,000) in the merger reserve; a debit balance of £1,478,000 (31 December 2016: £1,478,000) in the ESOP reserve; a share-based payment reserve of £nil (31 December 2016: £634,000); and a gain of £2,688,000 (31 December 2016: £3,311,000 gain) recognised in the translation reserve. Refer to note 22 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.
3. A share-based payment reserve of £634,000 was created during the year ended 31 December 2016 and settled during the year ended 31 December 2017.

The notes on pages 60 to 93 are an integral part of these financial statements

Consolidated statement of cash flows

for the year ended 31 December 2017

	Note	**Year ended 31 December 2017 £'000**	Year ended 31 December 2016 £'000
Cash flows from operating activities			
Cash generated from operations	26	**7,948**	10,782
Finance expenses paid		**(938)**	(1,092)
Finance income received		**17**	18
Income taxes paid		**(2,207)**	(166)
Net cash generated from operating activities		**4,820**	9,542
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	27	**(176)**	—
Payments to acquire non-controlling interest		**(1,107)**	—
Payments in respect of contingent consideration		**(1,799)**	(4,431)
Purchase of property, plant and equipment	11	**(642)**	(479)
Purchase of intangible assets	10	**(1,589)**	(1,872)
Net cash used in investing activities		**(5,313)**	(6,782)
Cash flows from financing activities			
Proceeds from issue of share capital (net of issue costs)		**160**	26
Proceeds from bank borrowings	24	**3,000**	3,336
Repayment of bank borrowings	24	**(2,500)**	(6,411)
Dividends paid to shareholders	25	**(474)**	(292)
Dividends paid to non-controlling interests		**(21)**	(546)
Capital repayment of finance leases		**(5)**	(4)
Net cash flow generated by/(used in) financing activities		**160**	(3,891)
Net decrease in cash, cash equivalents and bank overdrafts		**(333)**	(1,131)
Cash, cash equivalents and bank overdraft at beginning of year	14	**4,600**	6,364
Effects of exchange rate changes on cash and cash equivalents		**58**	(633)
Cash, cash equivalents and bank overdraft at end of year	14	**4,325**	4,600

The notes on pages 60 to 93 form part of these financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2017

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 22 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 Group meets its day-to-day working capital requirements through its cash reserves and borrowings, described in note 17. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current cash reserves and borrowings, including continuing to meet the bank covenants therein. The Group therefore continues to adopt the going concern basis in preparing its financial statements. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities 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 recognised 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 finalise 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 recognised 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 recognised.

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 recognised in equity.

Where the consideration for the acquisition includes a contingent consideration arrangement, this is measured at fair value at the acquisition date. Any subsequent changes to the fair value of the contingent 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 consideration after the measurement period are recognised in the income statement within administrative expenses as a highlighted item. The carrying value of contingent 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.

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 recognised 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 Optimisation 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 recognised 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 recognised to the extent of contract costs incurred that it is probable would be recoverable. Costs are recognised 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 recognised 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 recognised 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 amortisation 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 contingent consideration on acquired entities, asset impairment charges, management restructuring 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 recognises 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 recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity.

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

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 utilised. 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 realise 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 recognised 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	Five to 14 years straight-line; or 25% per annum reducing balance
Computer equipment	Two to four years straight-line
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. During the year, the Group generated £1,202,000 of internally generated intangible assets (31 December 2016: £1,091,000).

An internally generated intangible asset arising from the Group's development expenditure is recognised 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 amortised on a straight-line basis over their useful lives. Amortisation commences when the asset is available for use and useful lives range from one to five years. The amortisation expense is included within administrative expenses. Where an internally generated intangible asset cannot be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Purchased intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives, which vary from three to 10 years. The amortisation expense is included as a highlighted item within the administrative expenses line in the income statement.

Intangible assets recognised 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 recognised by the Group are customer relationships which are amortised on a straight-line basis over a typical useful life of eight to 10 years.

Computer software

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

Impairment

Assets that have an indefinite useful life are not subject to amortisation 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 amortisation 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 recognised 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 amortisation, if the impairment loss had been recognised.

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 recognised 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 recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised 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 recognised 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 recognised at fair value net of directly attributable transaction costs incurred and subsequently measured at amortised cost using the effective interest method. The difference between the proceeds received net of transaction costs and the redemption amount is amortised 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 recognised at their nominal value which is usually the original invoiced amount.

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 recognised 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 analysed 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 recognised 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 2017

1. Accounting policies continued

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.

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 recognised 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 recognised 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 recognise 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 recognised 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 recognised 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 recognised 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 recognised 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.

Critical accounting estimates include the terminal growth rate used in impairment assessments, inputs to share option accounting fair value models and amounts to capitalise as intangible assets. These estimates are reached with reference to historical experience, supporting detailed analysis and, in the case of impairment assessments and share option accounting, external economic factors.

Critical accounting judgements include the treatment of events after the reporting period as adjusting or non-adjusting and the determination of segments for segmental reporting, based on the reports reviewed by the Executive Directors that are used to make strategic decisions. These judgements are determined at a Board level based on the status of strategic initiatives of the Group.

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 consideration

The Group has recorded liabilities for contingent consideration on acquisitions made in the current and prior periods. The calculation of the contingent 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 consideration after the measurement period are recognised 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 2018, the Group will adopt the following amendments which are effective for accounting periods on or after 1 January 2018 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.

- IFRS 9 'Financial Instruments'. This standard addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost; fair value through other comprehensive income; and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income, not recycling. An expected credit losses model replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there are no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright-line hedge effectiveness tests. To qualify for hedge accounting, it requires an economic relationship between the hedged item and hedging instrument, and for the 'hedged ratio' to be the same as the one that management actually uses for risk management purposes. Contemporaneous documentation is still required, but it is different from that currently prepared under IAS 39. There is an accounting policy choice to continue to account for all hedges under IAS 39. IFRS 9 is effective for accounting periods beginning on or after 1 January 2018. The Group is implementing IFRS 9 during the first half of 2018. The classification and measurement basis for the Group's financial assets and liabilities is expected to be largely unchanged by adoption of IFRS 9. Management's preliminary view based on work performed to date is that no material impact on profit for future periods is expected. Management is in the process of assessing the impact on credit losses on receivables and past refinancings and this assessment is expected to be concluded during the first half of 2018.

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

1. Accounting policies continued
Adoption of new standards and interpretations continued

- IFRS 15 'Revenue from Contracts with Customers'. This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. Variable consideration is included in the transaction price if it is highly probable that there will be no significant reversal of the cumulative revenue recognised when the uncertainty is resolved. The standard replaces IAS 18 'Revenue', and IAS 11 'Construction Contracts', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018, and earlier application is permitted. The Group implemented IFRS 15 on 1 January 2018 and has carried out a review of existing contractual arrangements as part of this process. The Directors anticipate there will be no material impact for the Media Value Measurement, Market Intelligence and Marketing Performance Optimisation revenue streams, based on the outputs of that contract review in the context of IFRS 15's five step revenue recognition model. Under the existing accounting policy, revenue is recognised when the amounts can be reliability measured, which is considered to be when project milestones are reached. Under IFRS 15, revenue can only be recognised when the Group has an enforceable right to be paid for work completed. Management assessed the likelihood of contract cancellation mid-flight, noting minimal instances of this occurring in prior periods. The classification and measurement of revenue is largely unchanged following the adoption of IFRS 15. No material impact on profit for future periods is expected.

