Annual report 2018

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

ebiquity

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Strategic report

An overview of key actions and events in 2018 and early 2019, together with our priorities as we move forward.

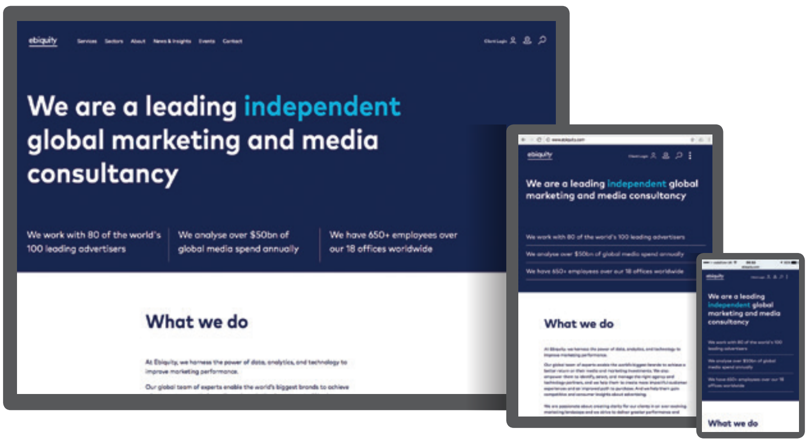
Corporate governance

This section provides information on how the Company is governed and the activities of the Board.

Financial statements

This section includes our financial statements, notes and auditors' report for the Group and Company.

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



About us

We are a leading independent media and marketing consultancy.

Our ambition is to work in partnership with global brands to harness the power of data, analytics and technology to improve marketing outcomes. We act as 'left-brain' advisers to CMOs in all of the areas where they need independent advisory services most. These include building evidence-based marketing programmes, extracting full value from marketing investments, driving accountability and transparency, and working with brands to select the right partners.

The marketing world is becoming ever-more complex. New challenges are emerging, including brand safety, ad fraud and viewability. New technologies – such as those that enable programmatic media trading – are reshaping the marketing landscape. The rate of change is now faster than ever, and brands have much greater volumes of data to digest.

While there are new complexities for marketers, there are also new opportunities for brands. By being smarter about where and how they invest in marketing, brands can maximise the impact of their marketing spend.

In this new world, we've distilled our purpose to be a singular focus: **creating clarity for our clients**.

- This means helping brands understand the value they get from their marketing investments, and how to optimise them.
- It means making sense of the innovations in advertising technology and data management to leverage them in the best way.
- It means enabling marketers to select and work with their partners in the best way, with a focus on driving business outcomes.
- And it means providing a range of solutions and tools to give brands the independent assessment they need to build trust in their marketing supply chain, and to measure the business impact of marketing investments.

While most brands have many partners, what sets us apart is our independence. Our independence is defined by the fact that we do not engage in any media trading or buying. And this is reinforced by our ownership structure, which is entirely independent.

Creating clarity

Statement of Independence

To strengthen our position of independence in the marketplace, in 2018 Ebiquity published a Statement of Independence to clarify our position in the marketplace and help brands to better understand how we can deliver unique value to them.

In order to provide independent, unbiased and trusted advice in the marketplace, we have remained firmly media agnostic over our 20+ year history.

We adhere to the following key principles of independence:

- we do not offer media execution and trading services;
- we do not engage in media buying or conduct any negotiations with media owners or publishers on behalf of our clients;
- we are independent of the media supply chain and do not pitch for media work or compete with media agencies in their core media trading capabilities;
- our focus in media is on advocating a media supply chain that operates in the interest of advertisers;
- we occasionally work with clients on 'test and learn' projects that involve some media buying, almost always conducted by their media agencies, where we focus entirely on measurement to help independently optimise media performance; and
- while we work closely with our clients' media agencies, we are not directly associated with any media agency or media owner in a way that compromises our neutrality in the marketplace.

These principles are designed to ensure that we operate with our clients' best interests in mind. This is of growing importance in a marketing ecosystem that is often highly opaque and increasingly complex.

The Statement of Independence is available on the Ebiquity website at https://bit.ly/2G5ol2E

The Ebiquity Code of Conduct

During 2018, we codified our principles into a new Code of Conduct to specify the standards to which we strive to adhere to and to which advertisers should hold their independent media and marketing consultants accountable.

About this Code of Conduct

In the ever-more complex and rapidly evolving media and marketing ecosystem, brands greatly benefit from unbiased advice from independent consultants. As one of the world's leading independent media and marketing consultancies, we've published this Code of Conduct to specify the standards we strive to adhere to and to detail how we intend to work with our clients and their partners. It's our blueprint for ensuring that we create value in a way that recognises everyone's role in the marketing ecosystem. It also helps to ensure that we deliver analytics and advice to consistently high standards right around the world.

These principles are designed to help brands receive maximum benefit from our consulting advice across all of our services.

This Code of Conduct is based on 20+ years advising the world's biggest brands, as well as comprehensive discussions with brands, agencies and industry associations. It covers five principal areas: independence, remuneration, confidentiality, data processing and ways of working. This addresses how we operate, the basis on which we are paid, the rules we apply to client and agency data and how we work with our clients and their partners.

Independence

1. We are independent of the media supply chain.
2. We have no monetary relationships with our clients' media agencies.
3. We work primarily for brands, not media owners or agencies.

Remuneration

1. We receive revenue from the consulting services we provide to brands.
2. We do not benefit from financial incentives based on cost savings.
3. Our fees in the area of contract compliance reviews are not based on recoveries.

Confidentiality

1. We ensure confidentiality of our clients' media data and enter into non-disclosure agreements.
2. We aggregate our clients' data into our media benchmarking pool on an anonymous basis.
3. We maintain confidentiality of our clients' financial contract compliance data.

Data processing

1. We regularly review our protocols with respect to how we handle our clients' media data.
2. We aim to ensure data handling is swift, easy and accurate for all partners.
3. We do not use pricing data collected in agency selection projects for benchmarking purposes.

Ways of working

1. We strive to work with all parties in a professional manner and in a spirit of collaboration.
2. We endeavour to operate timelines that are fair for all parties.
3. We aim to provide meaningful explanations to our recommendations.

The latest version of the detailed Code of Conduct is available on the Ebiquity website at https://bit.ly/2NzXW0d. The Code of Conduct is a living document and we will regularly review and revise it to reflect industry and marketplace changes.

Highlights

The Company now has greater financial flexibility, a more streamlined business and a strengthened management team.

Michael Karg, PhD
Group Chief Executive Officer

Headlines

Planned sale of Advertising Intelligence business completed on 2 January 2019. Business reported as 'asset held for sale' in the 2018 financial statements

Strengthened executive management team is focused on driving performance of the continuing business

Revenue of continuing business increased by 8% to £69.4m (7% on like-for-like, constant currency basis)

Underlying operating profit[1] fell to £6.3m (2017: £9.0m) due to planned investment in the year which did not fully deliver anticipated revenue growth

Net debt at 31 December 2018 of £27.5m (31 December 2017: £28.9m) reduced by £20m in January 2019 following completion of Ad Intel sale

Further improved operating cash flow conversion of 138% (2017: 99%)

Proposed dividend maintained at 0.71p per share

Continuing business now organised into two segments: 'Media' and 'Analytics & Tech'

1. Underlying operating profit is defined as the operating profit excluding highlighted items. These include share-based payments, amortisation of purchased intangibles and non-recurring items. Underlying profit before tax and earnings per share are calculated based on the underlying operating profit.

Media:
Media Management, Media Performance and Contract Compliance

Revenue increased 5% to £54.2m

Strong growth in US Media practice: revenue up 26%

Media Management enhanced its offering and gained incremental work from clients such as McDonald's, Fiat Chrysler Automobiles, L'Oreal and GlaxoSmithKline

Contract Compliance growing well (up 12%) and further broadened its footprint in markets including US, India and Germany

Operational efficiency enhanced through release of new automation tools in our Media practice and set-up of shared service media delivery centre in Spain – these will become fully operational in 2019

Analytics & Tech:
Advanced Analytics, MarTech and AdTech

Revenue grew by 19% to £15.2m

Advanced Analytics business appointed as multi-market partner for a global automotive brand and awarded a highly competitive assignment for one of the world's largest telecommunications groups

Launched new AdTech advisory practice. While this practice is in its infancy, the team has started well with several high-impact projects including a global digital advertising technology assessment for one of the world's largest mobile operators

At a glance

Ebiquity is a leading media and marketing consultancy.

We are entirely independent of the media supply chain.

With the aspiration of becoming the 'left-brain' advisers to the CMO, we help the world's leading brands leverage the potential of data, analytics and technology to improve both performance and transparency in media and marketing. We help to build evidence-based marketing programmes, extract full value from marketing investments, drive accountability and transparency, and work with brands to select the right partners.

We report our results in two segments – Media and Analytics & Tech.

Media

Help brands to define their approach to media, select and manage the right agency partners, measure and enhance media performance, and improve media transparency.

Helping clients to increase efficiency and transparency of their media investments. This covers all digital and traditional media performance measurement and benchmarking, media and agency management and selection services, and contract compliance.

78% of revenue

5% growth in 2018

revenue of **£54m**

Analytics & Tech

Build evidence-based marketing programmes rooted in data and analytics. Design the right data and technology ecosystem to drive higher value from digital investments.

Our Analytics enable clients to decide where to allocate and how to optimise marketing investment. This includes market mix modelling, attribution, brand equity modelling, simulations and forecasting. Our expertise in Tech empowers clients to create better, personalised experiences across all digital touchpoints. This involves selecting the right advertising, marketing and data management technology for our clients' needs.

22% of revenue

19% growth in 2018

revenue of **£15m**

Market presence

Our clients

We work with approximately 70 of the top 100 global advertisers.

Our locations

We have global expertise and offices in 14 countries across North America, Europe and Asia Pacific.

Our people

We employ around 570 people, including data scientists, developers, modellers, analysts, media and digital experts.

Chairman's statement

I remain confident that Ebiquity is well placed to build shareholder value and the Company looks forward to achieving its long-term strategic ambitions.

Rob Woodward
Non-Executive Chairman

The financial year ended 31 December 2018, my first as Chairman, was both transformational and challenging for Ebiquity.

We were pleased to report just after the year end (on 2 January 2019) that the sale of the Advertising Intelligence ('Ad Intel') business to Nielsen Media Research ('Nielsen') had been successfully completed.

The Ad Intel disposal has simplified the business, allowing us to focus on growing the core Media and Analytics & Tech practices. Receipts from the disposal have significantly improved the Group's financial position by reducing our net debt by some £20 million and consequently our finance costs have also been lowered. However, the Group's performance in 2018 was impacted by the protracted nature of the Ad Intel sale process following the UK Competition and Markets Authority's decision to conduct a full, two-phase investigation. This distracted and hampered the Group's management in finalising and executing plans for the continuing business.

Ebiquity is now focusing on becoming the leading global independent media and marketing consultancy. We are committed to delivering growth and to improving profitability across the more streamlined business through scale benefits and operational alignment. The market strength of the continuing Media and Analytics & Tech businesses is demonstrated by an 8% increase in revenue to £69.4 million (2017: £64.2 million). Within this, the longer established Media practice, which accounts for some three-quarters of Group revenue, grew by 5%, while the Analytics & Tech practice, which comprises several of the Group's newer consultancy and technology offerings, grew strongly, increasing revenue by 19% and share of total revenue to 22%.

However, the underlying operating profit of the continuing business fell to £6.3 million, compared to £9.0 million in 2017. The reduction was due, in part, to planned headcount increases and investments made in the year in key practices, which did not deliver the anticipated revenue growth in the year. A number of units failed to achieve their budgetary goals and some experienced revenue declines.

The Board realises that the Group needs to improve its profitability. It has already taken action to strengthen the Group's financial and operational management capabilities. To support this, the senior leadership team has recently been enhanced by three key appointments. Alan Newman, formerly CFO of YouGov plc, has been appointed as Chief Financial and Operating Officer with effect from January 2019. Towards the end of 2018, Richard Basil-Jones, formerly Managing Director Asia Pacific, was appointed into the new role of Global President, overseeing the operating units, and Emma Winterson-Hayward, formerly Chief HR Officer of Dealogic, joined as Chief People Officer to develop and support the talent in our business as it grows.

Several of the programmes previously undertaken to automate the delivery of services and improve back office efficiencies are beginning to yield benefits. Dedicated teams have been established to drive new business generation and co-ordinate the management of key global client accounts. However, it will take time to fully adjust the overhead cost base following the Ad Intel disposal, especially as in the current year there will be a continuing need to fulfil certain service obligations to Nielsen as part of a transition agreement.

Ebiquity is a company with great strengths now operating in, and focused on, dynamic, growing markets and providing media and marketing consultancy advice to a significant number of the world's leading brands: advice that is independent, high quality, meaningful and makes a difference to their bottom line. There remain significant market opportunities through Ebiquity's ability to respond to advertisers' requirement for transparency, especially at a time of fundamental shifts in the media marketplace. We start the year with the Ad Intel practice sold, a stronger balance sheet and a new senior team in place, focused on delivering the next stage in the process of transformation.

I remain confident that Ebiquity is well placed to achieve its long-term strategic ambition and deliver against our challenging goals.

Rob Woodward
Chairman

15 April 2019

Market overview

Marketers are faced by a paradox. It has never been more challenging, and at the same time it has never been more possible, to demonstrate the impact and return on marketing investment.

The world of media and marketing became no less complex or unpredictable during the past year. 2018 was characterised by five major themes, all of which are interconnected.

- Increased focus on evidence-based marketing, particularly in leveraging data to drive better marketing performance and marketing ROI.
- A strong demand for media transparency across partners and suppliers.
- Greater scrutiny of digital advertising performance and measurement.
- Heightened complexity in advertising technology and data.
- New client-agency partnership models.

Increased focus on evidence-based marketing

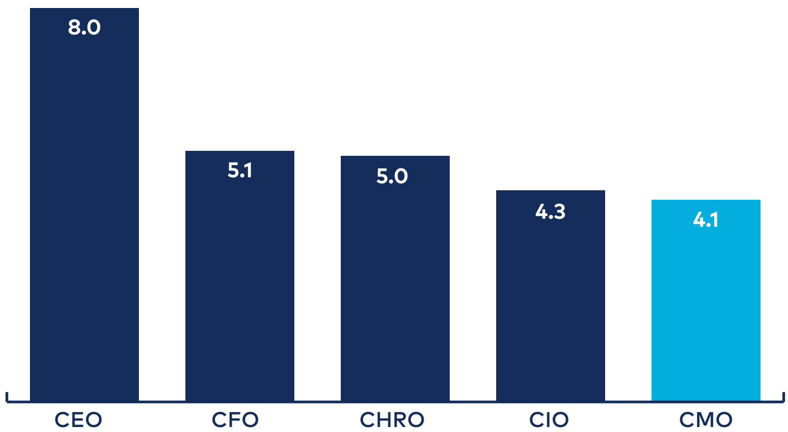
According to the Nielsen CMO Report 2018, less than a quarter of CMOs are confident that they have the right return on investment measurement in place. And they're right to be concerned. Data from the IPA shows that after a peak in 2012, marketing campaigns have become less effective every year since then. In part, this is because marketers are increasingly focused on short-term campaigns and short-term metrics. A study we ran with ISBA last year showed that 61% of marketers measure campaign impact either while it's still happening or just 0-3 months after the campaign.

The drive to short-termism is influenced by the rise of digital. Digital channels are often the easiest to measure; however, incremental investments into digital don't necessarily deliver the best overall return on marketing spend. Furthermore, digital channels are often used in the final stages of driving sales conversion. This, combined with the ease of linking digital marketing to sales results, has tempted many businesses towards shifting budgets into digital.

Most studies – including our own award-winning study with Thinkbox (Profit Ability: the business case for advertising) – demonstrate that, on average, digital channels haven't successfully delivered a higher return on investment than traditional media channels. As shown by the graph below, the drive towards short-termism in marketing has been further amplified by CMOs' short tenure, currently the shortest in the C-suite.

In Western markets, CMO tenure is the shortest of all C-suite positions, and falling

Average US C-suite tenure (years)



Source: Korn Ferry; Russell Reynolds Associates

These trends are taking place at a time of ever-more scrutiny of marketing spend. With increased involvement from procurement and finance teams in analysing the impact of marketing investments, brands need clear-thinking, independent advice like never before. Our expert Media and Analytics teams – independent of the media trading ecosystem – advise CMOs and their teams on overall marketing impact, how to optimise budgets, and the role partners are playing in delivering performance, along with a host of other services to help CMOs ensure their marketing spend is delivering tangible results. And increasingly our work in this space is winning awards. Further details of the awards we won in 2018 – including five for marketing effectiveness from the Institute for Practitioners in Advertising ('IPA') – can be found in the section of this report on Profile.

A strong demand for media transparency across partners and suppliers

Transparency still ranks first among the industry's biggest challenges, according to WARC's Media 2020 report, with almost half of marketers saying that transparency is the most important issue they face. And yet, 2018 was a bad year for transparency and trust, with a huge variety of news stories around consumer privacy, brand safety, fraud and measurement errors. Our own report with Zulu5 on ad misplacement in the DACH cluster of countries (which includes Germany, Austria and Switzerland) reveals that many of the issues around brand safety and ad fraud remain unresolved, and more progress needs to be made.

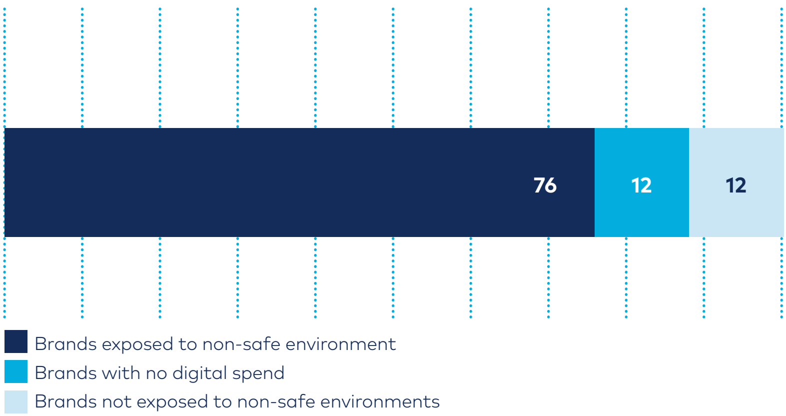
In many mature markets, digital advertising now takes more revenue than TV, accounting for more than half of all ad spend.

Yet brands face significant challenges in digital, compounded by limited access and scrutiny of performance data, and increasingly need independent help and guidance to move forward in a productive way.

Working in partnership with the US Association of National Advertisers ('ANA'), Ebiquity and our specialist contract compliance business FirmDecisions wrote guidelines for achieving transparency in the media trading ecosystem. Now we are founding members of a new ANA-led industry initiative – The ANA Trust Consortium – to help brands re-establish trust with their digital media supply chain. This comes off the back of a January 2019 ANA study that found that only 29% of their 400-plus member markets ranked the current level of trust between client-side marketers and advertising agencies as "high". Advertisers are continuing to seek transparency of their media investments and their related performance – including 100% transparency of all media trades. This often starts with renewed agency contracts and contract compliance reviews, an area where we demonstrate global leadership through our Media practice, independent of the media trading ecosystem.

Three-quarters of the top 100 advertisers in the DACH region had run ads in non-brand-safe environments

Top 100 DACH brands with ads appearing in non-brand-safe environments



Source: Ebiquity & Zulu5 Brand Safety Study

Market overview continued

Heightened complexity in advertising technology and data

Over recent years, the number of vendors and providers of advertising and marketing technology has grown from a handful to approaching seven thousand. It is completely impossible for advertisers to keep up with the myriad of opportunities available to them; doing so is more than a full-time job. The bewildering complexity of the advertising technology market makes it tempting to buy a tried-and-tested, off-the-shelf solution – say for a demand-side platform, trading desk, or analytics suite. At the same time it increases the risk of choosing a solution that's not right for a particular advertiser's needs, is too niche, or not sufficiently flexible. Advertisers clearly need independent, informed, and objective guidance on the right technology solutions for them.

The volume, scale, and complexity of data in advertising and marketing has also grown exponentially in recent years. This is in part a reflection of the growth in ad tech and martech platforms. Online media inventory – particularly media traded programmatically – generates huge volumes of data.

Advertisers and their partners need to ingest, align, and harmonise online media data with other marketing and sales performance data sets. They need to do this before they can analyse the efficiency and effectiveness of their total advertising spend. The fact that different platforms produce different data sets – data sets that are not necessarily compatible – only adds to the complexity. Again, advertisers need help navigating the complexity of data.

