Annual report 2019

Annual report and financial statements
for the year ended
31 December 2019

ebiquity

Our purpose

Ebiquity is the leading global independent media and marketing consultancy.

We exist to help brands optimise return on investment from their marketing spend.

In the increasingly digital, ever-more complex media and marketing ecosystem, we work with many of the world's leading advertisers to improve marketing outcomes and enhance business performance.

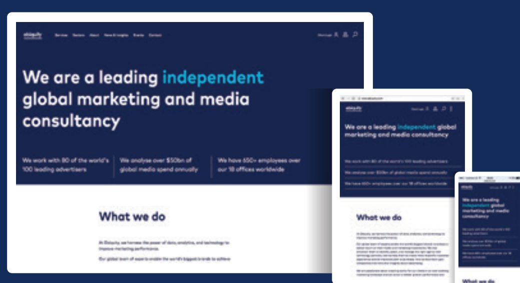
We do this by harnessing the power of the best data, the best analytics talent and tools, and the best marketing technology available.

By helping to build evidence-based marketing programmes, we enable our clients to extract full value from their investments, drive accountability and transparency into their media supply chain, and create sustainable partnerships with the right agency and technology partners.

By creating clarity in all aspects of media and marketing and by aligning their interests behind clear business objectives, we enable advertisers to achieve better marketing outcomes.

Ebiquity. Creating clarity in media and marketing. Enhancing business performance.

Creating clarity



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London Stock Exchange Group
1000 COMPANIES TO INSPIRE BRITAIN 2019

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Statement of Independence

As the leading global independent media and marketing consultancy, we believe it is vital that we are entirely independent of the media supply chain and the provision of marketing services whose performance we help to optimise.

It is the independence of our expert consultants that allows us to give genuinely impartial advice; advice that helps our clients choose the right partners, tools, and technologies to achieve better marketing outcomes and enhance business performance. This core and defining principle of impartiality is enshrined in this, our Statement of Independence.

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 becoming increasingly complex.

This Statement of Independence is available on the Ebiquity website at https://bit.ly/3bfhzpc.

By engaging with advertisers, agencies, and the leading national and global marketing associations, we are helping to define industry standards. That's also why we have published the Ebiquity Code of Conduct, which sets out the standards and practices that we adhere to and that we believe brands should demand of their independent consultants. It covers independence, remuneration, confidentiality, data processing, and ways of working.

The Ebiquity Code of Conduct is also available on our website, at https://bit.ly/2Vi0fu7.

Highlights

Highlights

Revenue of **£68.7m** (2018: £69.4m)

Underlying operating profit[1] of **£6.2m** (2018: £6.3m)

Underlying profit before tax[1] increased to **£5.3m** (2018: £5.2m)

Strong balance sheet: net debt at 31 December 2019 reduced significantly to **£5.6m** (31 December 2018: £27.5m) following completion of AdIntel sale in January 2019

Improved operating cash flow conversion of **144%** (2018: 138%)

Significant client wins include **Amazon**, **Facebook**, **Nike**, **Verizon Wireless** and **Volvo**

Impairment charge of **£5.8m** taken in relation to Stratigent, the loss-making US MarTech business, following decision to wind down its operation

Nick Waters, former Executive Chairman, UK and Ireland, Dentsu Aegis Network, appointed **Group Chief Executive Officer** with effect from 1 July 2020

Media: Media Management, Media Performance and Contract Compliance

Revenue of **£54.6m**, increased by 1%

Contract Compliance revenue increased by **13%**

Media Performance and Media Management revenue declined by **1%**

Shared service media delivery centre in Spain **expanding and delivering operational efficiencies**

Analytics & Tech: Advanced Analytics, MarTech and AdTech

Revenue of **£14.1m**; excluding Stratigent, increased by 11%

Operating profit of **£1.0m**

Advanced Analytics practice **expanded into France and USA**

AdTech advisory practice increased revenue by **105%**

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 is calculated based on the underlying operating profit.

Chairman's statement

"Ebiquity is now a more streamlined business that is focused on becoming the leading global independent media and marketing consultancy."

Rob Woodward
Chairman

COVID-19

Since the beginning of 2020, the outbreak of the COVID-19 pandemic has created an unprecedented and uncertain economic environment for all businesses.

Our global business largely switched to remote working from March 2020 onwards and has continued to deliver high-quality services to clients as usual throughout the period of the COVID-19 disruption. Maintaining the health and safety of all our staff has been a priority and we are proud of the admirable resilience and flexibility they have shown in responding to the challenges they face during these difficult times. At the time of writing, we are pleased that units in some countries, such as China and Germany, are now re-opening their offices.