The following new standard has been published that is mandatory to the Group's future accounting periods but has not been adopted early in these financial statements.

- IFRS 16, 'Leases' (effective on or after 1 January 2019). This standard replaces IAS 17 'Leases' and related interpretations and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The standard addresses the definition of a lease, recognition and measurement of leases, and it establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. In future periods, the operating lease charge would be replaced by a depreciation charge that, whilst lower over the life of the lease than the current operating lease charge, is not expected to be materially different. The Directors are in the process of reviewing contracts to identify any additional lease arrangements that would need to be recognised under IFRS 16. 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. Management will assess the impact on the Group of IFRS 16 prior to the effective date of implementation.
- Although the detailed impact has not yet been quantified, management expects that the adoption of IFRS 16 will impact the accounting for those leases currently classified as operating leases. The Group will apply IFRS 16 from 1 January 2019 and the quantitative impact will be included in the Group's 2018 interim results announcement.

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 Optimisation:

- 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 Optimisation 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 amortisation. 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 2017 is as follows:

Year ended 31 December 2017

	Media Value Measurement £'000	Market Intelligence £'000	Marketing Performance Optimisation £'000	Reportable segments £'000	Unallocated £'000	Total £'000
Revenue	**51,482**	**23,146**	**12,746**	**87,374**	**—**	**87,374**
Operating profit/(loss) before highlighted items	**14,037**	**3,163**	**1,646**	**18,846**	**(6,820)**	**12,026**
Total assets	**58,334**	**33,715**	**13,547**	**105,596**	**7,416**	**113,012**

Year ended 31 December 2016

	Media Value Measurement £'000	Market Intelligence £'000	Marketing Performance Optimisation £'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

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

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Reportable segment operating profit before highlighted items	**18,846**	19,765
Unallocated costs[1]:		
Staff costs	**(5,770)**	(5,219)
Property costs	**(322)**	(786)
Exchange rate movements	**65**	(158)
Other administrative expenses	**(793)**	(643)
Operating profit before highlighted items	**12,026**	12,959
Highlighted items (note 3)	**(6,491)**	(5,202)
Operating profit	**5,535**	7,757
Net finance costs	**(1,044)**	(1,132)
Profit before tax	**4,491**	6,625

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

2. Segmental reporting continued

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

	31 December 2017 £'000	31 December 2016 £'000
Total assets for reportable segments	**105,596**	101,285
Unallocated amounts:		
Property, plant and equipment	**1,153**	1,900
Other intangible assets	**1,574**	1,517
Other receivables	**1,953**	1,015
Cash and cash equivalents	**2,056**	3,989
Deferred tax asset	**680**	1,227
Total assets	**113,012**	110,933

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

	Year ended 31 December 2017		Year ended 31 December 2016	
	Revenue by location of customers £'000	Non-current assets £'000	Revenue by location of customers £'000	Non-current assets £'000
United Kingdom	**26,050**	**45,611**	22,627	46,617
Rest of Europe	**31,451**	**9,654**	31,586	9,378
North America	**18,680**	**6,591**	20,032	7,257
Rest of world	**11,193**	**12,413**	9,324	11,265
	87,374	**74,269**	83,569	74,517
Deferred tax assets	**—**	**1,502**	—	1,338
Total	**87,374**	**75,771**	83,569	75,855

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

3. Highlighted items

Highlighted items comprise 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 2017			Year ended 31 December 2016		
	Cash £'000	Non-cash £'000	Total £'000	Cash £'000	Non-cash £'000	Total £'000
Administrative expenses						
Share option charge/(credit)	**9**	**729**	**738**	(92)	652	560
Amortisation of purchased intangibles	**—**	**1,952**	**1,952**	—	1,865	1,865
Severance and reorganisation costs	**2,052**	**312**	**2,364**	—	—	—
Acquisition, integration and strategic costs	**1,650**	**(213)**	**1,437**	2,777	—	2,777
Total highlighted items before tax	**3,711**	**2,780**	**6,491**	2,685	2,517	5,202
Taxation credit	**(460)**	**(394)**	**(854)**	(252)	(88)	(340)
Total highlighted items after tax	**3,251**	**2,386**	**5,637**	2,433	2,429	4,862

Amortisation of purchased intangibles relates to acquisitions made in the current financial year of £28,000 and to acquisitions made in prior years of £1,924,000 (31 December 2016: £26,000 in the current financial year and £1,839,000 in prior years). Separate disclosure is considered relevant because amortisation of purchased intangibles has no correlation to underlying profitability of the Group.

In the current year, a non-cash IFRS 2 charge of £729,000 (31 December 2016: £652,000) was recorded. Separate disclosure is considered relevant to isolate charges and credits which are subject to volatility as a result of non-trading factors.

Total severance and reorganisation costs of £2,364,000 (31 December 2016: £nil) were recognised during the year, primarily consisting of £2,061,000 in relation to severances in the UK, France, Spain and China as part of one-off management restructuring in those countries. The remaining £303,000 relates to settlement of a client dispute. Separate disclosure is considered relevant as these charges are non-recurring and not reflective of the underlying operating costs of the business.

Total acquisition, integration and strategic costs of £1,437,000 (31 December 2016: £2,777,000) were recognised during the year, primarily consisting of £981,000 in relation to costs associated with the sale of the Ad Intel business (refer to note 30 for further detail); £330,000 in relation to earn-out costs associated with the CMCG acquisition and other contingent consideration adjustments, net of foreign exchange differences; £68,000 in relation to the Digital Balance Australia Pty Ltd acquisition; and £58,000 in relation to financial restructuring costs. Separate disclosure is considered relevant as these charges are non-recurring and not reflective of the underlying operating costs of the business.

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

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.

As at 31 December 2017, £2,860,000 of the £3,711,000 cash highlighted items had been settled (31 December 2016: £1,197,000 of the £2,685,000 cash highlighted items had been settled).

4. Operating profit after highlighted items

Operating profit after highlighted items is stated after charging/(crediting):

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Operating lease rentals		
– other	**38**	90
– land and buildings	**1,603**	1,739
Depreciation and amortisation (notes 10 and 11)	**3,961**	3,682
Loss on disposal of fixed assets	**51**	11
Research costs – expensed	**608**	870
Foreign exchange gain	**(285)**	(79)

Operating lease rentals – land and buildings includes a credit of £406,000 in respect of a lease amendment incentive (31 December 2016: £nil).

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 2017 £'000	Year ended 31 December 2016 £'000
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements	**107**	97
Fees payable to the Company's auditors and its associates for other services:		
– the audit of the Company's subsidiaries, pursuant to legislation	**123**	96
– other audit-related assurance services	**27**	24
– other assurance services	**16**	10
– tax compliance services	**30**	9
	303	236

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

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 2017 Number	Year ended 31 December 2016 Number
Media Value Measurement	**340**	305
Market Intelligence	**338**	340
Marketing Performance Optimisation	**103**	88
IT development and support	**49**	60
Administration	**94**	107
Directors	**8**	9
	932	909

At 31 December 2017, the total number of employees of the Group was 932 (31 December 2016: 919).