Greater scrutiny of digital advertising performance and measurement

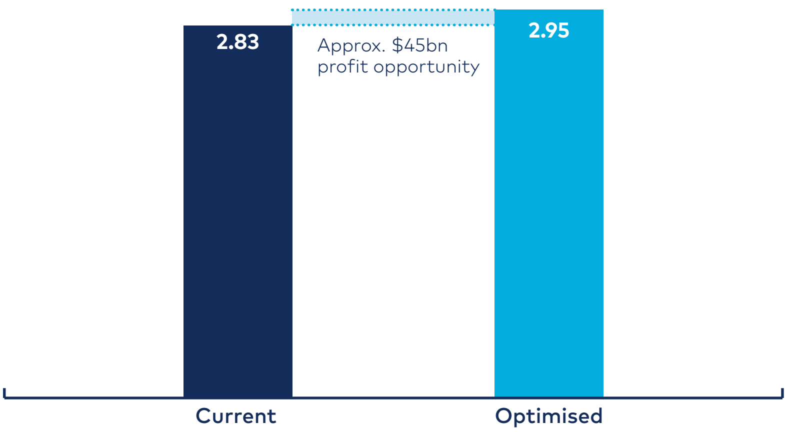
When the world's biggest advertisers talked about a "murky at best, fraudulent at worst" digital media trading ecosystem and the need to "drain the swamp" (Messrs Pritchard and Weed of P&G and Unilever respectively), the marketing community took notice. With so many links in the transactional chain between brands and their consumers, many marketers started to question the value of outsourcing so many functions to agency, ad tech, and martech third parties. And big consultancies quickly developed offerings to help brands take back control.

2018 will definitely go down as the year when more heat and light – on conference stages, in professional and business media, and in blogs and opinion online – were focused on the question of in-housing than ever before. The number of brands talking about bringing some, most, or all of their media operations in-house is at record levels. In October 2018, the ANA reported that 78% of its members had some form of in-house agency operation, up from 58% in 2013. And we're not only talking about programmatic digital media trading. This can also include media production and creative work, social media capabilities, search engine optimisation, and a variety of other marketing disciplines.

Our role is to help advertisers look before they leap, and consider carefully what elements they might bring under their direct control, their motivations for doing so, and the likely consequences. Considerations often cover talent, commercial skills, contracts and timing. Our Media and Tech practices are actively advising brands on in-housing vs outsourcing, free from vested self-interest. As genuinely independent advisers, we don't stand to gain revenue as a result of brands choosing to in-house specific solutions. Furthermore, we have assembled a unique mix of talent, capabilities and experience to offer best in class consultancy in this area.

Our research in 2018 revealed that marketing still plays a vital role in driving profitability, and could drive $45bn more, or a 4% uplift

Global media profit ROIs, including long-term effects



Source: Ebiquity Report: Marketing as a Profit Driver.

New client-agency partnership models

The way marketers work with agencies is changing. The first three factors identified above all contribute to this change: scrutiny, transparency and in-housing. New partnership models arise for a variety of different reasons.

- When brands consider bringing some or all of their advertising infrastructure in-house, the role of the media agency of record inevitably changes.
- When trust is diminished between agencies and brands – because of issues as diverse as trading practices, ad fraud, and ad misplacement – marketers look to reset their relationships with their agency partners. Sometimes, they decide to change agencies altogether and start a new relationship on a new footing.
- And when finance and procurement demand more from marketing – more accountability, more transparency, and more evidence of effectiveness – again the dynamic between agency and brand shifts.

More than ever before, brands are looking for partners who place their best interests front and centre. In that way, what has – in many cases – become a fraught or fractured relationship can once again become a full and active partnership.

This is why we have focused our service innovation on positioning ourselves to be the independent partner of choice for the industry. By working collaboratively across the industry – including with both brands and their key industry partners – we are playing an active role in restoring trust. Our service innovation in areas of media management – as well as in building tools that reduce the workload for our clients' agency partners, such as EbiquityConnect™ – are all part of our commitment to be the partner of choice for the global advertiser community. Furthermore, this extends to our close working relationship with leading industry trade bodies, at both a global and country level. You can find more details on this under the Profile: Partnerships section on page 27.

We are also well positioned to advise global brand advertisers, and leading local brands alike, on how to build productive and lasting agency relationships. Global reach, local expertise and extensive knowledge from managing over 100 projects per year in this space already make our proposition unique. We are building on this success to continue selling standards, in partnership with our clients, for how best to manage their agency partners, review their partner relationships, align partner incentives, and where required, run a robust agency selection and onboarding process.

In summary

In uncertain times, marketers need certainty and clarity on how their marketing investments are performing like never before. As we transform Ebiquity and look to become the pre-eminent, independent media and marketing consultancy, we are well placed to support brand owners and marketers in achieving that objective.

Chief Executive Officer's review

We defined our vision some three years ago to become the 'left-brain' adviser to the CMO and be their go-to media and marketing consultancy.

Michael Karg, PhD
Group Chief Executive Officer

Strategic direction

The sale of our Ad Intel practice was a pivotal moment for Ebiquity. It fully aligns with our strategy for growth and enables us to focus our efforts on maximising our opportunity from the structural trends that are shaping the media and marketing industry.

Our much stronger financial position gives us more flexibility to deliver our vision and manage a simpler and more focused, operationally aligned business and make targeted investments to support our growth strategy.

The demand from brands for independent media and marketing consulting services continues to grow. Ebiquity is in a unique position to be their leading provider and adviser, enabling them to monitor, evaluate and maximise returns from their media spend.

There are few unbiased, expert-led, data-driven consultancies in our marketplace. Independent, conflict-free, high-quality advice is sought by advertisers and Ebiquity's offer, through its portfolio of specialised consultancy services, matches advertisers' requirements.

With the digital revolution and resulting explosion of marketing channels and related data, the demands on Chief Marketing Officers ('CMOs') and their teams are growing exponentially. Increasing complexity and decreasing transparency, especially in digital media, have increased the need for more accountability. To command attention and credibility in the C-suite, marketers need increasingly to justify and explain with confidence and clarity the contribution of marketing spend to business performance.

We defined our vision some three years ago to become what we like to call the 'left-brain adviser' to the CMO and be their go-to media and marketing consultancy.

In pursuit of that vision, we are constantly enhancing our capabilities and our reputation for applying the tools and techniques of data science and analytics to the complex challenges that our clients face. We have defined a strategic core from which we can own and generate value through our ability to analyse marketing and media data.

Our access to unique client data sets, reinforced by our proprietary infrastructure, increasingly allows us to handle ever more efficiently and drive more granular analysis and insights.

Performance in the year

In the year to 31 December 2018, revenue of our continuing Media, Analytics and Tech business grew by 8% to £69.4 million and by 7% on a like-for-like, constant currency basis.

Our Media segment, which accounted for 78% of our total revenue and comprises Media Performance, Media Management and Contract Compliance services, grew by 5% to £54.2 million (2017: £51.7 million) (5% on a like-for-like, constant currency basis). This continuing growth is being driven by greater scrutiny of digital media investments and continued focus on the issue of media transparency.

These trends will continue. Our global network, one of the most extensive of its kind, is enabling us to win global as well as local assignments through the knowledge and data sets we have developed in individual media markets. In addition to assisting advertisers to assess and optimise their media buying performance, this practice has developed a market-leading capability in advising clients on the management and selection of media agencies and setting of media buying objectives.

Covering $50bn in spend

World's largest media spend data pool

The requirement for advertisers to ensure that agencies deliver their services as contracted has continued to benefit our Contract Compliance practice (branded as 'FirmDecisions') which achieved 12% revenue growth and expanded to several new markets during the year. The UK, which remains the largest and most established part of the Media segment, grew by 5%, while a number of our newer markets, where we have been investing to build our capabilities, grew more rapidly, including the USA (by 26%), France (11%) and Singapore (41%), outlining the opportunity and potential globally.

Our Analytics & Tech segment comprises Advanced Analytics, MarTech and AdTech advisory services. We have been developing offerings that harness technological advances and the power of data to enable advertisers to ensure that their marketing decisions are effective and deliver the optimal return on investment.

Number 1

Worldwide in media performance measurement

This segment's revenue increased by 19% to £15.2 million compared to £12.8 million in 2017, representing 15% growth on a like-for-like, constant currency basis. This success reflects growing client demand driven by an increased focus on data-driven, evidence-based marketing and the desire to understand better the increased complexity in technology and advertising data. The largest contributor (53% of the total) to this segment continued to be the Advanced Analytics business, which grew revenue by 21%. Its data science and modelling expertise is highly valued and is gaining increasing recognition for its thought leadership on media and marketing trends. During 2018, it won various industry awards for the 'Profit Ability' study conducted with Thinkbox. The Australian-based MarTech business achieved double-digit growth and our new UK AdTech service launched successfully in 2018 and recorded its first revenues.

Against the background of revenue growth, the reduction in the continuing business operating profit to £6.3 million from £9.0 million in 2017, was disappointing and was a result that clearly fell short of the goals originally set for the year, as well as our longer-term expectations for profitability. By investing for the future, the Company's staff and administrative costs ran ahead of revenue growth achieved in the year. As previously reported, we made planned investments in people and technology to scale our business and develop new services. Whilst some have yielded expected benefits, others are taking longer to generate the anticipated growth. In addition, the protracted Ad Intel sale process slowed the ability to re-scale cost structures during the year.

Chief Executive Officer's review continued

Foundations for future growth

We have become a smaller and more focused business but recognise that while the Company is now structurally fitter for the future, further work is needed to align our costs with the revenue base.

During the year, we invested more than £1.5 million in talent, tools and technologies to make our offer more consistent on a global basis so as to improve our ability to deliver a better service to our clients and manage resources more cost-effectively across our network. As the Ad Intel business completes its transition out of the business during 2019, we see the opportunity to further reduce costs.

At the end of 2018, to support our growth, we established a dedicated new business team under the leadership of Stephen Broderick and we continue to appoint client relationship leaders to manage service delivery to our existing key global clients. While it is early days, we are seeing higher revenue growth for those managed clients. We are entering into multi-year contracts with these clients as well as cross-selling additional services from our Media, Analytics and Tech practices.

Developments in Media

Within Media, one of the key objectives is to help re-establish trust between clients and agencies.

The Contract Compliance business has experienced strong growth over the last several years and we are seeing further opportunities for growth. In 2018, the decision was taken to enhance our local capability outside the UK in markets such as the USA, India and Germany. The short-term impact of this increased investment reduced profitability, but is expected to generate benefits in the current year.

The selection and management of media agency partners has become more complex for our clients. We have identified and taken advantage of this opportunity to broaden and standardise our service offering across key markets by appointing specialists in the USA and UK to meet demand. This has enabled us to provide high-quality strategic advice to a number of global clients such as Fiat Chrysler Automobiles, GlaxoSmithKline, L'Oreal and McDonald's.

70 of the top 100

We work with 70 of the top 100 global brands

We also accelerated our efforts to standardise and unify service delivery in our Media Performance practice with regard to our product portfolio and in delivery. Our expertise and leadership position has enabled us to retain existing clients and win new business. To illustrate this, we were reappointed as global independent media adviser for a Fortune 50 medical goods company with an enhanced scope of work and significant incremental revenue, and we expanded our media services with a global FMCG company to encompass extended market reach after a competitive multi-market pitch process.

We continued to invest and innovate in support of our automation strategy, which led to the release of three key tools in 2018: EbiquityConnect™, EbiquitySelect™ and EbiquitySync™. These are designed to facilitate data gathering, increase the speed and efficiency of analysis work and improve data security. We also established a shared services media delivery centre in Spain which will become fully operational in 2019. Centralising media analysis work in this way will reduce costs, standardise processes and free up our specialist consultants in local markets to spend more time on higher value added activities.

100 agency selection projects in 2018

More than any competitor

Developments in Analytics & Tech

In our Analytics & Tech practice we invested in support of growth and launched a new service offering. We recognised the opportunity to pursue multi-market analytics contracts and therefore enhanced the team to compete successfully for these. This is generating new business, examples of which are: the appointment to the roster of one of the world's largest food companies; the appointment as multi-market advanced analytics partner for a global automotive brand; and the award of a highly competitive Advanced Analytics assignment for one of the world's largest telecommunications groups. We have also been recognised for our expertise through the prestigious IPA Channon Prize for 'Best New Learning', our pioneering Advanced Analytics long-term brand equity modelling work with Direct Line Group, two Gold and two Silver IPA awards, and one Effie award for clients such as Direct Line Group, Lidl, Weetabix and Yorkshire Tea.

5 IPA awards in 2018

Award-winning advanced analytics team

In 2018, we launched a standalone AdTech advisory business, initially based in the UK. This responds to the increased complexity and the multitude of choices amongst technology and service providers by advising clients on issues such as in-housing of programmatic media and alternative advertising technologies. Our independence is again a key differentiator. While this practice is in its infancy, the team has started well and successfully delivered several high-impact projects including a global digital advertising technology assessment for one of the world's largest mobile operators.

Developments in operations

We continued to enhance our operational abilities with further investment in our CRM system, financial management and other related tools, aligned our brand and website presence with our vision and published key thought leadership pieces to engage and connect with clients. Debbie Morrison, who worked for over 29 years at ISBA advising clients on key industry topics such as marketing transformation, and media and marketing best practices, joined Ebiquity at the beginning of 2019 and is responsible for our partnership with trade bodies globally, our presence and speaking engagements at key industry conferences and our own client events.

Developments in leadership team

Towards the end of 2018 we significantly strengthened our leadership team with key appointments as outlined in the Chairman's statement. We believe these will assist in the development of the Company and help to achieve our strategic goals.

We have set our leadership team seven key objectives to drive growth and profitability. These are to:

- improve our financial discipline and operational capabilities;
- drive stronger revenue growth and improve margins;
- embrace a nimble sales-focused culture;
- train and upskill our talent to enable us to successfully deliver against our values and vision;
- transform and implement a tiered client service operating model;
- establish true innovation in analytics, data and digital; and
- raise the level of standardisation and automation of our services globally.

Chief Executive Officer's review continued

Outlook

The markets in which we operate have great potential and the Group has been establishing foundations for growth. We are evaluating our cost base to align it with the reduced size of the Group as a result of the disposal of Ad Intel.

However, it will take time to make the necessary adjustments during this transition period.

Trading in the current year has started in line with the Board's expectations, and while we are mindful of the political and economic uncertainties which may impact advertisers' budgets, we are confident that Ebiquity is well positioned to make progress towards our ambition of becoming the leading independent media and marketing consultancy.

Operational review

	Revenue			
	FY18	FY17	Variance	
	£m	£m	£m	%
Media	**54.2**	51.5	2.7	5
Analytics & Tech	**15.2**	12.7	2.5	19
Continuing operations	**69.4**	64.2	5.2	8
Discontinued operations	**20.2**	23.2	3.0	(13)
Total	**89.6**	87.4	2.2	3

	Operating profit				Operating profit margin	
	FY18	FY17	Variance		**FY18**	FY17
	£m	£m	£m	%	**%**	%
Media	**12.1**	14.0	(1.9)	(14)	**22**	27
Analytics & Tech	**1.4**	1.6	(0.2)	(13)	**9**	13
Unallocated costs	**(7.2)**	(6.6)	(0.6)	9	**—**	—
Continuing operations	**6.3**	9.0	(2.7)	(30)	**9**	14
Discontinued operations	**1.0**	3.0	(2.0)	(67)	**5**	13
Total	**7.3**	12.0	(4.7)	(39)	**8**	14

Within the Media segment, the UK business, which accounts for 45% of the total, grew by 5%. A number of newer markets recorded strong growth, including the USA, whose revenue increased by 26%, Singapore by 41%, France by 11% and Italy by 9%. However, in Germany revenue fell by 7% due to a break-away by part of the team and in Australia revenue fell by 5% as some clients did not renew due to their media spend falling. In China, where a new manager was appointed at the end of 2017, the previous revenue decline was significantly reduced and the business returned to growth in the second half. The operating profit of the Media segment was £1.9 million lower than the prior year at £12.1 million, compared to £14.0 million, and the operating margin reduced to 22% from 27%. This was due, as highlighted earlier in the CEO's review, to the significant investments made in the year across the Media practices as well as a revenue decline in some markets.

Leading in contract compliance

The leading media contract compliance consultancy worldwide

Within the Analytics & Tech segment, which grew by 19% overall, the UK is also the largest revenue contributor, with 54% of the total, and grew by 37% largely due to the success of the Advanced Analytics practice along with an initial contribution from AdTech. Iberia's Advanced Analytics practice grew by 20%. MarTech in Australia (acquired in 2017) grew revenue by 36% (on a like-for-like, constant currency basis) but the US MarTech practice reported a revenue decline as the nature of the market demand for its data management services changed. A new manager was appointed early in 2019 to reorient this business, which is expected to stabilise this year.

The segment's operating profit reduced slightly to £1.4 million. Within this, Advanced Analytics increased its profits in line with revenue growth, although this was offset by the investments made to launch the AdTech business and by lower profits in US MarTech.

Michael Karg, PhD
Group Chief Executive Officer

15 April 2019

Our business model

Our business model is built around our core capability of analysing media and marketing data to help our clients drive better marketing outcomes and to deliver greater business impact.

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

Our engagements across our core practices 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 for both long-established and first-time clients. This process 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. This is how we empower our clients to take rightful ownership of their digital marketing strategy, technology, data and media spend.

Our approach is defined by our access to unique client data sets, such as detailed media performance data, or broader business performance data. We have reinforced this capability with a proprietary data infrastructure that allows us to handle data efficiently and quickly, and drive more granular analysis than our competitors.

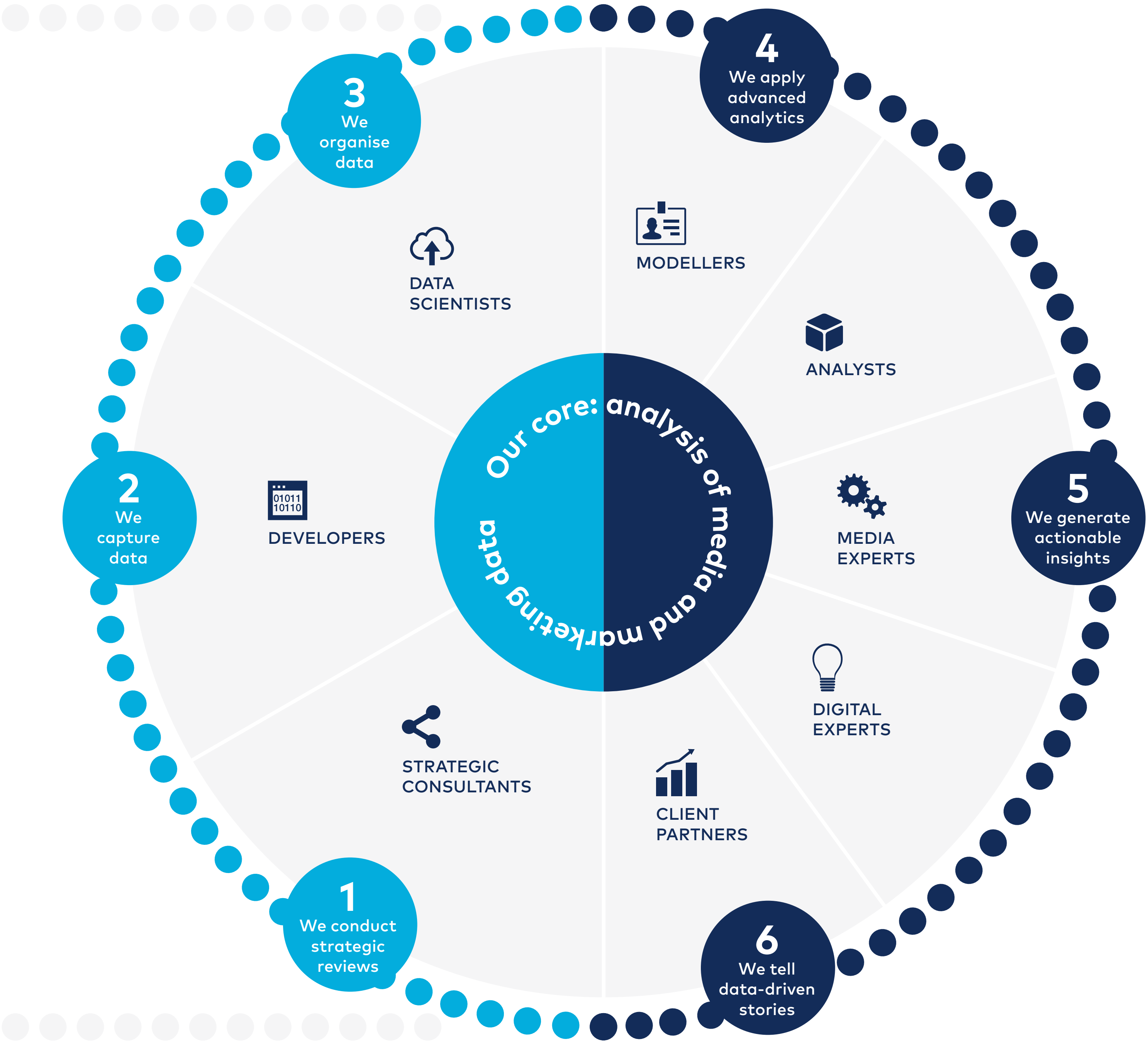
We activate our core capability with unique talent, including highly talented analysts and data scientists, embedded throughout our business. All of this combines to deliver value to our clients in the form of better marketing outcomes and greater business impact, whether top-line growth or savings.