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

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Wages and salaries	**39,537**	41,571
Social security costs	**5,808**	3,502
Other pension costs	**1,013**	925
Share options charge (note 23)	**738**	652
	47,096	46,650

Directors' remuneration

Total Directors' remuneration was £1,339,000 including £427,000 to the highest paid Director (31 December 2016: £1,474,000 including £426,000 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 2016: £nil).

No Directors were a member of a Company pension scheme as at 31 December 2017 (31 December 2016: none). Contributions totalling £26,000 (31 December 2016: £28,000) were made to Directors' private pension schemes during the year including £14,000 to the highest paid Director (31 December 2016: £14,000).

No Directors exercised share options during the year (31 December 2016: nil). In the period to 31 December 2017, the highest paid Director exercised no share options (31 December 2016: nil).

During the year, nil (31 December 2016: 500,000) share options were granted to Directors under the Group's Executive Incentive Plan scheme. Vesting is subject to the satisfaction of certain performance criteria (see note 23 for further details).

Further details on Directors' remuneration can be found in the Remuneration Committee report on pages 42 to 44.

6. Finance income and expenses

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Finance income		
Bank interest	**17**	18
Finance income	**17**	18
Finance expenses		
Bank loans and overdraft interest	**(941)**	(1,058)
Loan fee amortisation	**(118)**	(90)
Finance lease interest	**(2)**	(2)
Finance expenses	**(1,061)**	(1,150)

7. Taxation charge/(credit)

	Year ended 31 December 2017			Year ended 31 December 2016		
	Before highlighted items £'000	**Highlighted items £'000**	**Total £'000**	Before highlighted items £'000	Highlighted items £'000	Total £'000
UK tax						
Current year	**786**	**(60)**	**726**	912	(187)	725
Adjustment in respect of prior year	**(65)**	**—**	**(65)**	(205)	—	(205)
	721	**(60)**	**661**	707	(187)	520
Foreign tax						
Current year	**1,827**	**(401)**	**1,426**	1,409	(65)	1,344
Adjustment in respect of prior year	**(64)**	**—**	**(64)**	(94)	—	(94)
	1,763	**(401)**	**1,362**	1,315	(65)	1,250
Total current tax	**2,484**	**(461)**	**2,023**	2,022	(252)	1,770
Deferred tax						
Origination and reversal of temporary differences (note 19)	**413**	**(393)**	**20**	160	(88)	72
Adjustment in respect of prior year	**—**	**—**	**—**	388	—	388
Total tax charge/(credit)	**2,897**	**(854)**	**2,043**	2,570	(340)	2,230

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

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Profit before tax	**4,491**	6,625
Corporation tax at 19.25% (31 December 2016: 20%)	**876**	1,325
Non-deductible taxable expenses	**819**	559
Overseas tax rate differential	**77**	189
Overseas losses not recognised	**400**	66
Losses utilised not previously recognised	**—**	(7)
Adjustment in respect of prior years	**(129)**	89
Effect of change in statutory tax rates	**—**	9
Total tax charge/(credit)	**2,043**	2,230

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.

Management considers that US tax reform substantively enacted by the date of these financial statements has not caused any material effect to the Group's financial statements.

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

8. Earnings per share

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

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the parent	**2,064**	4,150
Adjustments:		
Impact of highlighted items (net of tax)[1]	**5,458**	4,837
Earnings for the purpose of underlying earnings per share	**7,522**	8,987
Number of shares:		
Weighted average number of shares during the year		
– basic	**77,876,427**	77,186,127
– dilutive effect of share options	**2,499,656**	2,598,806
– diluted	**80,376,083**	79,784,933
Basic earnings per share	**2.65p**	5.38p
Diluted earnings per share	**2.57p**	5.20p
Underlying basic earnings per share	**9.66p**	11.64p
Underlying diluted earnings per share	**9.36p**	11.26p

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 January 2016	57,956
Additions[1]	426
Foreign exchange differences	2,792
At 31 December 2016	61,174
Additions[1]	**1,552**
Foreign exchange differences	**(280)**
At 31 December 2017	**62,446**
Accumulated impairment	
At 1 January 2016	(3,129)
At 31 December 2016	(3,129)
Impairment	—
At 31 December 2017	**(3,129)**
Net book value	
At 31 December 2017	**59,317**
At 31 December 2016	58,045

1. £1,552,000 of goodwill was recognised following the acquisition of Digital Balance Australia Pty Limited. Refer to note 27 for further details.

Goodwill has been allocated to the following segments:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Media Value Measurement	**28,957**	28,778
Market Intelligence	**22,299**	22,360
Marketing Performance Optimisation	**8,061**	6,907
	59,317	58,045

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 2017 £'000	Year ended 31 December 2016 £'000
Advertising UK/US/International	Market Intelligence	**19,114**	19,114
Media UK and International	Media Value Measurement	**9,265**	9,238
Stratigent	Marketing Performance Optimisation	**4,774**	5,229
China	Media Value Measurement	**4,839**	4,966
Media Germany	Media Value Measurement	**4,325**	4,319
Media Value Group	Media Value Measurement/Marketing Performance Optimisation	**3,162**	3,035
FirmDecisions	Media Value Measurement	**2,981**	2,981
Media Australia	Media Value Measurement	**2,478**	2,506
Advertising Germany	Market Intelligence	**2,429**	2,333
Effectiveness	Marketing Performance Optimisation	**1,678**	1,678
Digital Balance[1]	Marketing Performance Optimisation	**1,609**	—
Advertising Australia	Market Intelligence	**756**	764
Media America	Media Value Measurement	**604**	604
Media France	Media Value Measurement	**569**	559
Media Italy	Media Value Measurement	**397**	382
Russia	Media Value Measurement	**337**	337
		59,317	58,045

1. At 31 December 2017, the balance included £1,552,000 of acquired goodwill recognised following the acquisition of Digital Balance Australia Pty Limited. Refer to note 27 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 recognised in the year ended 31 December 2017 (year ended 31 December 2016: £nil).

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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

9. Goodwill continued

Value in use calculations continued

Budgeted operating profit assumptions

To calculate future expected cash flows, management has taken the Board approved budgeted operating profit ('EBIT') for each of the CGUs for the 2018 financial year. Additionally, management charges have been allocated from the unallocated central costs budget back into the CGUs and thereby reducing Board approved EBIT in each CGU by this amount. The management charge is allocated based on 2017 actual management charges.

For the 2019 and 2020 financial years, the forecast EBIT is as per management's three-year plan. The forecast 2020 balances are taken to perpetuity in the model. Management's three-year plan uses certain assumptions to forecast revenue and operating costs within the Group's operating segments beyond the 2018 budget.

Discount rate assumptions

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 7.0% and 8.6% (31 December 2016: between 7.2% and 8.7%).

Growth rate assumptions

Cash flows beyond the three-year period are extrapolated at a rate of 2.25% (31 December 2016: 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.