> Inputs: Media & marketing data

- Advertiser data – media, spend, sales, social media, research and polling data.
- Consumer data – behavioural, web data (1st, 2nd and 3rd party), customer profiles, CRM data, attitudinal data inferred from behaviours.
- Market data – brand vs competitor performance, e-commerce data, third-party demographic data.

< Outputs: Greater marketing and 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 **about our divisions** on pages 6 and 7

Our strategy for growth

Everything we do is governed and directed by our core purpose at Ebiquity. We are 'creating clarity for our clients'.

Our ambition is to be the world's leading consultancy, specialising in media and marketing and entirely independent of the media trading ecosystem. As we strive to work increasingly as the 'left-brain' adviser to the CMO, everything we do is shaped by our corporate purpose, creating clarity for our clients. In order to attain our ambition, we established goals across five core areas: People, Product, Process, Profile and Performance. Our 5Ps strategy provides the framework for us to benchmark and measure out progress towards our long-term ambition.

Ebiquity's 5P goals

People	**Attract, retain and develop high-calibre talent from the media, consultancy and analytics and data science communities**
Product	**Launch proprietary products and services that harness our data and insights, enabling us to be trusted advisers for our clients**
Process	**Shape the organisation and its processes to support broader and deeper client relationships, locally and globally**
Profile	**Raise our brand profile and broaden the perception of our expertise to support our growth plans**
Performance	**Deliver sustainable, double-digit revenue growth at sustainable operating margins**

Here are some of the highlights for the goals that we delivered in 2018.

People

Rob Woodward, Non-Executive Chairman

After a successful 12-year tenure, Ebiquity's Non-Executive Chairman Michael Higgins retired in 2018. Michael was succeeded as Chairman by Rob Woodward in May 2018. Rob brings a wealth of both media and senior Board-level experience to Ebiquity. He was CEO of STV Group plc for 11 years, where he led the company's successful transformation into a pre-eminent digital media group. Before joining STV, Rob was Commercial Director at Channel 4 Television for four years. He was previously a Managing Director with UBS Corporate Finance and lead partner for Deloitte's TMT industry group in Europe. Rob's combination of media and consultancy experience will prove invaluable during Ebiquity's ambitious transformation programme.

Alan Newman, Chief Financial & Operating Officer

In January 2019, we appointed Alan Newman as our global Chief Financial & Operating Officer. Alan has extensive public company experience having spent almost ten years as CFO of YouGov plc, the AIM-listed global market research and data analytics group. He is currently Non-Executive Director of Future plc, Chair of Freud Museum London and Deputy Chair of the Quoted Companies Alliance. Alan was a partner at EY and previously at KPMG, providing Board-level advisory and consulting services in the media, technology and telecoms sectors.

Emma Winterson-Hayward, Chief People Officer

Ebiquity's new Chief People Officer is Emma Winterson-Hayward. She is responsible for developing and executing Ebiquity's human resources strategy in support of the Company's overall business plan and strategic direction. She will specifically work in the areas of talent management, diversity, organisational development and change management. Emma has a strong track record in successfully managing people in diverse cultural environments and across a wide variety of people-focused sectors, including technology, consulting, fintech, financial services and the creative industries.

Debbie Morrison, Managing Director Global Partnerships and Events

Debbie Morrison has recently joined as Managing Director, Global Partnerships and Events. Debbie joined after almost 30 years at the Incorporated Society of British Advertisers ('ISBA'). At Ebiquity she will lead collaborations with national, international and transnational trade bodies, as well as facilitate client events, roundtables, and other client forums.

In addition to these senior appointments, two of Ebiquity's leadership team have taken on new roles in the business, to support our process of business transformation:

Richard Basil-Jones, Global President

Richard has become Global President, responsible for Ebiquity's regions (Europe, North America and Asia Pacific) and practices (Media, Analytics and Tech). Richard previously ran Ebiquity Asia Pacific and is now based in our London office.

Stephen Broderick, Global CEO, Contract Compliance

Stephen is the co-founder and Global CEO of our contract compliance business, FirmDecisions. As well as continuing to run FirmDecisions, Stephen is also now responsible for all business development for Ebiquity's Media practice, coordinating country-level and global teams selling the suite of our Media services.

Our strategy for growth continued

Product

In our drive to become the world's leading independent media and marketing consultancy, we are investing in and developing a set of tools to systematise globally and scale our defensible core services. This will allow our consultants to focus on using their analytical skills to establish and enhance client relationships, rather than spending time collecting, cleansing and managing data. Our tools are also designed to make it more straightforward for us to work in partnership with our clients and agencies.

In 2018, we continued to invest in our digital tool ecosystem, including EbiquitySync™, EbiquityConnect™, and EbiquitySelect™.

EbiquitySync™ – as the pioneers of media performance measurement and benchmarking, we have developed leading methodologies that have set the standards for the industry for more than 20 years. In 2018, we developed and launched the most robust and authoritative digital media measurement tool available. EbiquitySync™ enables advertisers to apply the same high standards to their digital media benchmarking as they've grown used to with traditional media.

The tool was built from the ground up for the digital media age. In 2018, we started deploying EbiquitySync™ in Germany, the UK, Spain and Portugal, and throughout 2019 we will roll it out progressively to other markets, including the USA, Australia, Italy and France.

EbiquityConnect™ – our data collection and validation tool which media agencies use to upload our mutual clients' media performance data in a common, standardised format. EbiquityConnect™ is designed to drive efficiency, increase data security and enhance the robust nature of our media benchmarking pool. Having started to develop the tool in 2017, we continued to expand and develop it throughout 2018.

EbiquitySelect™ – Ebiquity advises more national and global advertisers on media agency partner selection and management than any other company. During 2018, we developed EbiquitySelect™, a new tool that enables us to automate how we compare pricing between agencies tendering for a brand's business. This allows us to deliver a core component of our agency selection services with increased speed and greater accuracy.

Our investments in these and other tools shows our commitment to driving efficiency in the core of our business, and will deliver benefits for clients including innovation and standardisation in our offering across our international business.

Process

Global client partners

During 2018, we further embedded the role of senior global client partners across a sub-set of our key accounts. Their brief is to deepen and expand the relationships we have with some of our most important global accounts. This has had a number of positive impacts.

First, by having a stronger, central point of reference for our clients, we have been on site with them more often and had more face-to-face time with key contacts. This has allowed us to work with a wider variety of functions. In some cases, we have moved from established partners in procurement, media and marketing, and are now working more closely with in-house data, analytics and tech teams. As media and marketing broadens its scope, so our involvement with different functions expands.

Second, we've been able to introduce other practices and services to our clients, facilitating the process of cross-selling and up-selling. Where this has been most effective to date has been in the adoption of services from our Analytics and Tech practices from clients who were previously working with our Media practice. We have grown several clients in this way.

Additionally, during 2018, our Analytics practice has started to deliver global projects which were historically limited to single markets.

Given the strides made since the introduction of the global client partner function, we are looking to expand this approach more broadly, where revenue and opportunity justify the investment.

Scaled Delivery Centre

In spring 2018, we established the Scaled Delivery Centre ('SDC'). The Centre exists to provide standardised, quality-controlled media data management services for our offices across our global network. This frees up consultants in local offices to focus on higher-value services. This also allows us to smooth out resource needs in individual offices.

The SDC is based in Madrid. The team provides Media Performance and Media Management data services including media benchmarking, value track analysis, and pitch management data analysis.

Profile

2018 was another very positive year in which we sustained and raised our profile on the global stage. We did this through a combination of publishing original research, earned media relations, awards and speaker platforms. Our thought leadership content is sought out and widely used by media and marketing professionals around the world.

The Ebiquity brand and visual identity also received a complete overhaul in 2018, to reflect our objective to become the trusted adviser to the CMO. Last year's annual report was the first publication to feature the new brand. Today, all publications, online and offline, for our clients and for other stakeholders, are produced to the same exacting standards. Case studies, viewpoint papers and research reports are now clearly from the same family, driving consistency and a professional, consultancy look and feel across our publications.

Mark Ritson (marketing professor and columnist) commented: "Ebiquity are awesome. The consultancy does not pay me anything. I do not know or like anyone that works there. But whenever Ebiquity turn up at conferences or, as in this case, work with a client like DLG, it inevitably produces first-class work… I find it to be empirically advanced. I find it to be practical… those traits make it incredibly attractive. If I were you I would work with them."

Awards

Ebiquity won its first award from the Institute of Practitioners in Advertising at the biennial IPA Effectiveness Awards in 2016, a Gold for Direct Line Group. In 2018, our work was recognised in five IPA Awards: a Gold and the Channon Prize for Best New Learning, again for Direct Line Group; another Gold for Lidl; and two Silvers for Weetabix and Yorkshire Tea.

Commenting on Direct Line Group's double success in the 2018 awards, marketing professor Mark Ritson declared that "Ebiquity are awesome" in his regular column for Marketing Week about the '10 lessons all marketers should take from Direct Line's brand strategy'.

Ebiquity's Analytics practice has produced three reports on the sustained effectiveness of TV advertising for UK trade body, Thinkbox, in 2011, 2014 and 2017. The most recent report – titled 'Profit Ability: The business case for advertising' and produced in partnership with Gain Theory – won the 2018 Media Week Award for trade body research. And our work from the same practice for Lidl won a Grand Effie.

Our strategy for growth continued

Profile continued

Research publications

Our original research reports, based on proprietary data and analytics methodologies, drive media and industry attention for Ebiquity. They generate significant media coverage in specialist trade titles for the media and marketing industry, as well as generalist national and international business press.

Our publications also provide legitimacy for our experts to secure invitations from event organisers, keen to share the findings of our research with their conference delegates. In 2018, representatives of each of our core Media and Analytics & Tech practices all spoke at national and international media and marketing conferences.

Month	Partner(s)	Title and scope of study	Short link
March	Thinkbox, Gain Theory	**"Profit Ability: The business case for advertising."** Quantifies for the first time the total profit generated by different forms of advertising.	https://bit.ly/2oWoZHP
March	Radiocentre	**"Re-evaluating Media."** The most in-depth study on the value of different media. Based on a survey of brands and agencies, ranking media by multiple attributes. Triangulates attitudes with analytics.	https://bit.ly/2yVuU4V
June	n/a	**"Marketing as a Profit Driver."** Econometric analysis identifying $45bn untapped profit opportunity for brands globally from optimising marketing spend.	https://bit.ly/2S35bSS
November	n/a	**"UK's Media Landscape in 2019."** Forecast for media pricing in the year ahead, covering digital, TV, press, out-of-home and radio. Identification of the role of external factors – including GDPR, Brexit and ad fraud – on market dynamics.	https://bit.ly/2HJwwpf
November	Zulu5	**"Brand Safety: Leading brands still exposed."** Analysis of the extent to which ad misplacement in non-brand-safe environments is prevalent in the DACH market.	https://bit.ly/2TnUt73

Strategic report
Corporate governance
Financial statements

Partnerships

The appointment of Debbie Morrison from ISBA to be Managing Director of Global Partnerships and Events underlines our commitment to working with national and international industry associations. As well as our existing partnerships, in 2018 Ebiquity became a member of both the Australian Association of National Advertisers ('AANA') and the Interactive Advertising Bureau ('IAB'). Tim Hussain, Managing Principal of Ebiquity Tech, also joined the Advisory Board of I-COM, the global forum for marketing data and measurement.

Ebiquity's Chief Executive Officer, Michael Karg, addresses the Mediatel Future of Brands (London).

Case study

Delivering best practice in agency selection

Ran best-in-class pitch management and onboarding for global agencies

Targeted 100% transparency on all media buys, including in digital media

Client objectives

McDonald's invests $3bn+ in media annually. After 14 years with one media agency of record, the company was looking for a trusted adviser to help appoint a roster of agency brands their markets could choose from.

McDonald's wanted to upgrade its partners' capabilities, secure better rates, and ensure 100% transparency of every dollar spent, particularly on digital.

Ebiquity approach

We worked with the Marketing team to develop a best-practice Master Services Agreement to judge and measure agency performance.

We co-created a new contract with specific commitments, including 100% transparency. We supported McDonald's in writing the RFP, issued it to five agencies, and monitored responses at issues meetings and presentations. Senior Ebiquity consultants helped to assess agency presentations, helping McDonald's to choose the right roster globally.

Outcomes

McDonald's chose its agency partners based on clear, objective criteria. Today, the global Media team has the confidence – and tools – to empower marketers in its key markets to run local pitches using roster agencies.

With the MSA agreed at a global level – and operating at a country level – the team knows that all markets benefit from media cost-price guarantees with no compromise on quality. The company is targeting total transparency on all its media buys.

> "In transforming our global marketing function, we've just gone through an end-to-end agency selection process. Ebiquity has helped us identify and select partners that I'm convinced will be a great fit for us for many years to come."
>
> **Bob Rupczynski**
> **Corporate Vice President**
> **Global Media at McDonald's**

Case study

Establishing the impact and true return of advertising

Analysed thousands of econometric studies to assess true impact of TV advertising

Showed that TV has both short-term and long-term impact on business performance

Client objectives

Thinkbox represents the UK commercial TV industry, dedicated to proving marketing effectiveness. Through a series of research reports, Thinkbox has forced industry-wide reappraisal of the true value and impact of TV advertising. In the wake of strong growth in digital spend, Thinkbox wanted to understand the connection between media investment and business performance.

Ebiquity approach

In 2011, we centralised thousands of our econometric studies into a single database. In a second study (2014), we undertook a deep dive into the impact of TV versus digital. And in 2018, we focused on the ROI TV delivers to brands at scale. This enabled us to recommend – by category – how brands should right-size investment across different channels.

Outcomes

Our research has reliably and consistently shown that most brands in most categories underinvest in TV. Most recently, we found that in three of the biggest investing sectors, the proportion of spend on TV should increase – from 75% to 85% in FMCG, 54% to 65% in financial services, and 40% to 46% in travel.

Our analysts have run similar research for Thinkbox's Australian counterpart, ThinkTV, with similar results. We've shown that TV is that market's most efficient TV channel, too.

"CEOs and CFOs know brands are important, supporting short and long-term sales and margins. They understand brands are built on customers' end-to-end experience of, and word-of-mouth recommendations about, buying and consuming products, reinforced by advertising. This is a great first step towards maximising the net present value of advertising investment."

Patrick Barwise
Emeritus Professor of Management & Marketing
London Business School

Case study

Making the case for long-termism in marketing investment

Analysed long-term impact of brand ads in all sales environments

Developed portfolio strategy for marketing investment

Client objectives

Direct Line Group ('DLG') is a UK insurance company, with a portfolio of brands appealing to different types of customers. Some are sold direct only, while others are also sold on price comparison sites. DLG wanted to understand how different levels of investment support brands across its portfolio, short term and long term.

Ebiquity approach

On price comparison websites, we determined that brand strength influences choice even in this competitive environment with near-perfect price transparency. Direct-to-consumer, we used long-term brand equity analysis to identify the most important brand attributes and quantified their impact on sales. Consumers pay more for an insurance brand that they trust. Trust is built over years of sustained investment. We also determined that positive brand equity drives almost as many sales long term as short term.

Outcomes

DLG's marketers constantly strive to minimise costs and drive efficiencies. This programme gave them the rationale and evidence to pursue a long-term investment strategy. DLG's extensive use of econometrics is recognised as cutting-edge by the Institute of Practitioners in Advertising ('IPA'). In 2016, DLG won an IPA Gold effectiveness award, while in 2018 it won Gold and the Channon Prize for Best New Learning.

"Ebiquity are key partners in our insight and effectiveness programme. Innovative research and analytics have helped us change the way we think about marketing investment, both in the long term and the short term, which has ultimately helped in achieving better returns."

Ann Constantine
Head of Marketing Effectiveness and Insight
Direct Line Group

Case study

Domino's

Driving value through media performance consulting

Benchmarked cost and quality of media performance for Domino's Pizza

Identified 20%+ improvements for Domino's across two years of media benchmarking

Client objectives

Like many small-to-mid-sized advertisers in the UK – with budgets of £1 million-10 million – when we started working with Domino's Pizza they didn't benchmark media performance. The client wanted to secure significant savings and improve return on media investment by comparing how efficiently its agency partners were buying media, relative to competitors and peers.

Ebiquity approach

We assessed Domino's media performance by comparing the restaurant brand's media spend against our media benchmarking pool. Our pool is the most comprehensive and robust in the industry. At the same time, we assessed Domino's performance against 10 other brands – all new to benchmarking at the time – from a wide variety of sectors. Brands analysed came from: FMCG, financial services, automotive, quick-service restaurants, and travel. Two-thirds were bricks-and-mortar and online, a third were online-only.

Outcomes

Of those advertisers new to the discipline, we secured the most significant savings for Domino's, with cost improvements of 20%+ in year two of benchmarking. This represented a multi-million pound saving on its media investment. We also found that this group of advertisers typically enjoyed savings of £300,000 on their TV spend after year one of pool benchmarking, a year-on-year saving of 6.4%. In the UK, £4.3 billion is spent by brands on TV advertising, half of which is not benchmarked. Potential savings here could be significant.

"By tapping into Ebiquity's independent advice and extensive media benchmarks, we were able to achieve greater media transparency and efficiency. Ebiquity helped us identify where we could achieve better costs and quality from our media investments, which in turn has delivered significant improvements in media efficiency."

Tony Holdway
Sales & Marketing Director
Domino's Pizza Group

Chief Financial Officer's review

Alan Newman, Chief Financial and Operating Officer, joined Ebiquity in January 2019.

Alan Newman
Chief Financial and Operating Officer

Commentary on segmental revenues and profits is set out within the Chief Executive Officer's review.

Continuing business

The continuing operations' revenues for the year ended 31 December 2018 increased revenue by £5.2 million, or 8%, to £69.4 million.

Underlying operating profit (statutory operating profit excluding highlighted items) for the continuing business for 2018 was £6.43 million, a decrease of £2.7 million, or 29%, over 2017. Cost of sales (which comprise external partner and production costs and direct project staff costs) increased by 15% to £37.6 million from £32.6 million. Administrative expenses grew by 12% to £25.4 million from £22.6 million. These cost increases reflected investments in people and systems during the year. As a result, the operating margin dropped from 14% in 2017 to 9% in 2018.

Underlying profit before tax fell in line with operating profit to £5.2 million in 2018 (2017: £7.9 million). Net finance costs were £1.2 million in 2018 compared with £1.0 million in 2017. The increased cost reflects higher average gross debt in 2018 compared with 2017.

There was a statutory operating loss (after highlighted items) of £1.4 million compared to a profit in 2017.

In addition to the underlying profit decline, highlighted costs increased by £3.3 million as detailed below. This led to a reported loss before tax of £2.5 million compared to a profit of £2.7 million in 2017.

Discontinued operations

Revenues for the discontinued operations were £20.3 million, a decrease of £2.9 million (12%) from 2017. Ad Intel revenues fell by £1.8 million, or 8%, to £20.1 million, reflecting the structural decline in the Ad Intel market and the prolonged disposal process. Consequently, the underlying operating profit for the Ad Intel business fell by £2.1 million (67%) to £1.1 million compared to 2017.

Reputation, whose results were only included for four months in 2018, reported revenues of £0.2 million, compared to £1.3 million for the full year in 2017. It achieved an operating loss of £0.1 million compared to £0.2 million in 2017.

The underlying loss after tax from discontinued operations was £0.8 million, a reduction of £2.2 million from 2017, which reflected the operating performance.

Highlighted items

Highlighted items for the continuing business totalled £7.9 million in the year to December 2018 (2017: £4.6 million).

Highlighted items during the year comprised the following:

- £1.2 million for purchased intangible asset amortisation (2017: £1.2 million);
- £0.2 million for share-based payment expenses (2017: £0.6 million);
- £1.2 million for severance and reorganisation costs, including senior management changes in Europe, HR, Marketing and Operations (2017: £2.3 million);
- £2.6 million relating to the impairment of goodwill of the China operation (2017: nil);
- £2.0 million in relation to the professional and related costs incurred for the disposal of Ad Intel; and
- £0.3 million relating to an onerous lease provision for the Hamburg and Sydney offices vacated by Ad Intel.