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 reasonable possible change, in isolation, of any of the key assumptions, to cause the carrying value of any CGU to exceed its value in use. The considerations underpinning why management believes no impairment is required in respect of China are as follows, specifically what change in key assumptions would result in an impairment:

	Current %	% change leading to impairment
Budgeted revenue growth	15.0	(0.6) to 14.4
Budgeted cost growth	—	1
Pre-tax discount rate	10.03	0.32 to 10.35

10. Other intangible assets

	Capitalised development costs £'000	Computer software £'000	Purchased intangible assets[1] £'000	Total intangible assets £'000
Cost				
At 1 January 2016	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
Additions[2]	**1,202**	**412**	**420**	**2,034**
Foreign exchange differences	**(16)**	**9**	**(25)**	**(32)**
At 31 December 2017	**5,530**	**3,472**	**25,333**	**34,335**
Amortisation and impairment[5]				
At 1 January 2016	(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)
Charge for the year[3]	**(573)**	**(370)**	**(1,952)**	**(2,895)**
Foreign exchange differences	**—**	**(9)**	**(9)**	**(18)**
At 31 December 2017	**(1,949)**	**(1,896)**	**(17,367)**	**(21,212)**
Net book value				
At 31 December 2017[4]	**3,581**	**1,576**	**7,966**	**13,123**
At 31 December 2016	2,968	1,534	9,532	14,034

1. Purchased intangible assets consist principally of customer relationships with a typical useful life of eight to 10 years.
2. Customer relationships of £420,000 were recognised during the year ended 31 December 2017 as part of the Digital Balance Australia Pty Limited acquisition referred to in note 27. Customer relationships of £142,000 and a brand valuation of £83,000 were recognised during the year ended 31 December 2016 as part of the acquisition of Fairbrother Marsh Company Limited.
3. Amortisation of £1,924,000 is charged within administrative expenses so as to write off the cost of the intangible assets over their estimated useful lives. The amortisation of purchased intangible assets is included as a highlighted administrative expense.
4. Of the net book value of capitalised development costs £870,000 remains in development at 31 December 2017.
5. No impairment charge is required for the year ended 31 December 2017 (year ended 31 December 2016: £nil) following management's review of the carrying value of other intangible assets.

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

11. Property, plant and equipment

	Motor vehicles £'000	Fixtures, fittings and equipment[1] £'000	Computer equipment £'000	Leasehold land and building improvements £'000	Total £'000
Cost					
At 1 January 2016	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
Additions	**—**	**347**	**258**	**7**	**612**
Acquisitions	**—**	**8**	**22**	**—**	**30**
Disposals	**—**	**(6)**	**(90)**	**(17)**	**(113)**
Foreign exchange differences	**2**	**1**	**(181)**	**(28)**	**(206)**
At 31 December 2017	**46**	**1,854**	**5,308**	**1,599**	**8,807**
Accumulated depreciation					
At 1 January 2016	(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)
Charge for the year	**(5)**	**(150)**	**(661)**	**(250)**	**(1,066)**
Acquisitions	**—**	**(4)**	**—**	**—**	**(4)**
Disposals	**—**	**1**	**44**	**17**	**62**
Foreign exchange differences	**(3)**	**1**	**59**	**19**	**76**
At 31 December 2017	**(21)**	**(917)**	**(4,607)**	**(1,433)**	**(6,978)**
Net book value					
At 31 December 2017	**25**	**937**	**701**	**166**	**1,829**
At 31 December 2016	31	739	1,250	418	2,438

1. The Group holds assets under finance leases within fixtures, fittings and equipment with cost of £21,000 (31 December 2016: £21,000) and accumulated depreciation of £17,000 (31 December 2016: £13,000).
2. During the year ended 31 December 2016, an amount of leasehold land and buildings improvements previously included within the net book value of leasehold land and building improvements and netted against depreciation, was reclassified to cost.

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
Digital Balance Australia Pty Limited[1,2]	100%[3]	Australia	Multi-channel analytics
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%	US	Holding company
Ebiquity Inc.[2]	100%[3]	US	Media monitoring and consultancy and reputation management
Ebiquity Italia S.r.l.[2]	51%[3]	Italy	Media consultancy
Ebiquity Marsh Limited	100%	Ireland	Media monitoring and 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[1,2]	100%[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]	US	Holding company
Echo Group Limited	100%	UK	Holding company
Echo Research Limited[2]	100%[3]	UK	Reputation management
Efficiency Elements SL[2]	100%[3]	Spain	Marketing effectiveness

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

12. Subsidiaries continued

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, 2]	100%[3]	Ireland	Media monitoring and consultancy
Faulkner Group Pty Limited	100%[3]	Australia	Non-trading
FirmDecisions ASJP Germany GmbH	100%[3]	Germany	Media consultancy
FirmDecisions Group Limited	100%	UK	Holding company
FirmDecisions ASJP LLC[2]	100%[3]	US	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]	US	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 1 September 2017, the Group's wholly-owned subsidiary Digital Balance Australia Pty Limited acquired the assets and liabilities of Digital Balance Pty Limited. On 18 December 2017, the Group acquired the outstanding 20% interest in its French media consultancy associate, Ebiquity France SAS. On 11 March 2016, the Group acquired the outstanding 50% interest in its Irish media consultancy associate, Fairbrother Marsh Company Limited. Refer to note 27 for further details.
2. Principal trading entity.
3. Shares held by an intermediate holding company.

13. Trade and other receivables

	31 December 2017 £'000	31 December 2016 £'000
Trade and other receivables due within one year		
Net trade receivables (note 24)	**20,978**	19,291
Other receivables	**1,693**	845
Prepayments	**1,132**	1,207
Accrued income	**8,706**	7,073
	32,509	28,416

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

14. Cash and cash equivalents

	31 December 2017 £'000	31 December 2016 £'000
Cash and cash equivalents	**4,732**	6,662

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 0.5%.

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

	31 December 2017 £'000	31 December 2016 £'000
Cash and cash equivalents	**4,732**	6,662
Bank overdrafts (note 17)	**(407)**	(2,062)
Cash, cash equivalents and bank overdrafts	**4,325**	4,600

15. Trade and other payables

	31 December 2017 £'000	31 December 2016 £'000
Trade payables	**4,229**	3,071
Other taxation and social security	**2,281**	2,281
Other payables	**891**	567
	7,401	5,919

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

16. Accruals and deferred income

	31 December 2017 £'000	31 December 2016 £'000
Accruals	**5,560**	4,827
Deferred income	**7,105**	7,063
	12,665	11,890

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

17. Financial liabilities

	31 December 2017 £'000	31 December 2016 £'000
Current		
Bank overdraft	**407**	2,062
Bank borrowings	**1,161**	2,410
Finance lease liabilities	**4**	4
Contingent consideration	**901**	1,777
	2,473	6,253
Non-current		
Bank borrowings	**32,000**	30,205
Finance lease liabilities	**—**	5
Contingent consideration	**1,193**	238
	33,193	30,448
Total financial liabilities	**35,666**	36,701

	Bank overdrafts £'000	Bank borrowings £'000	Finance lease liabilities £'000	Contingent consideration £'000	Total £'000
At 1 January 2016	2,391	35,025	13	4,853	42,282
Recognised on acquisition	—	—	—	557	557
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	(329)	(6,410)	—	—	(6,739)
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
Recognised on acquisition	**—**	**—**	**—**	**1,483**	**1,483**
Paid	**—**	**—**	**—**	**(1,799)**	**(1,799)**
Charged to the income statement	**—**	**46**	**—**	**413**	**459**
Discounting charged to the income statement	**—**	**—**	**—**	**52**	**52**
Borrowings	**—**	**3,000**	**—**	**—**	**3,000**
Repayments	**(1,655)**	**(2,500)**	**(5)**	**—**	**(4,160)**
Foreign exchange released to the income statement	**—**	**—**	**—**	**(70)**	**(70)**
At 31 December 2017	**407**	**33,161**	**4**	**2,094**	**35,666**

A currency analysis for the bank borrowings is shown below:

	31 December 2017 £'000	31 December 2016 £'000
Pounds sterling	**33,161**	32,615
Total bank borrowings	**33,161**	32,615

All bank borrowings are held jointly with Barclays and Royal Bank of Scotland ('RBS'). The committed facility, totalling £44,000,000, comprises a term loan of £10,000,000 (of which £1,250,000 remains outstanding at 31 December 2017 (31 December 2016: £3,750,000), and a revolving credit facility ('RCF') of £34,000,000 of which £32,000,000 was drawn down at 31 December 2017 (31 December 2016: £29,000,000). The term loan has a maturity date of 2 July 2018 and the RCF has a maturity date of 30 June 2019. 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 contingent consideration payments on past acquisitions, to fund future potential acquisitions, and for general working capital requirements.