Highlighted items in the discontinued operations totalled £1.8 million, compared to £1.3 million in 2017. The increase was mainly due to retention bonuses of £0.9 million offset by reductions in other items.

Taxation

The underlying tax charge for the year for the continuing operations was £1.8 million (2017: £2.4 million).

This reflected the reduction in underlying profit before tax, together with a reduction in the effective tax rate, which was 28% compared to 32% in 2017.

The total tax charge including on highlighted items was £2.0 million compared to £1.8 million in 2017.

Earnings per share

Underlying diluted earnings per share for 2018 were 3.5p (2017: 6.2p) for the continuing operations. The reduction reflected the fall in underlying profitability. There was a statutory diluted loss per share of 6.4p compared to an earnings per share of 0.7p in 2017.

Dividend

The Board is recommending the payment of a dividend maintained at 0.71p per share for the year ended 31 December 2018. If shareholders approve the dividend at the AGM on 4 June 2019 it will be paid on 24 June 2019 to all shareholders whose name appears on the register of members at the close of business on 31 May 2019.

Equity

During 2018, 915,729 shares were issued upon the exercise of employee share options. As a result, the number of shares in issue increased to 79,113,190 (31 December 2017: 78,197,461).

Cash conversion

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Reported cash from operations	**4,435**	6,037
Underlying cash from operations	**8,777**	8,900
Underlying operating profit/(loss)	**6,342**	8,992
Cash conversion	**138%**	99%

Underlying cash from operations represents the cash flows from operations excluding the impact of highlighted items. The underlying net cash inflow from operations was £8.8 million during 2018 (2017: £8.9 million).

Cash conversion was 138% in 2018 (2017: 99%), reflecting continued improvements in the management of working capital.

Chief Financial Officer's review continued

Net debt and banking facilities

	31 December 2018 £'000	31 December 2017 £'000
Net cash	**6,414**	4,324
Bank debt	**(34,000)**	(33,250)
Net debt	**(27,586)**	(28,926)

Bank debt in the statement of financial position includes £0.1 million (2017: £0.1 million) of loan arrangement fees that have been paid and which are amortised over the remaining life of the facility. The bank debt and net debt figures above exclude these costs.

All bank borrowings are held jointly with Barclays and Royal Bank of Scotland ('RBS'). The committed facility at 31 December 2018 consisted of a revolving credit facility of £35 million, of which £34 million was drawn (2017: £32 million). The facility expires on 30 June 2020.

During the year, the Group continued to trade within the limits of its banking facilities and associated covenants.

The disposal of the Ad Intel business in January 2019 generated net proceeds of £20 million (after costs and taxes), which will reduce the Group's net borrowing by that amount.

Statement of financial position and net assets

A summary of the Group's balance sheet as at 31 December 2018 and 31 December 2017 is set out below:

	31 December 2018 £'000	31 December 2017 £'000
Goodwill and intangible assets	**43,251**	72,440
Other non-current assets	**2,149**	3,331
Net asset held for sale	**23,418**	—
Net working capital	**11,258**	12,439
Other current liabilities	**(2,251)**	(2,010)
Other non-current liabilities	**(1,348)**	(2,288)
Deferred consideration	**(1,477)**	(2,094)
Net debt	**(27,486)**	(28,836)
Net assets	**47,514**	52,982

Net assets as at 31 December 2018 decreased by £5.25 million to £47.5 million (2017: £53 million). This principally reflects a £3.5 million reduction in goodwill and intangible assets through the impairment of goodwill in China, the annual amortisation charge on the intangibles and a reduction in net working capital of £1.2 million.

Alan Newman
Chief Financial and Operating Officer

15 April 2019

Corporate governance

What's in this section

This section provides information on how the Company is governed and the activities of the Board.

Board of Directors

The Board of Directors ('Board') 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.

Rob Woodward

Non-Executive Chairman

Rob joined the Board as a Non-Executive Director on 1 March 2018 and was appointed Chairman 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 and Chairman of the Met Office.

Committees

N A R

Michael Karg, PhD

Group Chief Executive Officer

Michael became Ebiquity Group CEO on 1 January 2016, and was appointed to the Board on 27 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

N

Alan Newman

Chief Financial and Operating Officer

Alan was appointed to the Board as Chief Financial and Operating Officer on 7 January 2019, succeeding Kevin McNair who had been Interim Chief Financial Officer.

Experience

Alan has extensive public company experience, having spent almost 10 years as CFO of YouGov plc, the AIM-listed global market research and data analytics group. He is currently a Non-Executive Director of Future plc, Chair of Freud Museum London and Deputy Chair of the Quoted Companies Alliance. Prior to YouGov plc, Alan was a partner at EY and previously at KPMG where he provided Board-level advisory and consulting services specialising in the media, technology and telecoms sectors. He is a chartered accountant and has an MA in Modern Languages (French and Spanish) from Cambridge University.

Richard Nichols

Non-Executive Director

Richard was appointed to the Board on 1 November 2008, and is Chairman of Ebiquity's Audit & Risk Committee and also sits on the Nomination Committee.

Experience

Richard is Deputy Chairman of Instinctif Partners, the international business communications consultancy, having been CEO for 12 years from 2006 to 2018. He is also a Non-Executive Director of the Harpenden Trust. 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 was appointed to the Board on 21 November 2014, and is Chair 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 FTSE 100 and FTSE 250, as well as a number of major public sector organisations. She has chaired the Remuneration Committees of several company boards and served as Chair of Harvey Nash plc from 2013 to 2018. 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 such as 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 was appointed to the Board on 21 November 2014 and 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 ('EE'). 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

Mark Sanford

Company Secretary

Mark joined Ebiquity as General Counsel and Company Secretary in May 2017.

Experience

Having qualified as a solicitor at Eversheds, Mark worked in their Corporate team before moving to his first in-house role at Premier Farnell plc. In 2003 Mark joined the global digital communications group Next Fifteen Communications Group plc as General Counsel and Company Secretary, looking after the legal function and providing company secretarial and corporate governance support to the Board. In 2009 he set up his own boutique law firm, Baker Sanford LLP, while continuing to provide an outsourced legal and company secretarial service to Next Fifteen, including acting for the company on acquisitions made between 2009 and 2015.

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

Corporate governance report

The Board is committed to maintaining appropriate standards of governance to complement Ebiquity's aim to deliver long-term success.

Rob Woodward
Non-Executive Chairman

Chairman's governance overview

I am pleased to present the corporate governance report for the year ended 31 December 2018.

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. In July 2018 the Board formally adopted the Quoted Companies Alliance ('QCA') Corporate Governance Code (the 'QCA Code') pursuant to Rule 26 of the AIM Rules. Further details can be found in the corporate governance and people section on pages 49 to 51 where compliance with the various principles of the QCA Code are set out.

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.

Rob Woodward

Chairman

15 April 2019

Board of Directors

Role of the Board

The Board is responsible to shareholders for the strategic direction, investment decisions 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 regard to the annual report and financial statements is set out on page 53.

Composition of the Board and roles of the Directors

Rob Woodward joined the Board as a Non-Executive Director and Chairman Designate on 1 March 2018. Michael Higgins retired as Chairman following the AGM on 9 May 2018 and Rob took over as Chairman. Michael had served as Chairman for 12 years.

Andrew Noble resigned as a director of the Company on 24 September 2018. Andrew had been Chief Financial Officer since September 2016. He was replaced initially by Kevin McNair, who was Interim Chief Financial Officer from 2 October 2018 and a director from 10 October 2018. Alan Newman was appointed Chief Financial and Operating Officer and a director of the Company on 7 January 2019. Kevin resigned from the Board on the same day.

Morag Blazey resigned from the Board on 2 January 2019. Morag had been Managing Principal of the Advertising Intelligence Practice since 2016 and transferred to Nielsen as part of the sale of the business which completed on 2 January 2019.

The Board of Directors now comprises an independent Non-Executive Chairman, three further independent Non-Executive Directors and two Executive Directors. The Board is satisfied that it has a suitable balance of independence, skills and knowledge to enable it to discharge its duties and responsibilities effectively.

Biographical details regarding the Directors, including the committees on which they serve, are contained on pages 36 and 37.

The Chairman's principal role is to ensure that the Board is effective in interrogating, approving and monitoring the Company's direction and strategy. The Chief Executive Officer is responsible for setting long-term strategy, developing appropriate business plans, agreeing management KPIs and leading the Executive Directors and senior executive team in the day-to-day running of the Group's business. He is also responsible for shareholder communications and ongoing relationships with investors. The Chief Executive Officer and the Chief Financial and Operating Officer regularly meet with investors and analysts to discuss the performance of the business and its strategy.

The Board's responsibilities

The principal matters considered by the Board include:

- approving the annual budget and quarterly reforecasts;
- the Group's financial results and the half-year and full-year reports;
- approving the Company's dividend policy;
- major capital projects; and
- corporate governance matters.

As part of good governance there are certain matters which are not appropriate to be delegated to management and should be reserved for consideration by the Board. The Board has formally approved a written list of such matters, which is available on Ebiquity's website at www.ebiquity.com.

Board meetings

During the year the Board met formally on eight 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

All Directors have access to the advice of the General Counsel and Company Secretary who attends all Board meetings. The Board seeks advice from external advisers, including legal, tax and remuneration advisers, on various matters as and when appropriate. 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.

Corporate governance report continued

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 & 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, 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. 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 purpose of the Committee is to ensure the preservation of good financial practices throughout the Group and to monitor that controls are in place to ensure the integrity of financial information. It is responsible for reviewing the performance of the external auditors and for agreeing their scope of work. It also monitors the level of non-audit work conducted by the external auditors to ensure independence and objectivity. The Committee also reviews the risk management process and the risks identified by the internal risk committee. 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 42 and 43.

Remuneration Committee

The Remuneration Committee, which meets several times a year as required, is chaired by Julie Baddeley. The Remuneration Committee currently comprises Julie Baddeley, 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 as well as general guidance on aspects of remuneration.

The Remuneration Committee report can be found on pages 44 to 46.

Nomination Committee

The Nomination Committee is chaired by Rob Woodward. The Nomination Committee currently comprises 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 (retired on 9 May 2018)	3/3	1/1	4/4	1/1
Rob Woodward (from 1 March 2018)	6/6	2/2	4/4	1/1
Michael Karg, PhD	8/8	—	—	2/2
Andrew Noble (until 2 October 2018)	6/6	—	—	—
Kevin McNair (from 10 October 2018)	2/2	—	—	—
Morag Blazey	8/8	—	—	—
Richard Nichols	8/8	3/3	—	2/2
Julie Baddeley	8/8	—	8/8	2/2
Tom Alexander	7/8	—	7/8	2/2

Shareholders

The Board recognises the importance of effective communication with its shareholders, to ensure that its strategy and performance are clearly understood. The Company communicates with shareholders through the annual report and financial statements, full-year and half-year results announcements, trading updates, the AGM and face-to-face meetings. A range of corporate information (including copies of presentations and announcements) is available on the Company's website at www.ebiquity.com. The Chief Executive Officer, Chief Financial and Operating Officer and the Chairman regularly meet with institutional shareholders and the Board is kept informed of the views of the major shareholders.

Whistle-blowing and Bribery Act 2010

The Company has established arrangements by which individuals may, in confidence, raise concerns about possible improprieties in matters of financial reporting and other matters. The Group has an anti-bribery code of conduct which is intended to extend to all the Group's business dealings and transactions in all countries in which it or its subsidiaries and associates operate.

Audit & Risk Committee report

Introduction

The Board has ultimate responsibility for the Group's system of internal control and for managing the Group's risks, which is a key component of the Group's governance framework. The Board has delegated to the Audit & Risk 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 36.

The Committee met on three occasions during the year. The attendance of its members is set out in the table on page 41. 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 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:

- **revenue recognition:** the Committee reviewed the quantum of accrued/deferred income and the judgement applied by management in calculating revenue recognition cut-off. The Committee reviewed the quality of evidence available to support revenue recognition. The Committee reviewed the impact of IFRS 15 on the Group's revenue recognition policy;
- **sale of Advertising Intelligence business:** the Committee reviewed 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;
- **presentation of highlighted items:** the Committee reviewed the nature and quantum of the items proposed by management to be classified as highlighted, to ensure they were consistent with the Group's accounting policies and full disclosure had been made in the financial statements;

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- **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;
- **capitalisation of intangibles:** the Committee reviewed 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;
- **going concern:** the Committee reviewed, in particular, management's forecasts of the Group's performance, including performance against the covenants contained in the credit agreement with Barclays and RBS; and
- **taxation:** the Committee reviewed 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 Company has established a continuous process for identifying, evaluating and managing the significant risks the Group faces and for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board regularly reviews the process, which is in place to safeguard the Group's assets and enhance over time the value of shareholders' investments.
The Board also regularly reviews the effectiveness of the Group's system of internal control in accordance with revised guidance on internal control published by the Financial Reporting Council. During the year ended 31 December 2018:

- the Committee undertook significant work reviewing the output of management's exercise updating the 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 commencing 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 £28,000 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

15 April 2019

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 in incentivising them to deliver the strategy and promote long-term sustainable success.

During the year, the Remuneration Committee maintained the remuneration policy that has been in place since 2016. The policy 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:

Base salary

Base salary is intended to provide an appropriate level of fixed remuneration, commensurate with the role and market comparators. Base salaries are reviewed on 1 April annually, to take account of cost of living adjustments, market comparators and the individual's performance in the role. The Remuneration Committee's intention is that salary increases will normally be in line with typical increases awarded to other employees in the Group. However, increases may be above this level to address specific circumstances, for example, but not limited to, an increase in the individual's scope and responsibilities, or the need to retain specialist expertise in a competitive market.

Benefits

Benefits provide necessary current and future health and security for the individual and their dependants. The Remuneration Committee ensures that arrangements for directors are in line with general policies for the workforce, including, but not limited to, private medical, life and critical illness insurances, and defined personal pension contributions.

Performance bonus

Performance bonus is the variable element of pay, intended to incentivise the individual to achieve against a set of agreed short-term and long-term financial and strategic objectives. Individual participation is set as a percentage of salary according to the seniority of the role, and objectives are set and measured on an annual basis. Group financial targets form a percentage of the individual's bonus payout on a sliding scale according to seniority. The remaining percentage of the individual's bonus payout is earned according to the achievement of personal strategic objectives. A maximum of 100% of salary may be earned by any one director in a financial year.

Long-Term Incentive Plan ('LTIP')

The provision of an LTIP is intended to provide incentives for longer-term growth and value creation through shareholder returns. The current scheme provides for nominal-price options subject to a minimum three-year vesting period with performance conditions for the executive team and nil-price options for management. Awards are made according to role, performance and perceived future value. Awards typically do not exceed 100% of salary and are subject to a maximum of 200% of salary in exceptional circumstances.

This policy is intended to reflect the Company's current stage of development and anticipated growth, and balances risk and reward.

The Remuneration Committee is currently undertaking a review of the existing scheme and is seeking external advice to help design an appropriate scheme for the future to ensure that is aligned with strategy and promotes the long-term sustainable success of the business. Consultation with major institutional shareholders will be part of the process.

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

Implementation of remuneration policy in 2019

The Executive Directors' remuneration for the year that commenced on 1 January 2019 includes base salary and benefits and an annual cash bonus in line with the Company's remuneration policy.

Base salaries, pension and benefits

The Remuneration Committee reviewed base salaries during the year. The Chief Financial and Operating Officer's salary was set at £225,000 on appointment and will not be increased with effect from 1 April 2019. It was determined that the Chief Executive Officer's salary would remain at the current level of £400,000 and there would be no increase.

Benefits and pension remain unchanged for 2019.

Annual bonus

In order to achieve the on-target bonus of 50% of salary, each of the Chief Executive Officer and Chief Financial and Operating Officer 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.

Both Company performance targets and personal performance targets are set by the Remuneration Committee. In the event that the Company's full-year revenue and profit results are in excess of analyst expectations, the Executive Directors could receive a bonus of up to 100% of their annual salary.

LTIP

The Remuneration Committee is currently undertaking a review of the existing scheme and will be consulting with shareholders in due course.

Non-Executive Directors

Each of the Non-Executives Directors receives a fee for their role as a Director plus a further fee for membership of the Audit and Remuneration Committees. If a Non-Executive Director chairs a Committee they receive an additional fee of £5,000 and for being a member (but not Chair) the fee is £2,500. The Non-Executive Directors' fees are £30,000 per annum plus £5,000 in respect of the Committees. Julie Baddeley chairs the Remuneration Committee, Richard Nichols chairs the Audit Committee and Tom Alexander is a member of both Committees. The Chairman receives an inclusive fee; for 2019, the Chairman's fee is £85,000 per annum.

Directors' remuneration in the year ended 31 December 2018

	Salary/fees £'000	Taxable benefits £'000	Bonus £'000	**FY2018 year ended 31 December 2018 Total £'000**	FY2017 year ended 31 December 2017 Total £'000
Executive					
Michael Karg, PhD	400	16	—	**416**	427
Andrew Noble[1]	278	3	—	**281**	178
Morag Blazey[2]	250	5	152	**407**	259
Nick Manning[3]	—	—	—	**—**	300
Kevin McNair[4]	88	—	—	**88**	—
Non-Executive					
Michael Higgins[5]	43	—	—	**43**	70
Richard Nichols[6]	45	—	—	**45**	35
Julie Baddeley[6]	45	—	—	**45**	35
Tom Alexander[6]	45	—	—	**45**	35
Rob Woodward[7]	62	—	—	**62**	—
	1,256	24	152	**1,432**	1,339

1. Andrew Noble resigned as a director on 2 October 2018 and his employment ceased on 23 December 2018. In December 2018, Andrew received a total of £98,968 including contributions to his pension, payment in lieu of healthcare benefits, payment in lieu of his remaining notice period and in settlement of other provisions in connection with cessation of employment. This amount is included in the salary/fees column above.
2. Morag Blazey was Managing Principal of the Advertising Intelligence business which was successfully sold to Nielsen Media Research Limited on 2 January 2019. Morag received a bonus of £152,000 in relation to the achievement of the sale which was calculated based on the value received for the business. Morag ceased to be a director on 2 January 2019 and her employment transferred to Nielsen Media Research Limited.
3. Nick Manning resigned as a director on 31 December 2017.
4. Kevin McNair was a director of the Company from 10 October 2018.
5. Michael Higgins retired from his role as Chairman of the Board and as a director on 9 May 2018. During the year he received additional fees of £10,000 for the increased work involved in the sale of the Advertising Intelligence business and the Chairman appointment.
6. Richard Nichols, Julie Baddeley and Tom Alexander each received additional fees of £10,000 for the increased work involved in relation to the sale of the Advertising Intelligence business and the Chairman appointment.
7. Rob Woodward was appointed as a Non-Executive Director on 1 March 2018 and as Chairman on 9 May 2018.

Pensions

No Director was a member of a Company pension scheme (FY2017: nil). Contributions totalling £32,167 (FY2017: £26,301) were made to Directors' private pension schemes (£25,233 to the highest paid Director, FY2017: £14,010) during the year.

Annual bonus

For 2018, Executive Directors were eligible for cash bonuses as a percentage of base salary, 20% dependent on individual performance and 80% on Company performance against established financial targets in excess of analyst expectations. Financial targets were not met and therefore this portion of the bonus did not pay out.

Remuneration Committee report continued

Annual bonus continued

The Committee judged that Michael Karg had met two out of the four individual performance criteria set and therefore was awarded a bonus of 10% of salary, amounting to £40,000 for the year to 31 December 2018. In light of the broader circumstances of the business, Michael decided to waive this amount.

Long-term incentives

During the year, a total of 285,000 share options that were previously granted to Directors under the Company's Executive Incentive Plan vested (FY2017: 79,425) as set out below. As the Company changed the performance period for the vesting of share options for Directors from three years to five years for grants made in respect the year ending 31 December 2016 onwards, no share options vested based on the year to 31 December 2018.

Beneficiary	Grant date	Volume	Exercise price	Performance condition	Achievement of condition	% vested	Number vested
Morag Blazey	1 October 2015	250,000	£0.25	Growth in adjusted diluted EPS for 2017 vs 2014	12.4% compound growth (10% required for full vesting)	100%	250,000
Andrew Noble	1 October 2018	35,000					35,000

Directors exercised share options during the year were 40,295 (FY2017: nil). The highest paid Director exercised no share options, (FY2017: nil).