Loan arrangement fees of £90,000 (31 December 2016: £135,000) are offset against the term loan, and are being amortised 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, which is set depending on the Group's net debt to EBITDA ratio, as referred to above. 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, US and Germany.

Contingent 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 April 2021.

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 2017 £'000	31 December 2016 £'000
Amounts due:		
Within one year	**6**	6
Between one and five years	**—**	6
	6	12
Less: finance charges allocated to future periods	**(2)**	(3)
Present value of lease obligations	**4**	9

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

18. Provisions

	Onerous property leases[1] £'000	Dilapidations[2] £'000	Total £'000
At 1 January 2016	7	568	575
Utilisation of provision	(7)	—	(7)
Unused amounts released to income statement	—	(175)	(175)
Arising on acquisition	—	8	8
Foreign exchange	—	1	1
At 31 December 2016	—	402	402
Unused amounts released to income statement	**—**	**(9)**	**(9)**
At 31 December 2017	**—**	**393**	**393**
Current	—	—	—
Non-current	—	393	393

1. The onerous property lease obligations in the prior year 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 utilised by January 2016.
2. The dilapidations provision relates to the expected costs of vacating various properties. The provision is expected to be fully utilised by December 2020.

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

19. Deferred tax

	Tangible assets £'000	Intangible assets £'000	Share-based payments £'000	Tax losses £'000	Other timing differences £'000	Total £'000
At 1 January 2016	—	(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)
Credit/(charge) to income	**42**	**228**	**(61)**	**220**	**(447)**	**(18)**
At 31 December 2017	**267**	**(1,898)**	**999**	**220**	**(393)**	**(805)**

Certain non-current 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 2017 £'000	31 December 2016 £'000
Deferred tax assets – non-current	**1,502**	1,338
Deferred tax liabilities – current	**(412)**	—
Deferred tax liabilities – non-current	**(1,895)**	(2,125)
	(805)	(787)

At the year end, the Group had tax losses of £282,000 (31 December 2016: £nil) available for offset against future profits. A deferred tax asset of £220,000 (31 December 2016: £nil) has been recognised in respect of such losses.

The Group has unrecognised tax losses of £34,000 (31 December 2016: £548,000) and unrecognised deferred tax assets of £76,000 (31 December 2016: £110,000) in relation to tax losses.

Deferred tax on unremitted earnings has not been recognised 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.

20. 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 2017		31 December 2016	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
No later than one year	**1,671**	**44**	1,410	76
Later than one year but no later than five years	**4,243**	**44**	3,055	202
Later than five years	**1,978**	**—**	7	—
	7,892	**88**	4,472	278

Lessor

There is no minimum aggregate future rent receivable under non-cancellable operating leases as at 31 December 2017 (2016: £nil).

21. Ordinary shares

	Number of shares	Nominal value £'000
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
Share options exercised	**397,710**	**99**
Shares issued	**600,000**	**150**
At 31 December 2017 – ordinary shares of 25p	**78,197,461**	**19,549**

Ordinary shares carry voting rights and are entitled to share in the profits of the Company (dividends). At the year end, 3,956,066 shares were held by the ESOP (31 December 2016: 4,201,504). The Company does not have a limited amount of authorised capital.

22. Reserves

Share premium

The share premium reserve of £21,000 (31 December 2016: £nil) shows the amount subscribed for share capital in excess of the nominal value.

Other reserves

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

Merger reserve

The merger reserve of £3,667,000 (31 December 2016: £3,667,000) 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.

Share-based payment 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 incentivised 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 share-based payment reserve amounting to £634,000 was created in equity representing 600,000 new shares in the Company.

The share-based payment reserve was settled on 17 November 2017 through the issuance of 600,000 new shares.

ESOP reserve

The ESOP reserve of £1,478,000 debit (31 December 2016: £1,478,000 debit) 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.

Translation reserve

The translation reserve of £2,688,000 (31 December 2016: £2,688,000) 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 recognised in the consolidated income statement.

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

23. 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 recognise the cost of these.

Options outstanding at 31 December 2017:

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 Incentive Plan – 24 July 2017	10 years	January 2019 – January 2020	nil	nil	460,000
Executive Share Option Plan – 01 October 2015	10 years	May 2018 – October 2025	25.0	25.0	1,270,295
Executive Share Option Plan – 15 May 2014	10 years	May 2017– April 2024	25.0	25.0	775,869
Executive Share Option Plan – 17 January 2014	10 years	May 2016 – January 2024	25.0	25.0	338,829
Executive Share Option Plan – 23 May 2013	10 years	May 2016 – May 2023	25.0	25.0	95,524
Executive Share Option Plan – 27 September 2012	10 years	September 2012 – September 2022	25.0 – 98.0	97.5	135,002
EMI and UCSOP Scheme	10 years	May 2004 – August 2021	nil – 72.0	38.3	668,282
					8,443,801

Executive Incentive Plan (‘EIP’)

This is a discretionary scheme for the Directors of the Company.

On 12 May 2010, 4,200,000 options with an exercise price of 35p each were awarded under the EIP to two Directors. 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. 100,000 options (‘tranche two’) will vest conditionally on the satisfaction of EPS growth. 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%.

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.

460,000 (31 December 2016: nil) share options have been granted to employees under the ESOP in the year ended 31 December 2017.

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 utilised 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 2017.

Movements in outstanding ordinary share options:

	31 December 2017		31 December 2016	
	Number of share options	**Weighted average exercise price (pence)**	Number of share options	Weighted average exercise price (pence)
Outstanding at beginning of year	**9,563,786**	**32.1**	10,280,037	31.9
Granted during the year	**460,000**	**—**	500,000	25.0
Exercised during the year	**(397,711)**	**40.1**	(38,063)	69.6
Forfeited during the year	**(65,001)**	**39.7**	(297,000)	29.1
Performance criteria not expected to be met	**(1,117,273)**	**25.0**	(881,188)	25.0
Outstanding at the end of the year	**8,443,801**	**30.9**	9,563,786	32.1
Exercisable at the end of the year	**6,718,801**	**32.9**	6,236,286	35.9

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

23. Share-based payments continued

Movements in outstanding ordinary share options: continued

During the year, share options were granted with a weighted average fair value of 110.0p (31 December 2016: 119.1p). These fair values were calculated using the Black-Scholes model with the following inputs:

	31 December 2017	31 December 2016
Weighted average share price	**110.0p**	143.4p
Exercise price	**—**	25p
Expected volatility[1]	**13.1%**	17.4%
Vesting period	**2 to 2.5 years**	0.5 to 2 years
Risk-free interest rates	**0.33% to 0.40%**	0.18% to 0.35%

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 397,711 shares (31 December 2016: 38,063 shares) being issued at a weighted average price of 40.1p each (31 December 2016: 69.6p). The weighted average share price on the dates of exercise for options exercised during the year was 117.9p (31 December 2016: 126.5p).

The options outstanding at the end of the year have a weighted average remaining contractual life of 4.5 years (31 December 2016: 5.4 years), with a range of exercise prices being between nil and 97.5p.

The total charge in respect of share option schemes recognised in the consolidated income statement during the period amounted to £738,000 (31 December 2016: £92,000 credit).

24. 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 on pages 86 to 91.

Capital and other reserves

The Group considers its capital to comprise of its cash and cash equivalents, borrowings, ordinary share capital, share premium, 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 summarises the capital of the Group:

	31 December 2017 £'000	31 December 2016 £'000
Financial assets:		
Cash and cash equivalents	**4,732**	6,662
Financial liabilities held at amortised cost:		
Bank overdraft	**(407)**	(2,062)
Bank borrowings	**(33,161)**	(32,615)
Net debt	**(28,836)**	(28,015)
Equity	**(52,982)**	(52,055)
Capital	**(81,818)**	(80,070)

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 authorised 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 analysed on a regular basis. Trade receivables are analysed 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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

24. 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 2017	**7,460**	**3,775**	**3,685**
At 31 December 2016	5,855	2,130	3,725

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

	31 December 2017			31 December 2016		
	Gross value £'000	**Provision £'000**	**Carrying value £'000**	Gross value £'000	Provision £'000	Carrying value £'000
Trade receivables	**21,240**	**(262)**	**20,978**	19,491	(200)	19,291

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 summarised below:

	31 December 2017 £'000	31 December 2016 £'000
Opening balance	**200**	189
Increase in provision	**115**	138
Written off against provision	**(53)**	(15)
Recovered amount reversed	**—**	(119)
Foreign exchange	**—**	7
Closing balance	**262**	200

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 £129,000 (31 December 2016: £139,000).

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 2017		31 December 2016	
	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	**179**	**4,270**	59	4,342
10% strengthening of euro	**72**	**1,979**	465	1,530
10% strengthening of Australian dollar	**77**	**1,010**	(51)	964

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

The currency profile of the financial assets at 31 December 2017 is as follows:

	Cash and cash equivalents		Gross trade receivables	
	31 December 2017 £'000	31 December 2016 £'000	**31 December 2017 £'000**	31 December 2016 £'000
Pounds sterling	**461**	1,937	**5,083**	5,091
US dollar	**1,203**	1,626	**6,169**	6,005
Euro	**1,286**	1,667	**8,096**	7,064
Australian dollar	**1,114**	438	**750**	749
Russian rouble	**404**	272	**287**	259
Singapore dollar	**23**	75	**47**	10
Chinese renminbi	**241**	647	**518**	291
New Zealand dollar	**—**	—	**24**	22
South African rand	**—**	—	**4**	—
	4,732	6,662	**20,978**	19,491

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 maximise 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 17) to manage any short-term cash requirements. At 31 December 2017: £2,000,000 (31 December 2016: £nil) was undrawn. The facility expires in June 2019 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 amortised cost.

Financial assets

	31 December 2017 £'000	31 December 2016 £'000
Current financial assets		
Loans and receivables:		
Trade and other receivables[1] (note 13)	**20,978**	20,136
Cash and cash equivalents (note 14)	**4,732**	6,662
Total financial assets	**25,710**	26,798

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

24. Capital and financial risk management continued

Financial liabilities

	31 December 2017 £'000	31 December 2016 £'000
Current financial liabilities		
Other financial liabilities at amortised cost:		
Trade and other payables[1]	**5,119**	3,638
Accruals	**5,560**	4,827
Bank overdrafts	**407**	2,062
Finance lease liabilities	**4**	4
Loans and borrowings	**1,161**	2,410
Liabilities at fair value through profit and loss:		
Contingent consideration	**901**	1,777
	13,152	14,718
Non-current financial liabilities		
Other financial liabilities at amortised cost:		
Loans and borrowings	**32,000**	30,205
Finance lease liabilities	**—**	5
Liabilities at fair value through profit and loss:		
Contingent consideration	**1,193**	238
	33,193	30,448
Total financial liabilities	**46,345**	45,166

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 2017			
Trade and other payables	**5,119**	**—**	**5,119**
Accruals	**5,560**	**—**	**5,560**
Finance lease liabilities	**4**	**—**	**4**
Bank loans and overdrafts	**3,286**	**33,774**	**37,060**
Contingent consideration	**901**	**1,193**	**2,094**
Total financial liabilities	**14,870**	**34,967**	**49,837**
Less: finance charges allocated to future periods	**(1,718)**	**(1,774)**	**(3,492)**
Present value	**13,152**	**33,193**	**46,345**
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 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

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 2017				
Financial liabilities				
Contingent consideration	**—**	**—**	**2,094**	**2,094**
	—	**—**	**2,094**	**2,094**
At 31 December 2016				
Financial liabilities				
Contingent consideration	—	—	2,015	2,015
	—	—	2,015	2,015

Refer to note 17 for a reconciliation of movements during the year.

The fair value of the contingent consideration of £2,094,000 (31 December 2016: £2,015,000), was estimated by applying the income approach. The fair value estimates are based on a discount rate of 3% forecast EBIT of FMC Ireland and Digital Balance Australia. This is a level 3 fair value measurement. The key assumptions in calculating the contingent consideration payable are the EBIT of the businesses acquired and the discount rate.

25. Dividends

	31 December 2017 £'000	31 December 2016 £'000
Dividend in respect of the prior year	**474**	292
Total dividend paid	**474**	292

A dividend of £474,000 was paid during the current financial year (31 December 2016: £292,000). Dividends were paid to non-controlling interests as shown in the consolidated statement of changes in equity.

26. Cash generated from operations

	31 December 2017 £'000	31 December 2016 £'000
Profit before taxation	**4,491**	6,625
Adjustments for:		
Depreciation (note 11)	**1,066**	1,231
Amortisation (note 10)	**2,895**	2,451
Loss on disposal	**51**	33
Unrealised foreign exchange gain	**(610)**	(107)
Share option charges (note 3)	**738**	652
Finance income (note 6)	**(17)**	(18)
Finance expenses (note 6)	**1,061**	1,150
Contingent consideration revaluations	**275**	1,599
	9,950	13,616
Increase in trade and other receivables	**(4,094)**	(3,968)
Increase in trade and other payables	**2,111**	1,313
Movement in provisions	**(9)**	(179)
Cash generated from operations	**7,958**	10,782

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

27. Acquisitions

Digital Balance Australia Pty Limited

On 1 September 2017, the Group's wholly-owned subsidiary Digital Balance Australia Pty Limited acquired the assets and liabilities of Digital Balance Pty Limited, a trust of the Digital Balance Unit Trust. The acquisition was for an initial cash consideration of AU$475,000 (£278,000) and a further cash payment of AU$75,000 (£45,000) on 1 December 2017. AU$2,725,000 (£1,596,000) of contingent consideration was preliminarily recognised at acquisition however, the maximum total purchase consideration is up to AU$5,000,000 (£2,928,000), payable in cash, depending on the performance of the Digital Balance business during the period ending 31 December 2020.