Outstanding share awards

Share options were granted to Executive Directors in February 2018 in respect of the financial years ending 31 December 2016 and 31 December 2017, when no awards were granted to the Executive Directors (due to the Directors' involvement in the sale of the Ad Intel business). A further award was made in July 2018 in respect of the year ending 31 December 2018. These were as follows:

Awards granted in respect of the year ending	Beneficiary	Grant date	Volume	Exercise price	Performance conditions	Vesting date
31 December 2016	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 award 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			
31 December 2017	Michael Karg	13 February 2018	350,000	£0.25	Growth in adjusted diluted EPS over five-year period to 31 December 2021 vs 2016; 4%=20% vesting, 8%=60% vesting, 10%+=100% vesting. A quarter of the total award 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			
31 December 2018	Michael Karg	11 July 2018	500,000	£0.25	Growth in adjusted diluted EPS over five-year period to 31 December 2021 vs 2017; 8%=30% vesting, 12%=70% vesting, 15%+=100% vesting. A quarter of the total award may vest early if total shareholder return from 1 January 2018-31 December 2020 is in top quartile of AIM Media Index.	30 April 2023
	Andrew Noble	11 July 2018	150,000			

Termination payments to Directors

One director, Andrew Noble, left the Company in the year ended 31 December 2018 and received a total of £98,968 including contributions to his pension, payment in lieu of salary, healthcare benefits in respect of his remaining notice period and in settlement of other provisions in connection with cessation of employment.

Gender pay reporting

The Company 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 has again reported for the snapshot date of 5 April 2018. The most recent report is available on the Company's website.

Julie Baddeley
Chair of the Remuneration Committee

15 April 2019

Directors' report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2018.

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 13).

Future developments

The future developments of the Group are considered in the strategic report on pages 1 to 34.

Dividends

The Board is recommending the payment of a final dividend of 0.71p per share for the year ended 31 December 2018. If shareholders approve this payment at the AGM on 4 June 2019, the dividend will be paid on 24 June 2019 to all shareholders who were on the register of members at close of business on 31 May 2019.

Research and development

The Group continues to invest in the development of products. During the period, a total of £1,084,000 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

It is the Company's policy not to make political donations and accordingly no political donations were made and no political expenditure was incurred in the period (FY2017: nil).

Modern Slavery Act 2015

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

Disposal

On 31 March 2018 the Company completed the sale of its Reputation business to Echo Research Holdings Limited. 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.

Events after the reporting period

On 2 January 2019, the Company announced the completion of the disposal of its Advertising Intelligence business to Nielsen Media Research Limited for net consideration (after taxation and transaction costs) of approximately £20 million plus adjustments for working capital.

Directors and Directors' interests

Details of the Directors serving at the end of the year and their biographies are set out on page 36 and 37.

Rob Woodward joined the Board as a Non-Executive Director and Chairman Designate on 1 March 2018.
Michael Higgins retired as Chairman following the AGM on 9 May 2018 and Rob took over as Chairman. Michael had served as Chairman for 12 years.

Andrew Noble resigned as Chief Financial Officer of the Company on 24 September 2018. Andrew was replaced initially by Kevin McNair, who was Interim Chief Financial Officer from 2 October 2018 and a director from 10 October 2018. Alan Newman was appointed Chief Financial and Operating Officer and a director of the Company on 7 January 2019. Kevin resigned from the Board on the same day.

Morag Blazey resigned from the Board on 2 January 2019. Morag had been Managing Principal of the Advertising Intelligence Practice since 2016 and transferred to Nielsen as part of the sale of the business which completed on 2 January 2019.

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 2018		31 December 2017	
	Ordinary shares	**Options**	Ordinary shares	Options
Rob Woodward	**39,980**	**–**	–	–
Michael Karg	**18,160**	**1,400,000**	–	500,000
Kevin McNair	**–**	**–**	–	–
Morag Blazey	**–**	**483,199**	–	483,199
Richard Nichols	**100,000**	**–**	100,000	–
Julie Baddeley	**15,000**	**–**	–	–
Tom Alexander	**–**	**–**	–	–

No Director has any direct interest in the shares of any subsidiary company.

Further information about the Directors' interests is provided in the Remuneration Committee report on pages 44 to 46.

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

Directors' report continued

Employees

Ebiquity is committed to the continuous development of its employees. The Group's employees are integral to the success of the business and as a result the Group pursues employment practices which are designed to attract, retain and develop this talent to ensure the Group retains its market-leading position with motivated and satisfied employees.

Further details of engagement with employees are set out on page 51.

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 26 to the financial statements.

Substantial shareholdings

At the date of this report the Company's issued share capital consisted of 79,342,273 ordinary shares of 25p each and a total of 75,142,273 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 on 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.

Name	Number of shares	% of issued share capital	% of total voting rights
Artemis Investment Management	15,772,045	19.88	20.99
JO Hambro Capital Management	8,940,000	11.27	11.90
T Rowe Price Global Investments	7,430,175	9.36	9.89
Kabouter Management	6,980,758	8.80	9.29
Legal & General Investment Management	4,945,200	6.23	6.58
Herald Investment Management	4,341,125	5.47	5.78
Canaccord Genuity Wealth Management (Inst)	3,429,334	4.32	4.56
Fidelity International	3,360,879	4.24	4.47

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

Mark Sanford
Company Secretary

15 April 2019

Corporate governance and people

As stated in the corporate governance report on pages 38 to 41, the Company formally adopted the Quoted Companies Alliance Corporate Governance Code (the 'Code') on 23 July 2018 pursuant to Rule 26 of the AIM Rules.

The main principles of the Code are set out below together with, in broad terms, how Ebiquity complies with these principles.

Principle 1 — Establish a strategy and business model which promote long-term value for shareholders

Further details of the Company's business model and strategy are set out on pages 20 to 27.

Principle 2 — Seek to understand and meet shareholder needs and expectations

As set out in the corporate governance report on pages 38 to 41, the Directors actively seek to build a relationship with shareholders. The Chief Executive Officer and the Chief Financial and Operating Officer are responsible for shareholder liaison and present to the major shareholders and analysts after the publication of both the interim results and the full-year preliminary results. As well as a presentation of the results, the meetings give shareholders the opportunity to ask any questions and discuss their needs and expectations. Ad-hoc meetings are welcomed by the Directors as and when the need arises. The AGM is an opportunity for all shareholders to meet the Board and ask any questions.

Principle 3 — Take into account wider stakeholder and social responsibilities and their implications for long-term success

In addition to shareholders, clients, suppliers, trade bodies and employees are the key stakeholders.

The Company recognises that employees are key to its success. Further details on the Company's engagement with its employees is set out on page 51.

The Company is constantly listening to its clients in terms of their needs and has restructured its practices to better serve these needs.

Ebiquity has good relationships with trade bodies globally, such as the WFA, ANA and ISBA, and has published reports with the US and Canadian Associations of Advertisers and works closely with similar bodies globally.

Principle 4 — Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board retains ultimate control and responsibility for the risk management of the Group. The Audit & Risk Committee report on pages 42 and 43 sets out the risk management process that the Company has in place.

Principle 5 — Maintain the Board as a well-functioning, balanced team led by the Chair

The Board comprises an independent Non-Executive Chairman, three independent Non-Executive Directors and two full-time Executive Directors. All Non-Executive Directors are engaged via letters of appointment which state their time commitment. Non-Executive Directors are required to commit an average of 12 days per year, including attending Board and committee meetings, the AGM, meetings with shareholders and Board evaluation. The Chairman commits to four days per month carrying out his role. Further details about the number of Board meetings held during the year and attendance at such meetings is set out on page 41.

Principle 6 — Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board is satisfied that it has an appropriate mix of skills and experience. The Non-Executive Directors have worked in a variety of industries in different roles and bring valuable knowledge and insight. The Directors have finance, consulting, media and senior management skills. Two of the Non-Executive Directors (plus the Chairman) are male and one is female. Biographies for each of the Directors are set out on pages 36 and 37.

All Directors receive timely information in advance of Board meetings and receive management accounts regularly. The Directors have direct access to the services of the General Counsel and Company Secretary and take external independent advice where required.

Corporate governance and people continued

Principle 7	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Chairman, in conjunction with the Company Secretary, takes on the role of organising an annual Board evaluation programme. The Company Secretary also conducts an evaluation of the Chairman's performance. Feedback is obtained and shared, which leads to actions to be taken to continuously improve the functioning of the Board. For the year ending 31 December 2018, all Directors completed a questionnaire on the structure and the performance of the Board and its committees. This was sent anonymously to the Company Secretary who collated the scores and comments. The Board discussed the outcome of the questionnaire and a set of actions has been put in place as a consequence which includes putting aside specific meetings to discuss strategy and re-shaping the management accounts.

Principle 8	Promote a corporate culture that is based on ethical values and behaviours

The Company ensures that policies and procedures are in place to cover matters such as anti-bribery and corruption, business ethics and modern slavery. The Company commissioned a diversity report and has a number of diversity working groups to ensure it functions as a diverse organisation. The regular 'all hands' web-based meetings, discussed in the People section below, encourages open and honest discussions.

The Company's core values of Clear, Agile, Curious and Objective encourage a straight-forward, adaptable, honest culture which helps promote ethical values and behaviours.

Principle 9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board is responsible to shareholders for the strategic direction and proper management of the affairs of the Group. The Directors are collectively responsible for acting in a way which they consider is most likely to promote the success of the Company for the benefit of shareholders.

The roles of the Directors are set out in the corporate governance report on page 39.

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. Full terms of reference are published on the Company's website (www.ebiquity.com) and the principal responsibilities are set out on page 40.

As part of good corporate governance there are certain matters which are not appropriate to be delegated to management and should be reserved for consideration by the Board as a whole. The full list of such matters is available on the Company's website (www.ebiquity.com) and they include:

- approving annual budgets and quarterly forecasts;
- changes to the Group's capital structure;
- approving the dividend policy; and
- reviewing non-routine regulatory news service announcements made by the Company.

Principle 10	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company communicates with shareholders through its annual report and accounts, the Annual General Meeting, face-to-face meetings with major shareholders and results presentations. A range of corporate information (including all regulatory announcements and annual reports and accounts) is available to all shareholders and stakeholders on its website at www.ebiquity.com.

The website also contains details of all votes cast by shareholders at its Annual General Meeting and this is also set out in an announcement after the meeting.

People

As a consultancy business, people are key to the success of Ebiquity. The Group continues to put in place good employment practices and policies and develop a culture to attract, retain and develop the talent required to achieve the Company's strategic objectives. Some of these are detailed below:

Chief People Officer

During 2018 Ebiquity hired Emma Winterson-Hayward as its new Chief People Officer. Emma will continue to develop and execute Ebiquity's global human resources strategy in support of the Company's overall business plan and strategic direction. Talent management, diversity, organisational development and change management are the key areas Emma will focus on. Emma brings a wealth of experience in all of these areas from a variety of people-focused sectors including technology, consulting, fintech, financial services and the creative industries.

Team working

Ebiquity encourages teamwork across its practices and a great example of this is showcased by our Paris office. It combines agile working with a matrix system that ensures staff get an understanding of all areas of the business. Staff do not have fixed desks but are encouraged to sit with the people they are working with each day. It is acknowledged that everyone has their own background and expertise and that will be the main focus of their job. However each person spends 70% of their time working on their area of core expertise and the remaining 30% on new topics. This allows everyone to improve their skill set and gives greater resourcing flexibility for busy times.

Wellbeing

During the year, Ebiquity held its annual 'Wellness Month' in its London office. During this month the Company offers on-site classes and sessions for physical and mental health such as yoga, meditation and Zumba. It works in conjunction with a local gym to provide health checks and arranged free trial memberships for the London staff. On National Fitness Day run by Nuffield Health (who have a gym in the same building as Ebiquity's London office), a team of five determined employees entered and won a corporate triathlon competition. This involved all five team members completing one-fifth of an Olympic triathlon. Each team member's time was added together to have an overall team time and Ebiquity came first out of the seven teams competing.

Diversity

Ebiquity engaged a third party to carry out a diversity audit to help it understand any issues it may have in its aim to be an organisation that promotes diversity and equality. Subsequently, the HR team has set up a diversity group to encourage openness and equality. Sub-groups to look at how diversity impacts recruitment, working parents and work/life balance have been established. Acknowledging International Women's Day in early 2019, Ebiquity ran its own International Women's Week with inspiring presentations from some of its leading women talking about their own career paths.

Communication

As a global organisation, communication with employees is key. It has always ensured regular communications through the Company's intranet and other electronic communications, but during 2018 it started having monthly 'all hands' virtual meetings.

All Ebiquity's employees worldwide are invited to participate in a web-based meeting whereby the CEO provides an update on the Company's performance and then all employees are invited to submit questions on any aspect of the business. These are voted for by employees in real time and the most 'liked' questions are put to the CEO and answered during the meeting. Questions can be submitted anonymously if desired and can come from anyone on any topic related to the business. This generates some good areas for discussion and helps the senior management team understand any areas of concern that may exist in the business.

Learning and development

The Company continues its programme of internal and external training. As well as the usual office skills, training included courses on presentation skills and management skills for new and established managers. For the first time, in 2018 the Company held a global event called 'Activate'. A group of around 70 employees from all round the globe came together to discuss how the Company could 'activate growth'. All areas of the business shared their thoughts on the strategy for the business, how the various practices could work together more and how this could generate growth. This is now an annual event which also works as a great networking event to get employees from all around the world working together.

Different offices around the world have different ways of encouraging learning. Our China offices have just started 'high tea and high thoughts' sessions as a fun way to encourage learning and development.

Financial statements

What's in this section

This section includes our financial statements, notes and auditors' report for the Group.

Statement of Directors' responsibilities

in respect of the financial statements

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 Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework' 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 Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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.

Directors' confirmations

The Directors consider that the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

Independent auditors' report

to the members of Ebiquity plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Ebiquity plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2018 and of the Group's loss and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements 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
- the financial statements 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 and company statements of financial position as at 31 December 2018, the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements 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: £250,000 (2017: £547,000), based on 5% of profit before tax and highlighted items from continuing operations.
- Overall company materiality: £988,000 (2017: £1,027,000), based on 1% of total assets.

- Nine reporting units were audited as full scope entities. These units were located in the UK, Germany, USA and Australia.
- The USA entities in scope were visited and audited by the Group engagement team.
- The components in Australia and Germany were audited by local audit teams.

- Risk of impairment of goodwill and intangible assets (Group).
- Accounting for contract revenue recognition (Group).
- Accounting for discontinued operations (Group).
- Impairment of investments (Company).

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 (Group) We focused on this area because management's assessment of the carrying value of goodwill and intangible assets involves subjective assumptions about the future results of each of the Cash Generating Units (CGUs) of the Group. The key assumptions applied by management were future revenue growth, cost estimates, long term growth rates and the discount rates applied as set out in Note 10 to the Group financial statements. We focused on those CGUs we considered to carry more judgement because of current year losses or historical underperformance against budget, or for which management's impairment model resulted in impairment or low headroom. This has resulted in the Group's China CGU and Stratigent CGU being subject to more sensitivity analysis. In relation to the Group's China CGU an impairment of £2,607k was recognised which reduced the carrying value of goodwill to £2,242k. The Stratigent CGU (carrying value of goodwill £5,057k) was most sensitive to changes in key assumptions, the effect of which has been disclosed in Note 10 to the Group financial statements.	We have audited 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. We compared the 2018 financial performance to budget and understood the reasons for the differences from the forecasts prepared for the impairment assessment in the prior year. We also performed sensitivity analysis over 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 and the impact on disclosures in the financial statements. The Value In Use (VIU) calculations for all CGUs resulted in material headroom with the exception of the China and Stratigent CGUs. In respect of the China CGU, we have audited each of the assumptions that have been applied to the impairment model. In particular, we have challenged the discount rate and revenue growth assumptions that have been applied and conclude that the impairment charge that has been recognised is appropriate and has been disclosed accurately. The Stratigent business under performed in 2018, suffering a decline in revenue and a change in senior management. A revised strategic plan has been developed and was approved by the Board when approving the annual impairment assessment. We have reviewed and understood the impact of the strategic plan on the 2019 forecast. We have also examined the disclosures made in the financial statements and concluded that they are appropriate given the sensitivity of the Stratigent CGU to changes in assumptions.

Independent auditors' report continued

to the members of Ebiquity plc

Report on the audit of the financial statements continued

Our audit approach continued

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Accounting for contract revenue recognition (Group) The new standard IFRS 15 "Revenue from contracts with customers" was adopted by the Group from 1 January 2018. Management performed an impact assessment of the implementation of IFRS 15 in December 2017 and concluded that the impact was not material. 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 and the classification and measurement of revenue is largely unchanged following the adoption of IFRS 15. Income is recognised in accordance with the stage of completion of the contract activity for the Media, Analytics&Tech 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 contract asset and where recorded revenue is less than amounts invoiced to clients, the difference is classified as contract liability. 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; and • 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 reviewed the assessment performed by management in respect of the adoption of IFRS 15 and agree that the impact is not material. The overall effect from adopting IFRS 15 is limited to the reclassification of balance sheet items as accrued and deferred revenue are required to be presented as "Contract assets" and "Contract liabilities" respectively. 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 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 to understand the existence of the enforceable right to be paid for work and evaluated management's judgements used to determine the timing of recognition of revenue. We targeted a number of contracts to audit, including those with significant revenue recognised in the year or with significant contract assets and a further sample on a random basis. To assess whether revenue and profit is accurately recorded, we tested the hours completed on a sample of contracts by obtaining an understanding from project managers as to the budgeted 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.

Key audit matter	How our audit addressed the key audit matter
Accounting for discontinued operations (Group) On 13 February 2018, the Company announced that it had agreed to sell its AdIntel business to Nielsen Media Research Limited. There were a number of conditions precedent that had to be met prior to completion of the transaction. These conditions had all been met by 31 December 2018 with completion being 2 January 2019. There were no foreseeable events that would delay or prevent completion of the transaction within the next twelve months. As a result, as of 31 December 2018 the assets and liabilities of the AdIntel business were accounted and disclosed as "held for sale" and the AdIntel business had met the definition of discontinued operations in accordance with the requirements of IFRS 5. The treatment of the AdIntel business as "held for sale" and discontinued operations impacted the financial statements as follows: • reclassification of assets and liabilities related to the disposal Group to assets and liabilities held for sale as of 31 December 2018 including the specific impairment considerations; • separate presentation of discontinued operations in the consolidated statement of comprehensive income and consolidated statement of cash flows for 2018 and restatement of the prior year financial statements. We focused on this area because the accounting for discontinued operations and as held for sale was considered a material to the financial statements.	We have audited management's assessment of the assets and liabilities and result of the AdIntel business being disclosed as 'held for sale' and discontinued as at and for the year ended 31 December 2018. We conclude that the disclosure is appropriate and in accordance with IFRS 5. We tested management's assessment of the fair value less costs to sell of the disposal group by reviewing the Sale and Purchase Agreement and concur with the £297k write down recorded against the disposal group as at 31 December 2018. We audited management's process to carve out the continuing and discontinued operations and the assets and liabilities held for sale. We have tested the adjustments that have been made to the consolidated statement of comprehensive income, the statement of cash flows and the prior year financial statements noting no items to report from our work.
Impairment of investments (Company) The investment in subsidiary companies is a material balance within the Company balance sheet and there is 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 audited management's assumptions in the impairment assessment and we concur that no impairment is required as at 31 December 2018.

Independent auditors' report continued

to the members of Ebiquity plc

Report on the audit of the financial statements continued

Our audit approach continued

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 and the Company, the accounting processes and controls, and the industry in which they operate.

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 four financially significant components being: Ebiquity plc, Ebiquity Associates Ltd, Advertising Intelligence Limited and Ebiquity Germany GmbH; for the purpose of obtaining required coverage over the Group balances, we have also included as full scope FirmDecisions 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 as audited components incorporated in the UK; 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 Australia and attended the clearance meetings with local management in person and attending the clearance meeting by conference call in Germany.

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:

	Group financial statements	Company financial statements
Overall materiality	£250,000 (2017: £547,000).	£988,000 (2017: £1,027,000).
How we determined it	5% of profit before tax and highlighted items from continuing operations.	1% of total assets.
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.	Based on total assets as the entity holds all of the Group's subsidiary investments and is not a profit generating entity.