The fair value of the purchase consideration for the acquisition of acquired the assets and liabilities of Digital Balance Pty Limited is as follows:

	£'000
Cash	**323**
Net present value of contingent consideration[1]	**1,596**
Total purchase consideration	**1,919**

1. The fair value of contingent consideration payable is based on EBIT for the years ending 31 December 2017, 31 December 2018, 31 December 2019 and 31 December 2020 with stage payments each year from 2018 onwards based on EBIT growth. The potential range of future payments that Ebiquity plc could be required to make under the contingent consideration arrangement is between £nil and £2,928,000 and will be paid in cash. All contingent consideration payments are expected to be paid by June 2021.

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

	Carrying value £'000	Fair value adjustments[1] £'000	Fair value £'000
Customer relationships	—	**420**	**420**
Property, plant and equipment	**15**	—	**15**
Trade and other receivables	**133**	—	**133**
Cash and cash equivalents	**147**	—	**147**
Trade and other payables	**(348)**	—	**(348)**
Net liabilities acquired	**(53)**	**420**	**367**
Goodwill arising on acquisition[2]			**1,552**
Total purchase consideration			**1,919**

1. The fair value adjustments relate to the finalisation of the allocation of the purchase consideration accounting for intangible assets (customer relationships) and deferred tax liabilities.
2. The goodwill recognised of £1,552,000 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.

Ebiquity SAS

On 18 December 2017, the Group acquired the outstanding 20% interest in its subsidiary undertaking, Ebiquity SAS, from the minority shareholder for cash consideration of €1,500,000 (£1,322,000).

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 contingent consideration was recognised 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 year ended 31 December 2020.

28. 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.

29. Related party transactions

The Group has a related party relationship with its subsidiaries (refer to note 12) 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 £nil (31 December 2016: £14,000) was recognised by the Group from Travelzoo Inc., a company of which Michael Karg is a director.

Costs of £nil (31 December 2016: £1,500) for a membership subscription were charged to the Company by the Quoted Companies Alliance, a company of which Michael Higgins is a director.

Costs of £60,000 (31 December 2016: £79,000) for public relations consultancy were charged to the Company by Instinctif Partners Limited, a company of which Richard Nichols is a director.

As at the year end, £400 (31 December 2016: £16,000) was owed to Instinctif Partners Limited, a company of which Richard Nichols is a director.

30. Events after the reporting period

On 13 February 2018, the Group agreed to sell its Advertising Intelligence business to Nielsen Media Research Limited for £26,000,000 in cash. This has been treated as a non-adjusting event since the Advertising Intelligence business was not available for sale in its present condition, nor was a transaction highly probable, as of 31 December 2017. This determination was made based on the status of the potential sale as of 31 December 2017, with no agreement reached, legal terms not finalised and several external regulatory and other approvals not having been cleared.

The sale is subject to approval by the UK Competition & Markets Authority which, if the regulator does not refer the transaction to a phase two investigation, management expects will be completed during the second quarter of 2018.

On 19 March 2018, the Group entered into an agreement to sell the business assets of its Reputation division to Echo Research Holdings Limited. This is the remaining part of its Group's Marketing Intelligence segment in addition to the Advertising Intelligence business. Completion will take place on 31 March 2018. The consideration payable is dependent upon the revenue performance of the business during the 12 months following completion.

Independent auditors' report

to the members of Ebiquity plc

Report on the audit of the company financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2017;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017 and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

- Overall materiality: £1,027,000 (2016: £912,000), based on 1% of total assets.
- To the extent balances were audited to support the Group audit opinion, materiality has been capped at an amount below the overall Group materiality.

- Each financial statement line item is based scoped based on the materiality level.
- Qualitative factors are also taken into account as well as the risk of understatement.
- All work is performed by PwC UK.

- Impairment of investments.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Impairment of investments Given the Company is the ultimate parent of the group it holds investments in many subsidiaries. The value of these investments is material to the accounts and there is a risk of impairment if the carrying values are deemed to be in excess of the recoverable amount.	We have reviewed investments for indicators of impairment. Where indicators of impairment exist, for example where the investment's carrying value is in excess of its net assets we have obtained management's impairment assessment. We have challenged management's assumptions in their impairment assessment, recalculated models and agreed inputs. We agree that no impairment is necessary.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The Company operates from location and is corporate cost centre. Based on the materiality level identified, financial statement line items which are considered material both on a qualitative and quantitative basis are selected as in the scope of our testing.

The audit work performed over the Company was conducted by PwC UK, the group audit team; component auditors were not used.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£1,027,000 (2016: 912,000).
How we determined it	1% of total assets.
Rationale for benchmark applied	Based on total assets as the entity holds a majority of the Group's assets and is not a profit generating entity.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £10,000 (2016: £10,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent auditors' report continued

to the members of Ebiquity plc

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 49, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report

This report, including the opinions, has been prepared for and only for the 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.

Other required reporting

Companies Act 2006 exception reporting

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 company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Other matter

We have reported separately on the group financial statements of Ebiquity plc for the year ended 31 December 2017.

Richard Porter
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
London

21 March 2018

Company statement of financial position

as at 31 December 2017

	Note	31 December 2017 £'000	31 December 2016 £'000
Fixed assets			
Intangible assets	6	**1,239**	990
Property, plant and equipment	7	**—**	21
Investments in subsidiaries	8	**74,890**	74,890
Total fixed assets		**76,129**	75,901
Current assets			
Trade and other receivables	9	**26,558**	15,290
Cash at bank and in hand		**178**	—
Total current assets		**26,736**	15,290
Creditors: amounts falling due within one year	10	**(47,745)**	(35,599)
Net current liabilities		**(21,009)**	(20,309)
Total assets less current liabilities		**55,120**	55,592
Creditors: amounts falling due after more than one year	11	**(32,000)**	(30,205)
Net assets		**23,120**	25,387
Equity			
Ordinary shares	12	**19,549**	19,300
Share premium	13	**21**	—
Other reserves	13	**(733)**	(99)
Retained earnings	13	**4,283**	6,186
Total shareholders' funds		**23,120**	25,387

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 £1,913,000 (31 December 2016: loss for the year of £1,380,000).

The notes on pages 100 to 107 are an integral part of the financial statements of the Company. The financial statements on pages 98 to 99 were approved and authorised for issue by the Board of Directors on 21 March 2018 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 2017

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
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	—
Shares issued to employees[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
Loss for the year		**—**	**—**	**—**	**(1,913)**	**(1,913)**
Other comprehensive (loss)/income for the year		**—**	**—**	**—**	**—**	**—**
Total comprehensive loss for the year		**—**	**—**	**—**	**(1,913)**	**(1,913)**
Proceeds from shares issued	12	**99**	**21**	**—**	**—**	**120**
Shares issued to employees[2]		**150**	**—**	**(634)**	**484**	**—**
Dividends to shareholders		**—**	**—**	**—**	**(474)**	**(474)**
At 31 December 2017		**19,549**	**21**	**(733)**	**4,283**	**23,120**

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 share-based payment reserve of £634,000 was created during the year ended 31 December 2016 and settled during the year ended 31 December 2017. Refer to note 13 for further details.

The notes on pages 100 to 107 are an integral part of the financial statements of the Company.

Notes to the Company financial statements

for the year ended 31 December 2017

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 2017 whilst the comparatives represent the results for the year ended 31 December 2016.

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. The Company meets its day-to-day working capital requirements through its cash reserves and borrowings, described in note 17 to the consolidated financial statements. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current cash reserves and borrowings, including continuing to meet the bank covenants therein. The Company therefore continues to adopt the going concern basis in preparing its financial statements. The financial statements have been prepared 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 recognised 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 recognised 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 recognised when the right to receive payment is established.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised 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 amortised 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 recognised impairment loss.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives and is recognised 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 utilised. 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 recognised 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 recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Notes to the Company financial statements continued

for the year ended 31 December 2017

2. Basis of preparation continued

Financial instruments continued

Financial liabilities

Borrowings consisting of interest-bearing secured and unsecured loans and overdrafts are initially recognised at fair value net of directly attributable transaction costs incurred and subsequently measured at amortised cost using the effective interest method. The difference between the proceeds received net of transaction costs and the redemption amount is amortised 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 recognised at their nominal value which is usually the original invoiced amount.

Provisions

Provisions are recognised 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 recognised 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 recognised 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 £1,913,000 (31 December 2016: loss for the year of £1,380,000).

4. Operating loss

Auditors' remuneration

Fees for the audit of the Company are £3,000 (31 December 2016: £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 2017 £'000	Year ended 31 December 2016 £'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 19.25% (31 December 2016: 20%).

The differences are explained below:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Loss on ordinary activities before taxation	**(1,913)**	(1,380)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19.25% (31 December 2016: 20%)	**(368)**	(276)
Effects of:		
Expenses not deductible for tax purposes	**–**	31
Capital allowances for year in excess of depreciation	**–**	(1)
Additions to intangibles	**76**	41
Relieved to other Group companies	**292**	205
Losses carried forward	**–**	–
Current tax charge for the year	**–**	–

Deferred tax on unremitted earnings has not been recognised 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 2017	1,197	1,197
Additions	**393**	**393**
At 31 December 2017	**1,590**	**1,590**
Amortisation		
At 1 January 2017	(207)	(207)
Charge for the year	**(144)**	**(144)**
At 31 December 2017	**(351)**	**(351)**
Net book value		
At 31 December 2017	**1,239**	**1,239**
At 31 December 2016	990	990

Notes to the Company financial statements continued

for the year ended 31 December 2017

7. Property, plant and equipment

	Fixtures, fittings and equipment £'000	Computer equipment £'000	Total £'000
Cost			
At 1 January 2017	1	46	47
Disposals	(1)	(46)	(47)
At 31 December 2017	**—**	**—**	**—**
Depreciation			
At 1 January 2017	—	(26)	(26)
Charge for the year	—	—	—
Disposals	—	26	26
At 31 December 2017	**—**	**—**	**—**
Net book value			
At 31 December 2017	**—**	**—**	**—**
At 31 December 2016	1	20	21

8. Investments in subsidiaries

	£'000
Cost and net book value	
At 31 December 2016	74,890
Additions	—
At 31 December 2017	**74,890**

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, based on the impairment assessment carried out, as described in note 9.

9. Trade and other receivables

	31 December 2017 £'000	31 December 2016 £'000
Amounts owed by Group undertakings	**26,062**	14,989
Other receivables	**22**	6
Prepayments	**474**	295
	26,558	15,290

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 2017 £'000	31 December 2016 £'000
Bank loans and overdrafts	**1,568**	4,472
Trade creditors	**1,148**	844
Other taxation and social security	**51**	34
Other creditors	**—**	20
Accruals	**1,070**	669
Amounts owed to Group undertakings[1]	**43,908**	29,560
	47,745	35,599

1. 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 2017 £'000	31 December 2016 £'000
Bank loans – between two and five years	**32,000**	30,205
	32,000	30,205

All bank borrowings are held jointly with Barclays and Royal Bank of Scotland ('RBS'). The committed facility, totalling £44,000,000, comprises a term loan of £10,000,000 (of which £1,250,000 remains outstanding at 31 December 2017 (31 December 2016: £3,750,000)), and a revolving credit facility ('RCF') of £34,000,000, (of which £32,000,000 was drawn down at 31 December 2017 (31 December 2016: £29,000,000)). The term loan has a maturity date of 2 July 2018 and the RCF has a maturity date of 30 June 2019. 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 contingent consideration payments on past acquisitions, to fund future potential acquisitions, and for general working capital requirements.

Loan arrangement fees of £90,000 (31 December 2016: £135,000) are offset against the term loan, and are being amortised 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, US and Germany.

12. Ordinary shares

	Number of shares	Nominal value £'000
Allotted, called up and fully paid		
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
Share options exercised	**397,710**	**99**
Shares issued	**600,000**	**150**
At 31 December 2017 – ordinary shares of 25p	**78,197,461**	**19,549**

Ordinary shares carry voting rights which are entitled to share in the profits of the Company. During the year, the Company paid a dividend of 0.65p per share, a total of £474,000 (31 December 2016: 0.4p with a total of £292,000) to shareholders.

Notes to the Company financial statements continued

for the year ended 31 December 2017

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.

Share-based payment 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 ended 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 incentivised 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 share-based payment reserve amounting to £634,000 was created in equity representing 600,000 new shares in the Company.

The share-based payment reserve was settled on 17 November 2017 through the issuance of 600,000 new shares.

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 2016: £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 2016: 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 2016: all had vested).

Retained earnings

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

The distributable reserves of the Company total £4,283,000 (31 December 2016: £6,186,000).

14. Share-based payments

Full disclosure of share-based payments is included in the consolidated financial statements (see note 23 to the consolidated financial statements).

15. Commitments

Capital commitments contracted but not provided for by the Company amount to £nil (31 December 2016: £nil). The Company has no operating lease commitments (31 December 2016: 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 21 March 2018, the Company's issued share capital consists of 78,367,690 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 21 March 2018, the percentage of the Company's issued share capital that is not in public hands is 43.72%.

Company registration
Registered office

CityPoint
One Ropemaker Street
London EC2Y 9AW

Company number 03967525

Glossary

ANA	Association of National Advertisers
AOR	agency of record
APAC	Asia Pacific
APMs	Alternative Performance Measures
CAGR	compound annual growth rate
Capital Reduction	the cancellation of the share premium account
CGUs	cash-generating units
CMA	Competition and Markets Authority
the Company	Ebiquity plc
Constant currency	calculated by taking current year denominated results restated at last year's foreign exchange rates
EBIT	earnings before interest and tax
EBITDA	earnings before interest, tax, depreciation and amortisation
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
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	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
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

Printed on Splendorgel Extra White, an FSC® mixed sources paper manufactured using pulp from well managed forests at a mill accredited with EMAS and ISO 14001 environmental standards. Printed by CPI Colour, who are ISO 14001 certified, CarbonNeutral® and FSC® chain of custody certified. The inks used are vegetable oil based.

Designed and produced by lyonsbennett
www.lyonsbennett.com

Ebiquity plc
CityPoint
One Ropemaker Street
London
EC2Y 9AW
www.ebiquity.com

Ebiquity plc | Annual report and financial statements for the year ended 31 December 2017