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 between £45,000 and £180,000. 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 £15,000 (Group audit) (2017: £10,000) and £15,000 (Company audit) (2017: £10,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Independent auditors' report continued

to the members of Ebiquity plc

Report on the audit of the financial statements continued

Conclusions relating to going concern

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 and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

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 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

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 53, 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 and 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 Group or 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 assurtance 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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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

15 April 2019

Consolidated income statement

for the year ended 31 December 2018

	Note	Year ended 31 December 2018 Before highlighted items £'000	Highlighted items (note 3) £'000	Total £'000	Year ended 31 December 2017[1] Before highlighted items £'000	Highlighted items (note 3) £'000	Total £'000
Revenue	2	**69,368**	**—**	**69,368**	64,228	—	64,228
Cost of sales		**(37,600)**	**—**	**(37,600)**	(32,602)	—	(32,602)
Gross profit		**31,768**	**—**	**31,768**	31,626	—	31,626
Administrative expenses		**(25,426)**	**(7,695)**	**(33,121)**	(22,634)	(5,214)	27,848
Operating profit/(loss)	4	**6,342**	**(7,695)**	**(1,353)**	8,992	(5,214)	3,778
Finance income	6	**25**	**—**	**25**	17	—	17
Finance expenses	6	**(1,176)**	**—**	**(1,176)**	(1,061)	—	(1,061)
Net finance costs		**(1,151)**	**—**	**(1,151)**	(1,044)	—	(1,044)
Profit/(loss) before taxation from continuing operations		**5,191**	**(7,695)**	**(2,504)**	7,948	(5,214)	2,734
Taxation (charge)/credit – continuing operations	7	**(1,778)**	**(207)**	**(1,985)**	(2,417)	664	(1,753)
Profit/(loss) for the year – continuing operations		**3,413**	**(7,902)**	**(4,489)**	5,531	(4,550)	981
Net profit/(loss) from discontinued operations	8	**644**	**(1,489)**	**(845)**	2,554	(1,087)	1,467
Profit/(loss) for the year		**4,057**	**(9,391)**	**(5,334)**	8,085	(5,637)	2,448
Attributable to:							
Equity holders of the parent		**3,568**	**(9,374)**	**(5,806)**	7,522	(5,458)	2,064
Non-controlling interests		**489**	**(17)**	**472**	563	(179)	384
		4,057	**(9,391)**	**(5,334)**	8,085	(5,637)	2,448
Earnings per share – continuing operations							
Basic	9			**(6.35)p**			0.73p
Diluted	9			**(6.35)p**			0.71p
Earnings per share – discontinued operations							
Basic	9			**(1.05)p**			1.92p
Diluted	9			**(1.05)p**			1.86p

1. Prior year comparatives have been adjusted for discontinued operations.

The notes on pages 66 to 101 are an integral part of these financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2018

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Profit for the year	**(5,334)**	2,448
Other comprehensive income/(expense):		
Items that will not be reclassified subsequently to profit or loss		
Exchange differences on translation of overseas subsidiaries	**267**	(623)
Total other comprehensive income/(expense) for the year	**267**	(623)
Total comprehensive income for the year	**(5,067)**	1,825
Attributable to:		
Equity holders of the parent	**(5,539)**	1,441
Non-controlling interests	**472**	384
	(5,067)	1,825

The notes on pages 66 to 101 are an integral part of these financial statements.

Consolidated statement of financial position

as at 31 December 2018

	Note	31 December 2018 £'000	31 December 2017 £'000
Non-current assets			
Goodwill	10	**34,774**	59,317
Other intangible assets	11	**8,477**	13,123
Property, plant and equipment	12	**1,170**	1,829
Deferred tax asset	21	**979**	1,502
Total non-current assets		**45,400**	75,771
Current assets			
Trade and other receivables	14	**29,408**	32,509
Assets held for sale	15	**27,734**	—
Cash and cash equivalents	16	**8,793**	4,732
Total current assets		**65,935**	37,241
Total assets		**111,335**	113,012
Current liabilities			
Trade and other payables	17	**(7,510)**	(7,401)
Liabilities held for sale	15	**(4,316)**	—
Accruals and contract liabilities	18	**(10,640)**	(12,665)
Financial liabilities	19	**(2,822)**	(2,473)
Current tax liabilities		**(1,358)**	(1,598)
Provisions	20	**(570)**	—
Deferred tax liability	21	**(323)**	(412)
Total current liabilities		**(27,539)**	(24,549)
Non-current liabilities			
Financial liabilities	19	**(34,934)**	(33,193)
Provisions	20	**(67)**	(393)
Deferred tax liability	21	**(1,281)**	(1,895)
Total non-current liabilities		**(36,282)**	(35,481)
Total liabilities		**(63,821)**	(60,030)
Total net assets		**47,514**	52,982
Equity			
Ordinary shares	23	**19,778**	19,549
Share premium		**44**	21
Other reserves		**5,144**	4,877
Retained earnings		**21,556**	27,495
Equity attributable to the owners of the parent		**44,522**	51,942
Non-controlling interests		**992**	1,040
Total equity		**47,514**	52,982

The notes on pages 66 to 101 are an integral part of these financial statements. The financial statements on pages 62 to 65 were approved and authorised for issue by the Board of Directors on 15 April 2019 and were signed on its behalf by:

Michael Karg, PhD
Director
15 April 2019

Alan Newman
Director
15 April 2019

Consolidated statement of changes in equity

for the year ended 31 December 2018

	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 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 loss		—	—	(623)	—	(623)	—	(623)
Total comprehensive income for the year		—	—	(623)	2,064	1,441	384	1,825
Shares issued for cash	23	99	21	—	—	120	—	120
Shares issued to employees[2]		150	—	(634)	484	—	—	—
Share options charge	3	—	—	—	729	729	—	729
Deferred tax on share options	21	—	—	—	(61)	(61)	—	(61)
Acquisition of non-controlling interest		—	—	—	(1,107)	(1,107)	—	(1,107)
Dividends paid to shareholders	27	—	—	—	(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
(Loss)/profit for the year		**—**	**—**	**—**	**(5,806)**	**(5,806)**	**472**	**(5,334)**
Other comprehensive income		**—**	**—**	**267**	**—**	**267**	**—**	**267**
Total comprehensive loss for the year		**—**	**—**	**267**	**(5,806)**	**(5,539)**	**472**	**(5,067)**
Shares issued for cash	23	**229**	**23**	**—**	**—**	**252**	**—**	**252**
Share options charge	3	**—**	**—**	**—**	**394**	**394**	**—**	**394**
Dividends paid to shareholders	27	**—**	**—**	**—**	**(527)**	**(527)**	**—**	**(527)**
Dividends paid to non-controlling interests		**—**	**—**	**—**	**—**	**—**	**(520)**	**(520)**
31 December 2018		**19,778**	**44**	**5,144**	**21,556**	**46,522**	**992**	**47,514**

1. Includes £3,667,000 (31 December 2017: £3,667,000) in the merger reserve; a debit balance of £1,478,000 (31 December 2017: £1,478,000) in the ESOP reserve; and a gain of £2,955,000 (31 December 2017: £2,688,000) recognised in the translation reserve. Refer to note 24 for further details.
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.

The notes on pages 66 to 101 are an integral part of these financial statements

Consolidated statement of cash flows
for the year ended 31 December 2018

	Note	**Year ended 31 December 2018 £'000**	Year ended 31 December 2017 £'000
Cash flows from operating activities			
Cash generated from operations	28	**7,631**	7,948
Finance expenses paid		**(1,093)**	(938)
Finance income received		**25**	17
Income taxes paid		**(1,952)**	(2,207)
Net cash generated from operating activities		**4,611**	4,820
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	29	**—**	(176)
Payments to acquire non-controlling interest		**—**	(1,107)
Payments in respect of contingent consideration		**(858)**	(1,799)
Purchase of property, plant and equipment		**(643)**	(642)
Purchase of intangible assets		**(1,141)**	(1,589)
Net cash used in investing activities		**(2,642)**	(5,313)
Cash flows from financing activities			
Proceeds from issue of share capital (net of issue costs)		**252**	160
Proceeds from bank borrowings	26	**2,000**	3,000
Repayment of bank borrowings	26	**(1,250)**	(2,500)
Bank loan fees paid		**(70)**	—
Dividends paid to shareholders	27	**(527)**	(474)
Dividends paid to non-controlling interests		**(190)**	(21)
Capital repayment of finance leases		**(4)**	(5)
Net cash flow generated by financing activities		**211**	160
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		**2,180**	(333)
Cash, cash equivalents and bank overdraft at beginning of year	16	**4,325**	4,600
Effects of exchange rate changes on cash and cash equivalents		**(91)**	58
Group cash and cash equivalents at the end of the year	16	**6,414**	4,325

The notes on pages 66 to 101 form part of these financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2018

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 18 offices.

The Company is a public limited company, which is listed on the London Stock Exchange's AIM 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 19.

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.

Credit approval has been obtained to defer the covenant assessment from December 2018 to January 2019 and to amend the interest cover covenant from January 2019. In light of this amendment, there are no concerns that the bank covenants will not be comfortably met.

The Group therefore continues to adopt the going concern basis in preparing its financial statements. The 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.

On 13 February 2018, the Group agreed to sell its Advertising Intelligence business to Nielsen Media Research Limited; the transaction was approved as at 31 December 2018. On 19 March 2018, the Group entered into an agreement to sell the business assets of its Reputation division; completion took place on 31 March 2018. Collectively, these divisions formed the Intel segment. Accordingly, the results of this segment have been presented within discontinued operations in both the current and comparative year in the income statement. The assets and liabilities of the Advertising Intelligence business are reported as held for sale in the statement of financial position.

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 from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

1. Accounting policies continued

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.

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 nor 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.

Taxation has been allocated to the discontinued operation by taking each element in turn and attributing the appropriate portion accordingly. This includes the allocation of adjustments to profit before tax to determine the profits chargeable to corporation tax and then applying the taxation charge from each jurisdiction respectively. For deferred taxation, each asset and liability was reviewed and the Intel related items were carved out from the Group items.

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 and equipment 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 £1,084,000 of internally generated intangible assets (31 December 2017: £1,202,000).

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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

1. Accounting policies continued

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.

Share capital

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

Executive Share Option 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.

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 10 and 11 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 adopted the following amendments which are effective for accounting periods beginning on or after 1 January 2018.

- 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 classification and measurement basis for the Group's financial assets and liabilities is largely unchanged by the adoption of IFRS 9. No material impact on profit for future periods is expected.

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

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 concluded there will be no material impact for the Media and Analytics & Tech revenue streams, based on the outputs of the 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 are assessing the impact on the Group of IFRS 16.
  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 2019 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, Analytics & Tech and Discontinued operations:

- Media includes our Media Performance, Media Management and Contract Compliance services;
- Analytics & Tech consists of our Advanced Analytics, MarTech and AdTech services; and
- Discontinued operations comprise Intel, the advertising monitoring service and the Reputation management and research 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 2018 is as follows:

Year ended 31 December 2018

	Media £'000	**Analytics & Tech £'000**	**Reportable segments £'000**	**Unallocated £'000**	**Discontinued operations £'000**	**Total £'000**
Revenue	**54,179**	**15,189**	**69,368**	**—**	**20,260**	**89,628**
Operating profit/(loss) before highlighted items	**12,073**	**1,401**	**13,474**	**(7,129)**	**988**	**7,333**
Total assets	**60,832**	**14,176**	**75,008**	**8,593**	**27,734**	**111,335**

Unsatisfied long-term contracts

The following table shows unsatisfied performance obligations results from long-term contracts:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017[1] £'000
Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied as at 31 December 2018	**2,152**	—

1. As permitted under the transitional provisions in IFRS 15, the transactional price allocated to (partially) unsatisfied performance obligations as of 31 December 2017 is not disclosed.

It is expected that 68% of the transaction price allocated to the unsatisfied contracts as of 31 December 2018 will be recognised during the next reporting period; the remaining 32% will be recognised in the 2020 financial year.

Significant changes in contract assets and liabilities

Contract assets have reduced from £8,706,000 to £8,003,000 and contract liabilities have reduced from £7,105,000 to £3,979,000 due to the carve out of the Ad Intel balances from the Group.

Year ended 31 December 2017

	Media £'000	Analytics & Tech £'000	Reportable segments £'000	Unallocated £'000	Discontinued operations £'000	Total £'000
Revenue	54,482	12,746	64,228	—	23,146	87,374
Operating profit/(loss) before highlighted items	14,037	1,646	15,683	(6,691)	3,034	12,026
Total assets	58,334	13,547	71,881	7,416	33,715	113,012

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

2. Segmental reporting continued

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

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Reportable segment operating profit before highlighted items	**13,474**	15,683
Unallocated costs[1]:		
Staff costs	**(4,794)**	(5,770)
Property costs	**(322)**	(322)
Exchange rate movements	**121**	65
Other administrative expenses	**(2,137)**	(664)
Operating profit before highlighted items	**6,342**	8,992
Highlighted items (note 3)	**(7,695)**	(5,214)
Operating (loss)/profit	**(1,353)**	3,778
Net finance costs	**(1,151)**	(1,044)
(Loss)/profit before tax	**(2,504)**	2,734

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

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

	31 December 2018 £'000	31 December 2017 £'000
Total assets for reportable segments	**102,742**	105,596
Unallocated amounts:		
Property, plant and equipment	**448**	1,153
Other intangible assets	**815**	1,574
Other receivables	**1,654**	1,953
Cash and cash equivalents	**5,034**	2,056
Deferred tax asset	**642**	680
Total assets	**111,335**	113,012

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

	Year ended 31 December 2018		Year ended 31 December 2017	
	Revenue by location of customers £'000	Non-current assets £'000	Revenue by location of customers £'000	Non-current assets £'000
United Kingdom	**26,009**	**44,078**	26,050	45,611
Rest of Europe	**33,113**	**9,221**	31,452	9,654
North America	**18,345**	**6,820**	18,680	6,591
Rest of world	**12,161**	**12,116**	11,192	12,413
	89,628	**72,235**	87,374	74,269
Deferred tax assets	**—**	**1,019**	—	1,502
Total	**89,628**	**73,254**	87,374	75,771

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 2018			Year ended 31 December 2017		
	Cash £'000	**Non-cash £'000**	**Total £'000**	Cash £'000	Non-cash £'000	Total £'000
Administrative expenses						
Share option (credit)/charge	**(127)**	**350**	**223**	5	573	578
Amortisation of purchased intangibles	**—**	**1,240**	**1,240**	—	1,231	1,231
Impairment of goodwill	**—**	**2,607**	**2,607**	—	—	—
Severance and reorganisation costs	**826**	**331**	**1,157**	1,992	313	2,305
Acquisition, integration and strategic costs	**2,050**	**419**	**2,469**	1,313	(213)	1,100
Total highlighted items before tax	**2,749**	**4,947**	**7,696**	3,310	1,904	5,214
Taxation (credit)/charge	**(242)**	**448**	**206**	(394)	(271)	(665)
Total highlighted items after tax – continuing operations	**2,507**	**5,395**	**7,902**	2,916	1,633	4,549
Highlighted items – discontinued operations	**982**	**507**	**1,489**	335	753	1,088
Total highlighted items	**3,489**	**5,902**	**9,391**	3,251	2,386	5,637

Amortisation of purchased intangibles relates to acquisitions made in the current financial year of £nil and to acquisitions made in prior years of £1,240,000 (31 December 2017: £28,000 in the current financial year and £1,203,000 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 £350,000 (31 December 2017: £573,000) was recorded. Separate disclosure is considered relevant to isolate charges and credits which are subject to volatility as a result of non-trading factors.

Impairment of goodwill of £2,607,000 is in relation to the impairment of goodwill held in China. The impairment was determined by the excess of the carrying value of goodwill in relation to China over and above the calculated value-in-use.

Total severance and reorganisation costs of £1,157,000 (31 December 2017: £2,305,000) were recognised during the year, primarily consisting of £1,017,000 in relation to severances in the UK, France, Germany, the US and Spain as part of management restructuring in those countries. The remaining £140,000 costs incurred were in relation to senior management recruitment. 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 £2,469,000 (31 December 2017: £1,100,000) were recognised during the year, primarily consisting of £2,005,000 in relation to costs associated with the sale of the Ad Intel business (refer to note 33 for further detail); £324,000 for onerous lease provisions for properties in Hamburg and Sydney on there being vacant space on the Intel staff relocating, £94,000 in relation to earn-out costs associated with the Digital Balance Australia Pty Ltd and the Ebiquity Marsh Limited acquisitions and other contingent consideration adjustments, net of foreign exchange differences; £25,000 in relation to financial restructuring costs and £21,000 costs relating to prior year acquisitions. Separate disclosure is considered relevant as these charges are non-recurring and not reflective of the underlying operating costs of the business.

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.

Highlighted items on discontinued operations comprise a share option charge of £19,000, amortisation of purchased intangibles of £617,000, costs in relation to the sale of the Ad Intel business of £1,172,000, severance costs of £71,000, a profit on disposal of the Reputation business of £34,000 and a current tax credit of £356,000.

As at 31 December 2018, £1,043,000 of the £2,749,000 cash highlighted items had been settled (31 December 2017: £2,860,000 of the £3,711,000 cash highlighted items had been settled).

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

4. Operating profit after highlighted items

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

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Operating lease rentals		
– other	**134**	38
– land and buildings	**2,328**	1,603
Depreciation and amortisation (notes 11 and 12)	**2,785**	2,681
Impairment (note 10)	**2,607**	—
Loss on disposal of fixed assets	**17**	51
Research costs – expensed	**542**	991
Foreign exchange gain	**(103)**	(285)

Operating lease rentals – land and buildings includes a credit of £nil in respect of a lease amendment incentive (31 December 2017: £406,000).

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 2018 £'000	Year ended 31 December 2017 £'000
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements	**250**	230
Fees payable to the Company's auditors and its associates for other services:		
– other audit-related assurance services	**30**	27
– other assurance services	**2**	16
– tax compliance services	**28**	30
	310	303

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 2018 Number	Year ended 31 December 2017 Number
Media	**335**	340
Analytics & Tech	**110**	103
IT development and support	**31**	29
Administration	**94**	86
Directors	**8**	8
Number of employees employed by continuing operations	**578**	566
Number of employees employed by discontinued operations	**348**	366
	926	932

At 31 December 2018, the total number of employees of the Group employed by continuing operations was 574 (31 December 2017: 564), including discontinued operations this was 905 (31 December 2017: 917).

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

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Wages and salaries	**37,135**	30,963
Social security costs	**3,632**	5,018
Other pension costs	**780**	829
Share options charge (note 25)	**394**	740
Total staff costs from continuing operations	**41,941**	37,550
Staff costs from discontinued operations	**10,160**	9,546
Total staff costs	**52,101**	47,096

Directors' remuneration

Total Directors' remuneration was £1,432,000, including £416,000 to the highest paid Director (31 December 2017: £1,339,000 including £427,000 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 2017: £nil). A retention bonus was payable to a director amounting to £152,000 (31 December 2017: £nil).

No Directors were a member of a Company pension scheme as at 31 December 2018 (31 December 2017: none). Contributions totalling £32,000 (31 December 2017: £26,000) were made to Directors' private pension schemes during the year, including £25,000 to the highest paid Director (31 December 2017: £14,000).

One Director exercised a total of 40,295 share options during the year (31 December 2017: nil). The highest paid Director exercised no share options (31 December 2017: nil).

During the year 1,650,000 (31 December 2017: nil) 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 25 for further details).

Further details on Directors' remuneration can be found in the Remuneration Committee report on pages 44 to 46.

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

6. Finance income and expenses

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Finance income		
Bank interest	**25**	17
Finance income	**25**	17
Finance expenses		
Bank loans and overdraft interest	**(1,116)**	(941)
Loan fee amortisation	**(60)**	(118)
Finance lease interest	**—**	(2)
Finance expenses	**(1,176)**	(1,061)

7. Taxation charge/(credit)

	Year ended 31 December 2018			Year ended 31 December 2017		
	Before highlighted items £'000	Highlighted items £'000	Total £'000	Before highlighted items £'000	Highlighted items £'000	Total £'000
UK tax						
Current year	**795**	**(148)**	**647**	362	(73)	289
Adjustment in respect of prior year	**148**	**—**	**148**	(65)	—	(65)
	943	**(148)**	**795**	297	(73)	224
Foreign tax						
Current year	**806**	**(94)**	**712**	1,756	(320)	1,436
Adjustment in respect of prior year	**170**	**—**	**170**	(71)	—	(71)
	976	**(94)**	**882**	1,685	(320)	1,365
Total current tax	**1,919**	**(242)**	**1,677**	1,982	(393)	1,589
Deferred tax						
Origination and reversal of temporary differences (note 21)	**86**	**449**	**535**	435	(271)	164
Adjustment in respect of prior year	**(227)**	**—**	**(227)**	—	—	—
Total tax charge/(credit)	**1,778**	**207**	**1,985**	2,417	(664)	1,753

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

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Profit before tax	**(2,501)**	2,734
Corporation tax at 19.00% (31 December 2017: 19.25%)	**(475)**	526
Non-deductible taxable expenses	**1,602**	967
Overseas tax rate differential	**204**	86
Overseas losses not recognised	**563**	310
Adjustment in respect of prior years	**91**	(136)
Total tax charge	**1,985**	1,753

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.

8. Discontinued operations

As of the statement of financial position date, the disposal of the Ad Intel business was anticipated to complete in January 2019. The Board, therefore, considered this business to be an asset held for sale and would represent a complete withdrawal from this service line for the Group. Accordingly, this division is reported within discontinued operations in the 2018 financial statements. The prior year results have been restated so that the results of this division for the year ended 31 December 2017 have also been reported as discontinued operations, for ease of comparison.

On 19 March 2018, the Group entered into an agreement to sell the business assets of its Reputation division to Echo Research Holdings Limited. Completion took place on 31 March 2018. Accordingly, this division is reported within discontinued operations in the 2018 financial statements, with comparatives restated accordingly.

The table below summarises the income statement for the discontinued business units for both the current and the prior year:

	Year ended 31 December 2018			Year ended 31 December 2017		
	Intel £'000	**Reputation £'000**	**Total £'000**	Intel £'000	Reputation £'000	Total £'000
Revenue	**20,074**	**186**	**20,260**	21,861	1,285	23,146
Cost of sales	**(11,999)**	**(203)**	**(12,202)**	(12,162)	(1,003)	(13,165)
Gross profit	**8,075**	**(17)**	**8,058**	9,699	282	9,981
Administrative expenses	**(6,681)**	**(92)**	**(6,773)**	(6,474)	(473)	(6,947)
Impairment of asset held for sale	**(297)**	**—**	**(297)**	—	—	—
Operating profit	**1,097**	**(109)**	**988**	3,225	(191)	3,034
Highlighted items	**(1,879)**	**34**	**(1,845)**	(1,277)	—	(1,277)
(Loss)/profit before tax	**(782)**	**(75)**	**(857)**	1,948	(191)	1,757
Tax	**12**	**—**	**12**	(290)	—	(290
Net result from discontinued operations	**(770)**	**(75)**	**(845)**	1,658	(191)	1,467

Below is a table summarising the cash flows from discontinued operations:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Cash generated from operations – continuing operations	**1,999**	3,368
Cash generated from operations – discontinued operations	**2,612**	1,452
Total cash generated from operations	**4,611**	4,820
Cash used in investment activities – continuing operations	**(2,461)**	(4,826)
Cash used in investment activities – discontinued operations	**(181)**	(487)
Total cash used in investment activities	**(2,642)**	(5,313)
Cash generated by financing activities – continuing operations	**211**	160
Cash generated by financing activities – discontinued operations	**—**	—
Total cash generated by financing activities	**211**	160
Net increase in cash and cash equivalents – continuing operations	**(251)**	(1,298)
Net increase in cash and cash equivalents – discontinued operations	**2,431**	965
Net increase in cash and cash equivalents	**2,180**	(333)

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

9. Earnings per share

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

	Year ended 31 December 2018			Year ended 31 December 2017		
	Continuing £'000	**Discontinued £'000**	**Total £'000**	Continuing £'000	Discontinued £'000	Total £'000
Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the parent	**(4,985)**	**(822)**	**(5,806)**	572	1,492	2,064
Adjustments:						
Impact of highlighted items (net of tax)[1]	**7,887**	**1,485**	**9,371**	4,379	1,079	5,458
Earnings for the purpose of underlying earnings per share	**2,902**	**663**	**3,565**	4,951	2,571	7,522
Number of shares:						
Weighted average number of shares during the year						
– basic	**78,557,977**	**78,557,977**	**78,557,977**	77,876,427	77,876,427	77,876,427
– dilutive effect of share options	**4,176,597**	**4,176,597**	**4,176,597**	2,499,656	2,499,656	2,499,656
– diluted	**82,734,574**	**82,734,574**	**82,734,574**	80,376,083	80,376,083	80,376,083
Basic earnings per share	**(6.35)p**	**(1.05)p**	**(7.40)p**	0.73	1.92	2.65p
Diluted earnings per share	**(6.35)p**	**(1.05)p**	**(7.40)p**	0.71	1.86	2.57p
Underlying basic earnings per share	**3.70p**	**0.84p**	**4.54p**	6.36	3.30	9.66p
Underlying diluted earnings per share	**3.51p**	**0.80p**	**4.31p**	6.16	3.20	9.36p

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

10. Goodwill

	£'000
Cost	
At 1 January 2017	61,174
Additions[1]	1,552
Foreign exchange differences	(280)
At 31 December 2017	62,446
Additions[2]	**140**
Reclassification of available-for-sale asset[3]	**(22,299)**
Foreign exchange differences	**223**
At 31 December 2018	**40,510**
Accumulated impairment	
At 1 January 2017	(3,129)
At 31 December 2017	(3,129)
Impairment[4]	**(2,607)**
At 31 December 2018	**(5,736)**
Net book value	
At 31 December 2018	**34,774**
At 31 December 2017	59,317

1. £1,552,000 of goodwill was recognised following the acquisition of Digital Balance Australia Pty Limited. Refer to note 29 for more details.
2. £140,000 of goodwill was recognised following the revaluation of contingent consideration payable for the acquisition of Digital Balance Australia Pty Limited.
3. Goodwill in relation to the Intel segment of £22,299,000 has been reclassified to assets held for sale in the statement of financial position. Refer to note 15 for more details.
4. An impairment of £2,607,000 was recognised in relation to goodwill held in China Media (Shanghai) Management Consulting Company Limited so that the carrying value was adjusted to be in line with the value-in-use.

Goodwill has been allocated to the following segments:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Media	**26,294**	28,957
Intel	**—**[1]	22,299
Analytics & Tech	**8,480**	8,061
	34,774	59,317

1. Goodwill in relation to the Intel segment of £22,299,000 has been reclassified to assets held for sale in the statement of financial position. Refer to note 15 for more details.

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 2018 £'000	Year ended 31 December 2017 £'000
Advertising UK/US/International	Intel	**—**	19,114
Media UK and International	Media	**9,263**	9,265
Analytics USA	Analytics & Tech	**5,057**	4,774
China	Media	**2,242**	4,839
Media Germany	Media	**4,327**	4,325
Media Value Group	Media/Analytics & Tech	**3,197**	3,162
FirmDecisions	Media	**2,981**	2,981
Media Australia	Media	**2,369**	2,478
Advertising Germany	Intel	**—**	2,429
Effectiveness	Analytics & Tech	**1,678**	1,678
Digital Balance[1]	Analytics & Tech	**1,745**	1,609
Advertising Australia	Intel	**—**	756
Media America	Media	**604**	604
Media France	Media	**572**	569
Media Italy	Media	**402**	397
Russia	Media	**337**	337
		34,774	59,317

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. An impairment of £2,607,000 of goodwill was recognised in the year ended 31 December 2018 in relation to China (year ended 31 December 2017: £nil); this was determined with reference to the calculated value in use of the China CGU of £3,265,000 compared to the carrying value of goodwill of £5,872,000.

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

10. Goodwill continued

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.

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 2019 financial year.

For the 2020 and 2021 financial years, the forecast EBIT is as per management and market expectations. The forecast 2021 balances are taken to perpetuity in the model. The forecast for 2020 and 2021 uses certain assumptions to forecast revenue and operating costs within the Group's operating segments beyond the 2019 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 12.1% (31 December 2017: between 7.0% and 11.0%).

Growth rate assumptions

Cash flows beyond the three-year period are extrapolated at a rate of 2.25% (31 December 2017: 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 and Analytics USA.

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 Analytics USA are as follows, specifically what change in key assumptions would result in an impairment:

	Analytics USA	
	Current %	% change leading to impairment[1]
Budgeted revenue growth	20.0	(0.3) to 19.7
Budgeted cost growth	10/19	0.3 to 10.3/19.3
Pre-tax discount rate	11.0	0.3 to 11.3

1. These changes have been applied to 2020 and 2021 projected information.

An impairment of £2,607,000 was recognised in relation to goodwill held in China Media (Shanghai) Management Consulting Company Limited so that the carrying value was adjusted to be in line with the value-in-use. No further sensitivities have been calculated.

11. Other intangible assets

	Capitalised development costs £'000	Computer software £'000	Purchased intangible assets[1] £'000	Total intangible assets £'000
Cost				
At 1 January 2017	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
Additions	**1,084**	**57**	**—**	**1,141**
Reallocation	**29**	**17**	**—**	**46**
Reclassification of available-for-sale asset	**(3,361)**	**(894)**	**(7,543)**	**(11,798)**
Foreign exchange differences	**(24)**	**23**	**91**	**90**
At 31 December 2018	**3,258**	**2,675**	**17,881**	**23,814**
Amortisation and impairment[3]				
At 1 January 2017	(1,376)	(1,517)	(15,406)	(18,299)
Charge for the year[4]	(573)	(370)	(1,952)	(2,895)
Foreign exchange differences	—	(9)	(9)	(18)
At 31 December 2017	(1,949)	(1,896)	(17,367)	(21,212)
Charge for the year – continuing operations[4]	**(326)**	**(428)**	**(1,240)**	**(1,994)**
Charge for the year – discontinued operations	**(590)**	**(85)**	**(617)**	**(1,292)**
Impairment	**(125)**	**—**	**—**	**(125)**
Reallocation	**—**	**(46)**	**—**	**(46)**
Reclassification of available-for-sale asset	**1,726**	**894**	**6,801**	**9,421**
Foreign exchange differences	**6**	**(45)**	**(50)**	**(89)**
At 31 December 2018	**(1,258)**	**(1,606)**	**(12,473)**	**(15,337)**
Net book value				
At 31 December 2018[5]	**2,000**	**1,069**	**5,408**	**8,477**
At 31 December 2017	3,581	1,576	7,966	13,123

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 acquisition of Digital Balance Pty Limited.
3. No impairment charge is required for the year ended 31 December 2018 (year ended 31 December 2017: £nil) following management's review of the carrying value of other intangible assets.
4. Amortisation of £1,240,000 (year ended 31 December 2017: £1,952,000) 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.
5. Of the net book value of capitalised development costs, £1,212,000 remains in development at 31 December 2018.

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

12. 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 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
Additions	**—**	**54**	**264**	**324**	**642**
Allocation	**—**	**14**	**(184)**	**354**	**185**
Reclassification of available-for-sale asset	**—**	**(249)**	**(2,182)**	**(384)**	**(2,815)**
Disposals	**(27)**	**(66)**	**(39)**	**—**	**(132)**
Foreign exchange differences	**1**	**15**	**10**	**6**	**31**
At 31 December 2018	**20**	**1,622**	**3,177**	**1,899**	**6,718**
Accumulated depreciation					
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)
Charge for the year – continuing operations	**(2)**	**(137)**	**(330)**	**(196)**	**(665)**
Charge for the year – discontinued operations	**—**	**(10)**	**(80)**	**(39)**	**(129)**
Allocation	**—**	**(329)**	**219**	**(75)**	**(185)**
Reclassification of available-for-sale asset	**—**	**200**	**1,900**	**304**	**2,404**
Disposals	**14**	**18**	**5**	**—**	**37**
Foreign exchange differences	**(1)**	**(12)**	**(17)**	**(2)**	**(32)**
At 31 December 2018	**(10)**	**(1,187)**	**(2,910)**	**(1,441)**	**(5,548)**
Net book value					
At 31 December 2018	**10**	**435**	**267**	**458**	**1,170**
At 31 December 2017	25	937	701	166	1,829

1. The Group holds assets under finance leases within fixtures, fittings and equipment with cost of £21,000 (31 December 2017: £21,000) and accumulated depreciation of £21,000 (31 December 2017: £17,000).

13. 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
Advertising Intelligence Limited[1, 2]	100%[3]	UK	Media monitoring
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[2]	100%[3]	Australia	Multi-channel analytics
Digireels Limited	100%[3]	UK	Non-trading
Ebiquity Asia Pacific Limited	100%[3]	UK	Holding company
Ebiquity Associates Limited[1, 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 Iberia S.L[2]	100%[3]	Spain	Media consultancy
Ebiquity Inc.[2]	100%[3]	US	Media monitoring and consultancy 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[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
Ebiquity UK Limited[2]	100%[3]	UK	Non-trading
Fairbrother Lenz Eley Limited	100%[3]	UK	Non-trading
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

Notes to the consolidated financial statements continued

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13. Subsidiaries continued

Subsidiary undertaking	Proportion of nominal value of issued ordinary shares held	Country of incorporation	Nature of business
FirmDecisions Iberia S.L.[1,2]	100%[3]	Spain	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
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 24 January 2018 Advertising Intelligence Limited was incorporated and on 1 May 2018 the trade and assets of the UK Intel division were transferred from Ebiquity Associates Limited to Advertising Intelligence Limited. FirmDecisions Iberia S.L. was incorporated in April 2018.
2. Principal trading entity.
3. Shares held by an intermediate holding company.

14. Trade and other receivables

	31 December 2018 £'000	31 December 2017 £'000
Trade and other receivables due within one year		
Net trade receivables (note 26)	**18,320**	20,978
Other receivables	**2,325**	1,693
Prepayments	**760**	1,132
Contract assets	**8,003**	8,706
	29,408	32,509

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

15. Assets and liabilities held for sale

In 2017, the Board concluded that the most probable route to realising future economic benefit through its Ad Intel business was through a sale rather than continuing to operate it as part of the larger Group. Accordingly, it commenced a sale process to see if this business could be sold at an acceptable price.

On 12 February 2018, the Group agreed to dispose of the Ad Intel business to Nielsen Media Research Limited, a subsidiary of Nielsen Holdings plc (together 'Nielsen') for gross consideration of £26 million. This transaction was subject to certain conditions, including approval from the Competition and Markets Authority ('CMA') who immediately commenced a Phase 1 examination. This led to a Phase II examination that was not concluded until November 2018. This disposal to Nielsen was completed on 2 January 2019.

The deal was structured assuming a normalised level of working capital. There is a mechanism under which the ultimate consideration will be adjusted based on the actual level of working capital as of the date of disposal. The Board does not believe that any ultimate adjustments made based upon fluctuations in working capital will materially change the consideration received.

Under the terms of the disposal, the Group will provide certain services to Nielsen to facilitate the acquisition and integration of the Ad Intel business. These services include the provision of office space, financial administration and IT support for a period of up to 18 months post completion.

In accordance with IFRS 5, the Ad Intel business has been treated as an asset held for sale. As at the statement of financial position date, the sale was deemed to be probable, and the disposal of Ad Intel will signal a complete exit from this service line. Accordingly, it has also been treated as a discontinued operation in these financial statements.

The net assets of the Ad Intel business as at 31 December 2018, which have been presented net on the Group balance sheet, are shown below:

	31 December 2018 £'000
Non-current assets	
Goodwill	**22,293**
Other intangible assets	**2,377**
Property, plant and equipment	**412**
Deferred tax asset	**40**
Total non-current assets	**25,122**
Current assets	
Trade and other receivables	**2,612**
Cash and cash equivalents	**—**
Total current assets	**2,612**
Total assets	**27,734**
Current liabilities	
Trade and other payables	**(796)**
Accruals and contract liabilities	**(2,940)**
Current tax liabilities	**(86)**
Total current liabilities	**(3,822)**
Non-current liabilities	
Deferred tax liabilities	**(413)**
Provisions	**(81)**
Total non-current liabilities	**(494)**
Total liabilities	**(4,316)**
Total net assets	**23,418**

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for the year ended 31 December 2018

16. Cash and cash equivalents

	31 December 2018 £'000	31 December 2017 £'000
Cash and cash equivalents	**8,793**	4,732

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 2018 £'000	31 December 2017 £'000
Cash and cash equivalents	**8,793**	4,732
Bank overdrafts (note 19)	**(2,379)**	(407)
Cash, cash equivalents and bank overdrafts	**6,414**	4,325

17. Trade and other payables

	31 December 2018 £'000	31 December 2017 £'000
Trade payables	**3,385**	4,229
Other taxation and social security	**2,837**	2,281
Other payables	**1,288**	891
	7,510	7,401

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

18. Accruals and contract liabilities

	31 December 2018 £'000	31 December 2017 £'000
Accruals	**6,661**	5,560
Contract liabilities	**3,979**	7,105
	10,640	12,665

19. Financial liabilities

	31 December 2018 £'000	31 December 2017 £'000
Current		
Bank overdraft	**2,379**	407
Bank borrowings	**—**	1,250
Loan fees[1]	**(65)**	(89)
Finance lease liabilities	**—**	4
Contingent consideration	**508**	901
	2,822	2,473
Non-current		
Bank borrowings	**34,000**	32,000
Loan fees[1]	**(35)**	—
Contingent consideration	**969**	1,193
	34,934	33,193
Total financial liabilities	**37,756**	35,666

1. Loan fees were payable on amending the banking facility and are being recognised in the income statement on a straight-line basis to the maturity date of the facility, this being 30 June 2020.

	Bank overdrafts £'000	Bank borrowings £'000	Finance lease liabilities £'000	Contingent consideration £'000	Total £'000
At 1 January 2017	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
Recognised on revaluation	**—**	**—**	**—**	**148**	**148**
Paid	**—**	**(70)**	**—**	**(858)**	**(928)**
Charged to the income statement	**—**	**59**	**—**	**238**	**297**
Discounting charged to the income statement	**—**	**—**	**—**	**(78)**	**(78)**
Borrowings	**1,972**	**2,000**	**—**	**—**	**3,972**
Repayments	**—**	**(1,250)**	**(4)**	**—**	**(1,254)**
Foreign exchange released to the income statement	**—**	**—**	**—**	**(67)**	**(67)**
At 31 December 2018	**2,379**	**33,900**	**—**	**1,477**	**37,756**

A currency analysis for the bank borrowings is shown below:

	31 December 2018 £'000	31 December 2017 £'000
Pounds sterling	**33,900**	33,161
Total bank borrowings	**33,900**	33,161

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 £nil remains outstanding at 31 December 2018 (31 December 2017: £1,250,000)), and a revolving credit facility ('RCF') of £34,000,000 (of which £34,000,000 was drawn down at 31 December 2018 (31 December 2017: £32,000,000)). There is currently £1,000,000 available as an overdraft for working capital purposes. The term loan had a maturity date of 30 September 2018 and was fully repaid on this date, and the RCF has a maturity date of 30 June 2020. The £10,000,000 term loan was 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 £100,000 (31 December 2017: £90,000) 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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

19. Financial liabilities continued

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 2018 £'000	31 December 2017 £'000
Amounts due:		
Within one year	**—**	6
Between one and five years	**—**	—
	—	6
Less: finance charges allocated to future periods	**—**	(2)
Present value of lease obligations	**—**	4

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

20. Provisions

	Onerous lease[1] £'000	Dilapidations[2] £'000	Total £'000
At 1 January 2017	—	402	402
Unused amounts released to income statement	—	(9)	(9)
At 31 December 2017	—	393	393
Recognition of onerous lease provision	**324**	**—**	**324**
Reclassification of available-for-sale liability	**—**	**(80)**	**(80)**
At 31 December 2018	**324**	**313**	**637**
Current	**257**	**313**	**570**
Non-current	**67**	**—**	**67**

1. The onerous lease provision has been recognised in Hamburg and Sydney, having arisen where there will be vacant space in these offices on the staff from the discontinued operation departing. The provision is expected to be fully utilised by December 2020.
2. The dilapidations provision relates to the expected costs of vacating various properties. The provision is expected to be fully utilised by December 2019.

21. Deferred tax

	Tangible assets £'000	Intangible assets £'000	Share-based payments £'000	Tax losses £'000	Other timing differences £'000	Total £'000
At 1 January 2017	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)
(Charge)/credit to income	**(25)**	**213**	**(542)**	**56**	**106**	**(192)**
Reclassification of available-for-sale asset	**—**	**404**	**(29)**	**—**	**(3)**	**372**
At 31 December 2018	**242**	**(1,281)**	**428**	**276**	**(290)**	**(625)**

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 2018 £'000	31 December 2017 £'000
Deferred tax assets – non-current	**979**	1,502
Deferred tax liabilities – current	**(323)**	(412)
Deferred tax liabilities – non-current	**(1,281)**	(1,895)
	(625)	(805)

At the year end, the Group had tax losses of £1,190,000 (31 December 2017: £282,000) available for offset against future profits. A deferred tax asset of £276,000 (31 December 2017: £220,000) has been recognised in respect of such losses.

The Group has unrecognised tax losses of £3,103,000 (31 December 2017: £34,000) and unrecognised deferred tax assets of £590,000 (31 December 2017: £76,000) 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.

22. 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 2018		31 December 2017	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
No later than one year	**2,245**	**150**	1,671	44
Later than one year but no later than five years	**4,613**	**58**	4,243	44
Later than five years	**1,285**	**—**	1,978	—
	8,143	**208**	7,892	88

Lessor

There is no minimum aggregate future rent receivable under non-cancellable operating leases as at 31 December 2018 (2017: £nil).

23. Ordinary shares

	Number of shares	Nominal value £'000
At 31 December 2016 – ordinary shares of 25p	77,199,751	19,300
Shares issued	600,000	150
Share options exercised	397,710	99
At 31 December 2017 – ordinary shares of 25p	78,197,461	19,549
Share options exercised	**915,729**	**229**
At 31 December 2018 – ordinary shares of 25p	**79,113,190**	**19,778**

Ordinary shares carry voting rights and are entitled to share in the profits of the Company (dividends). At the year end, 3,291,569 shares were held by the ESOP (31 December 2017: 3,956,066). The Company does not have a limited amount of authorised capital.

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for the year ended 31 December 2018

24. Reserves

Share premium

The share premium reserve of £44,000 (31 December 2017: £21,000) 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 2017: £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.

ESOP reserve

The ESOP reserve of £1,478,000 debit (31 December 2017: £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 £2,955,000 (31 December 2017: £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.

25. 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 2018:

Name of share option scheme and grant date	Life of option	Exercise period	Exercise price (pence)	Weighted average exercise price (pence)	Number
Executive Incentive Plan – 12 May 2010	10 years	May 2011 – May 2020	35.0	35.0	4,200,000
Executive Incentive Plan – 27 January 2016	10 years	January 2016 – January 2026	25.0	25.0	200,000
Executive Share Option Plan – 27 September 2012	10 years	September 2012 – September 2022	97.5	97.5	135,002
Executive Share Option Plan – 23 May 2013	10 years	May 2016 – May 2023	25.0	25.0	95,524
Executive Share Option Plan – 17 January 2014	10 years	May 2016 – January 2024	25.0	25.0	338,829
Executive Share Option Plan – 15 May 2014	10 years	May 2017– April 2024	25.0	25.0	749,396
Executive Share Option Plan – 01 October 2015	10 years	May 2018 – October 2025	25.0	25.0	635,000
Executive Share Option Plan – 24 July 2017	10 years	January 2019 – January 2020	nil	nil	390,000
Executive Share Option Plan – 13 February 2018	10 years	April 2021 – April 2032	25.0	25.0	2,495,000
Executive Share Option Plan – 24 May 2018	10 years	April 2023 – April 2033	25.0	25.0	610,000
Executive Share Option Plan – 24 May 2018	10 years	January 2021 – January 2031	nil	nil	345,000
Executive Share Option Plan – 11 July 2018	10 years	April 2023 – April 2033	25.0	25.0	735,000
EMI and UCSOP Scheme	10 years	May 2004 – August 2021	25.0 – 72.0	42.2	404,322
					11,333,073

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.

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 return ('TSR') over a three-year period. The remaining options issued in the 2012 grant have no performance conditions attached.

Notes to the consolidated financial statements continued

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25. Share-based payments continued

Executive Share Option Plan ('ESOP') continued

4,495,000 (31 December 2017: 460,000) share options have been granted to employees under the ESOP in the year ended 31 December 2018.

Options had not been granted to the Executive team since October 2015 due to many of them being involved in the sale of the Advertising Intelligence business and therefore possessing price sensitive information. In 2018 options were granted in respect of the years ending 31 December 2016, 2017 and 2018. The options awarded in respect of the years ended 31 December 2016 and 31 December 2017 vest based on a sliding scale of compound growth of adjusted diluted EPS over a five-year period of between 4% and 10%. A quarter of the total award may vest early if Total Shareholder Return from 1 January 2016-31 December 2018 is in top quartile of AIM Media Index. The options awarded in respect of the year ending 31 December 2018 have the same performance conditions other than the EPS growth rates of between 8% and 15% are required for vesting.

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 2018.

Movements in outstanding ordinary share options:

	31 December 2018		31 December 2017	
	Number of share options	**Weighted average exercise price (pence)**	Number of share options	Weighted average exercise price (pence)
Outstanding at beginning of year	**8,443,801**	**30.9**	9,563,786	32.1
Granted during the year	**4,495,000**	**23.0**	460,000	—
Exercised during the year	**(915,730)**	**27.5**	(397,711)	40.1
Forfeited during the year	**(389,999)**	**19.9**	(65,001)	39.7
Performance criteria not expected to be met	**(300,000)**	**25.0**	(1,117,273)	25.0
Outstanding at the end of the year	**11,333,071**	**28.6**	8,443,801	30.9
Exercisable at the end of the year	**6,854,741**	**33.2**	6,718,801	32.9

During the year, share options were granted with a weighted average fair value of 64.0p (31 December 2017: 110.0p). These fair values were calculated using the Black-Scholes model with the following inputs:

	31 December 2018	31 December 2017
Weighted average share price	**64.0p**	110.0p
Exercise price	**nil – 25.0p**	—
Expected volatility[1]	**15.1%**	13.1%
Vesting period	**2.5 to 5 years**	2 to 2.5 years
Risk-free interest rates	**1.93% to 2.12%**	0.33% to 0.40%

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 915,730 shares (31 December 2017: 397,711 shares) being issued at a weighted average price of 27.5p each (31 December 2017: 40.1p). The weighted average share price on the dates of exercise for options exercised during the year was 68.0p (31 December 2017: 117.9p).

The options outstanding at the end of the year have a weighted average remaining contractual life of 5.4 years (31 December 2017: 4.5 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 £394,000 (31 December 2017: £738,000).

26. 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 95 to 99.

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 2018 £'000	31 December 2017 £'000
Financial assets:		
Cash and cash equivalents	**8,793**	4,732
Financial liabilities held at amortised cost:		
Bank overdraft	**(2,379)**	(407)
Bank borrowings	**(33,900)**	(33,161)
Net debt	**(27,486)**	(28,836)
Equity	**(47,514)**	(52,982)
Capital	**(75,000)**	(81,818)

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.

Notes to the consolidated financial statements continued

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26. Capital and financial risk management continued

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 creditworthiness 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 amounts of trade and other receivables are reasonable approximations of their fair value.

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 2018	**9,081**	**5,328**	**3,753**
At 31 December 2017	7,460	3,775	3,685

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

	31 December 2018			31 December 2017		
	Gross value £'000	**Provision £'000**	**Carrying value £'000**	Gross value £'000	Provision £'000	Carrying value £'000
Trade receivables	**18,393**	**(73)**	**18,320**	21,240	(262)	20,978

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 2018 £'000	31 December 2017 £'000
Opening balance	**262**	200
Increase in provision	**46**	115
Written off against provision	**(95)**	(53)
Reclassification of available-for-sale asset	**(39)**	—
Recovered amount reversed	**(101)**	—
Closing balance	**73**	262

Market risk

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

Interest rate risk

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

To illustrate the Group's exposure to interest rate risk, a 0.5% increase/decrease in the rate applied to the Group's borrowings would have resulted in a post-tax movement of £139,000 (31 December 2017: £129,000).

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 2018		31 December 2017	
	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**	**3,350**	179	4,270
10% strengthening of euro	**314**	**1,445**	72	1,979
10% strengthening of Australian dollar	**162**	**603**	77	1,010

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

The currency profile of the financial assets at 31 December 2018 is as follows:

	Cash and cash equivalents		Gross trade receivables	
	31 December 2018 £'000	31 December 2017 £'000	**31 December 2018 £'000**	31 December 2017 £'000
Pounds sterling	**2,659**	461	**5,458**	5,083
US dollar	**1,789**	1,203	**5,056**	6,169
Euro	**2,576**	1,286	**6,162**	8,096
Australian dollar	**1,106**	1,114	**835**	750
Russian rouble	**176**	404	**292**	287
Singapore dollar	**121**	23	**3**	47
Chinese renminbi	**366**	241	**414**	518
Indian rupee	**—**	—	**72**	—
New Zealand dollar	**—**	—	**71**	24
South African rand	**—**	—	**30**	4
	8,793	4,732	**18,393**	20,978

Other price risks

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

Notes to the consolidated financial statements continued

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26. Capital and financial risk management continued

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 19) to manage any short-term cash requirements. At 31 December 2018 £nil (31 December 2017: £2,000,000) was undrawn. The facility expires in June 2020, 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 2018 £'000	31 December 2017 £'000
Current financial assets		
Loans and receivables:		
Trade and other receivables[1] (note 14)	**20,645**	22,671
Cash and cash equivalents (note 16)	**8,793**	4,732
Total financial assets	**29,438**	27,403

1. Trade and other receivables includes net trade receivables and other receivables and excludes prepayments and contract assets.

Financial liabilities

	31 December 2018 £'000	31 December 2017 £'000
Current financial liabilities		
Other financial liabilities at amortised cost:		
Trade and other payables[1]	**4,672**	5,119
Accruals	**6,659**	5,560
Bank overdrafts	**2,379**	407
Finance lease liabilities	**—**	4
Loans and borrowings	**(65)**	1,161
Liabilities at fair value through profit and loss:		
Contingent consideration	**508**	901
	14,153	13,152
Non-current financial liabilities		
Other financial liabilities at amortised cost:		
Loans and borrowings[2]	**33,965**	32,000
Liabilities at fair value through profit and loss:		
Contingent consideration	**969**	1,193
	34,934	33,193
Total financial liabilities	**49,087**	46,345

1. Trade and other payables includes trade payables and other payables and excludes other taxation and social security and contract liabilities.
2. In January 2019, on receipt of the proceeds in relation to the sale of the Ad Intel business, £17,000,000 of the RCF loan facility was repaid.

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 2018			
Trade and other payables	**4,672**	**—**	**4,672**
Accruals	**6,659**	**—**	**6,659**
Bank loans and overdrafts	**4,153**	**37,035**	**41,188**
Contingent consideration	**508**	**969**	**1,477**
Total financial liabilities	**15,992**	**38,004**	**53,996**
Less: finance charges allocated to future periods	**(1,839)**	**(3,070)**	**(4,909)**
Present value	**14,153**	**34,934**	**49,087**
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

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 2018				
Financial liabilities				
Contingent consideration	**—**	**—**	**1,477**	**1,477**
	—	**—**	**1,477**	**1,477**
At 31 December 2017				
Financial liabilities				
Contingent consideration	—	—	2,094	2,094
	—	—	2,094	2,094

Refer to note 19 for a reconciliation of movements during the year.

The fair value of the contingent consideration of £1,477,000 (31 December 2017: £2,094,000) was estimated by applying the income approach. The fair value estimates are based on a discount rate of 3.4% 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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

27. Dividends

	31 December 2018 £'000	31 December 2017 £'000
Dividend in respect of the prior year	**527**	474
Total dividend paid	**527**	474

A dividend of £527,000 was paid during the current financial year (31 December 2017: £474,000). Dividends were paid to non-controlling interests as shown in the consolidated statement of changes in equity.

28. Cash generated from operations

	31 December 2018 £'000	31 December 2017 £'000
Profit before taxation	**(2,504)**	2,734
Adjustments for:		
Depreciation (note 12)	**665**	905
Amortisation (note 11)	**1,994**	1,719
Loss on disposal	**—**	51
Impairment	**2,732**	—
Unrealised foreign exchange loss/(gain)	**320**	(610)
Share option charges (note 3)	**350**	573
Finance income (note 6)	**(25)**	(17)
Finance expenses (note 6)	**1,176**	1,061
Contingent consideration revaluations	**94**	275
	4,802	6,691
Increase in trade and other receivables	**(2,138)**	(2,839)
Increase in trade and other payables	**1,447**	2,194
Movement in provisions	**324**	(9)
Cash generated from operations – continuing operations	**4,435**	6,037
Cash generated from operations – discontinued operations	**3,196**	1,911
Cash generated from operations	**7,631**	7,948

29. 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. In 2018 an additional AU$882,000 (£489,000) of contingent consideration was recognised in line with revised future projections, AU$263,000 (£148,000) of this was recognised within goodwill. 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.

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).

30. Disposals

On 19 March 2018, the Group entered into an agreement to sell the business assets of its Reputation division to Echo Research Holdings Limited; a profit on disposal of £34,000 was recognised on disposal. This is the remaining part of the Group's Intel segment in addition to the Advertising Intelligence business. Completion took place on 31 March 2018. The consideration payable is dependent upon the revenue performance of the business during the 12 months following completion.

31. 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.

32. Related party transactions

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

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

Compensation of key management personnel

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

Transactions with companies related to key management personnel

Costs of £2,000 (31 December 2017: £nil) for a membership subscription were charged to the Company by the Quoted Companies Alliance, a company of which Michael Higgins and Alan Newman are directors.

Costs of £83,000 (31 December 2017: £60,000) 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, £5,000 (31 December 2017: £400) was owed to Instinctif Partners Limited, a company of which Richard Nichols is a director.

33. Events after the reporting period

On 12 February 2018, the Group agreed to dispose of the Ad Intel business to Nielsen Media Research Limited, a subsidiary of Nielsen Holdings plc (together 'Nielsen') for gross consideration of £26 million. This transaction was subject to certain conditions, including approval from the Competition and Markets Authority ('CMA') who immediately commenced a Phase 1 examination. This led to a Phase II examination that was not concluded until November 2018. This disposal to Nielsen was completed on 2 January 2019.

At the year end, the Ad Intel business has been included as an asset held for sale in the financial statements; the results of this division have been presented as discontinued operations on the face of the income statement.

Company statement of financial position

as at 31 December 2018

	Note	31 December 2018 £'000	31 December 2017 £'000
Fixed assets			
Intangible assets	6	**2,107**	1,239
Investments in subsidiaries	7	**75,501**	74,890
Total fixed assets		**77,608**	76,129
Current assets			
Trade and other receivables	8	**21,184**	26,558
Cash at bank and in hand		**48**	178
Total current assets		**21,232**	26,736
Creditors: amounts falling due within one year	9	**(42,772)**	(47,745)
Net current liabilities		**(21,540)**	(21,009)
Total assets less current liabilities		**56,068**	55,120
Creditors: amounts falling due after more than one year	10	**(33,965)**	(32,000)
Net assets		**22,103**	23,120
Equity			
Ordinary shares	11	**19,778**	19,549
Share premium	12	**44**	21
Other reserves	12	**(733)**	(733)
Retained earnings	12	**3,014**	4,283
Total shareholders' funds		**22,103**	23,120

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 £1,873,000 (31 December 2017: loss for the year of £1,913,000).

The notes on pages 104 to 110 are an integral part of the financial statements of the Company. The financial statements on pages 102 to 103 were approved and authorised for issue by the Board of Directors on 15 April 2019 and were signed on its behalf by:

Michael Karg, PhD

Director

15 April 2019

Alan Newman

Director

15 April 2019

Company statement of changes in equity

for the year ended 31 December 2018

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
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	11	99	21	—	—	120
Shares issued to employees		150	—	(634)	484	—
Dividends to shareholders		—	—	—	(474)	(474)
At 31 December 2017		19,549	21	(733)	4,283	23,120
Loss for the year		**—**	**—**	**—**	**(1,873)**	**(1,873)**
Other comprehensive (loss)/income for the year		**—**	**—**	**—**	**—**	**—**
Total comprehensive loss for the year		**—**	**—**	**—**	**(1,873)**	**(1,873)**
Proceeds from shares issued	11	**229**	**23**	**—**	**—**	**252**
Share-based payments credit		**—**	**—**	**—**	**522**	**522**
Capital contribution relating to share-based payments		**—**	**—**	**—**	**609**	**609**
Dividends to shareholders		**—**	**—**	**—**	**(527)**	**(527)**
At 31 December 2018		**19,778**	**44**	**(733)**	**3,014**	**22,103**

The notes on pages 104 to 110 are an integral part of the financial statements of the Company.

Notes to the Company financial statements

for the year ended 31 December 2018

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 2018 whilst the comparatives represent the results for the year ended 31 December 2017.

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 19 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.

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 Company generated £509,000 of internally generated intangible assets (31 December 2017: £nil).

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.

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.

Notes to the Company financial statements continued

for the year ended 31 December 2018

2. Basis of preparation continued

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.

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.

Executive Share Option 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 £1,873,000 (31 December 2017: loss for the year of £1,913,000).

4. Operating loss

Auditors' remuneration

Fees for the audit of the Company were £3,000 (31 December 2017: £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 2018 £'000	Year ended 31 December 2017 £'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 19.00% (31 December 2017: 19.25%).

The differences are explained below:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Loss on ordinary activities before taxation	**(1,873)**	(1,913)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19.00% (31 December 2017: 19.25%)	**(356)**	(368)
Effects of:		
Expenses not deductible for tax purposes	**(26)**	—
Capital allowances for year in excess of depreciation	**120**	—
Additions to intangibles	**110**	76
Relieved to other Group companies	**152**	292
Losses carried forward	—	—
Current tax charge for the year	—	—

Deferred tax on unremitted earnings has not been recognised as management does 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

	Research and development £'000	Computer software £'000	Total £'000
Cost			
At 1 January 2018	—	1,590	1,590
Transfer	**1,544**	**(54)**	**1,490**
Additions	**509**	**29**	**538**
At 31 December 2018	**2,053**	**1,565**	**3,618**
Amortisation			
At 1 January 2018	—	(351)	(351)
Transfer	**(529)**	—	**(529)**
Charge for the year	**(335)**	**(296)**	**(631)**
At 31 December 2018	**(864)**	**(647)**	**(1,511)**
Net book value			
At 31 December 2018	**1,189**	**918**	**2,107**
At 31 December 2017	—	1,239	1,239

Notes to the Company financial statements continued

for the year ended 31 December 2018

7. Investments in subsidiaries

	£'000
Cost and net book value	
At 31 December 2017	74,890
Additions	**611**
At 31 December 2018	**75,501**

The Company's principal trading subsidiaries and associated undertakings are listed in note 13 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 10.

8. Trade and other receivables

	31 December 2018 £'000	31 December 2017 £'000
Amounts owed by Group undertakings	**19,954**	26,062
Other receivables	**514**	22
Other taxation and social security	**65**	—
Prepayments	**651**	474
	21,184	26,558

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

9. Creditors: amounts falling due within one year

	31 December 2018 £'000	31 December 2017 £'000
Bank loans and overdrafts	**2,314**	1,568
Trade creditors	**1,027**	1,148
Other taxation and social security	**—**	51
Accruals	**1,892**	1,070
Amounts owed to Group undertakings	**37,539**	43,908
	42,772	47,745

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.

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

	31 December 2018 £'000	31 December 2017 £'000
Bank loans – between two and five years	**33,965**	32,000
	33,965	32,000

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 £nil remains outstanding at 31 December 2018 (31 December 2017: £1,250,000)), and a revolving credit facility ('RCF') of £34,000,000 (of which £34,000,000 was drawn down at 31 December 2018 (31 December 2017: £32,000,000)). There is currently £1,000,000 available as an overdraft for working capital purposes. The term loan had a maturity date of 30 September 2018 and was fully repaid on this date, and the RCF has a maturity date of 30 June 2020. The £10,000,000 term loan was 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 £100,000 (31 December 2017: £90,000) 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.

11. Ordinary shares

	Number of shares	Nominal value £'000
Allotted, called up and fully paid		
At 31 December 2016 – ordinary shares of 25p	77,199,751	19,300
Shares issued	600,000	150
Share options exercised	397,710	99
At 31 December 2017 – ordinary shares of 25p	78,197,461	19,549
Share options exercised	—	—
Shares issued	**915,729**	**229**
At 31 December 2018 – ordinary shares of 25p	**79,113,190**	**19,778**

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 0.71p per share, a total of £527,000 (31 December 2017: 0.65p with a total of £474,000) to shareholders.

Notes to the Company financial statements continued
for the year ended 31 December 2018

12. Reserves
Share premium

The share premium reserve shows the amount subscribed for share capital in excess of the nominal value.

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.

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 2017: £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 2017: 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 2017: 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 £3,014,000 (31 December 2017: £4,283,000).

13. Share-based payments

Full disclosure of share-based payments is included in the consolidated financial statements (see note 25 to the consolidated financial statements).

14. Commitments

Capital commitments contracted but not provided for by the Company amount to £nil (31 December 2017: £nil). The Company has no operating lease commitments (31 December 2017: none).

15. 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.

16. 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 32 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
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Chartered Accountants and Statutory Auditors
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Nominated adviser and broker
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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 15 April 2019, the Company's issued share capital consists of 79,342,273 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 15 April 2019, the percentage of the Company's issued share capital that is not in public hands is 38.27%.

Company registration
Registered office

CityPoint
One Ropemaker Street
London EC2Y 9AW

Company number 03967525

Glossary

AANA	Australian Association of National Advertisers
AIM	Alternative Investment Market
ANA	Association of National Advertisers
Board	the board of directors of Ebiquity plc
CGUs	cash-generating units
CMA	Competition and Markets Authority
CMO	Chief Marketing Officer
Ebiquity or 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
FMCG	fast moving consumer goods
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
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
LTIP	Long-Term Incentive Plan
Nielsen	Nielsen Media Research Limited
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
ROI	Return on Investment
TSR	total shareholder return
UCSOP	Unapproved Company Share Option Plan
Underlying performance	underlying performance refers to the results of operations before highlighted items
WFA	World Federation of Advertisers

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