Ebiquity plays a key role in providing clarity and transparency to advertisers on their media spend but that means our business is influenced by the macro trends in the advertising markets. The unprecedented economic disruption caused by the reaction to COVID-19 has led to significant reductions in current and forecast global advertising spend which is affecting our business in the current year.

This impact varies considerably both between and within sectors and geographies. Some clients, especially in the automotive sector, in which Ebiquity has a strong presence, and in travel, leisure and non-food retail, have reduced their service requirements although many others have remained resilient. Clients are also adjusting their plans frequently both upwards as well as downwards as their business outlook evolves.

The Group has undertaken prudent cost reduction measures to strengthen and protect the business in the current environment and further to support our liquidity position. These include temporary salary reductions for the Board and a number of senior managers and staff and the use of government job retention and support schemes in various countries, including Australia, France, UK and USA. We have modified the covenants on our banking facilities and deferred part of the consideration payable for the previously announced buy-out of the Italian minority. Although the Group is in a healthy financial position with sufficient liquidity to manage the COVID-19 disruption, the Board has decided to defer the payment of dividends until economic and business conditions are more certain.

Business review

This annual report covers Ebiquity's first full year following the sale of the Advertising Intelligence ('AdIntel') business to Nielsen Media Research ('Nielsen') which completed on 2 January 2019. Ebiquity is now a more streamlined business that is focused on becoming the leading global independent media and marketing consultancy, helping advertisers to measure, evaluate, and maximise returns from their marketing spend. The significant reduction in net debt as a result of the sale has strengthened the Group's financial position, giving it greater flexibility to invest in developing the business organically, and build through selective acquisitions, such as that of Digital Decisions announced in January 2020.

In addition to the structural evolution of the business during the past 15 months, there have been significant changes in the Group's executive leadership. Alan Newman joined as Chief Financial Officer at the start of 2019 and has strengthened the Group's financial management controls and operational processes. Towards the end of the year, Michael Karg stepped down as Chief Executive Officer after nearly four years in that role and I would like to record the Board's appreciation for his contribution to Ebiquity over that time.

In April 2020, we announced the appointment of Nick Waters as CEO with effect from 1 July 2020. Nick brings more than 20 years' experience in senior executive roles at leading international media, digital, and advertising businesses, most recently at Dentsu Aegis. I thank Alan for his strong leadership and commitment to the business in the role of Interim CEO after Michael's departure, particularly throughout the challenging environment caused by COVID-19. Nick and Alan have highly complementary skills and experience, which will significantly strengthen the executive team.

As previously highlighted, 2019 was a year of transition. We are therefore pleased to report that our underlying operating profit for 2019 was in line with expectations at £6.2 million, largely driven by tight cost control. Revenue performance, however, was not as strong as anticipated earlier in the year. Group revenue was 1% lower than the prior year at £68.7 million, compared to £69.4 million, although excluding Stratigent, which was wound down in September 2019, it grew by 2% on a like-for-like basis. Revenue in Media, our largest segment, was up 1% year-on-year, due to Contract Compliance, which grew well. Although Analytics & Tech total revenue reduced by 7%, Advanced Analytics and AdTech both recorded strong growth so that, excluding Stratigent, Analytics & Tech revenue grew by 11%.

Good progress was made during the year towards realigning the cost structure of the business with the revenue base without the AdIntel business. The Group's total underlying costs (excluding highlighted items) reduced by 1% to £62.6 million, from £63.0 million, and there was a reduction of 3% in the total year-end staff numbers. This was achieved despite the Group having to bear continuing costs of the transitional agreement to deliver support services to Nielsen post the AdIntel sale.

The Board and management team are pursuing opportunities to deliver further efficiency gains across the business while also maintaining investments to support growth in high potential service areas, such as advanced analytics.

Through this transitional period, Ebiquity is in a strong position as a leading independent, global consultancy, to satisfy the growing demand from brand owners for specialist consulting services to enable them to optimise their marketing expenditure. Our advantages include our consultancy independence, excellent client base and access to data that this provides, and the breadth of our services, which range from media performance reviews, media management advice and contract compliance through to advanced analytics and advertising technology consulting. This range is unmatched by our competition at a global level, as is our network of media experts located in 15 of the main media markets in Europe, North America, Asia and Australasia. The US market in particular, where Ebiquity has traditionally underperformed as a business, remains a key opportunity due both to its domestic scale and its role as the base for many global advertisers.

Our long-held view that advertisers' need for transparency is best met through independent advice has been reinforced by Accenture's announcement of its withdrawal from media auditing and management advisory services from September 2020, resulting from its expansion into media buying and programmatic advertising services. This is already providing opportunities for Ebiquity and we have won contracts with a number of clients around the world previously served by Accenture.

The priorities set by the Board for the CEO and the management team are to re-establish revenue growth and to improve the Group's operating margins over the medium term. In support of this, the Group's strategy remains to increase the revenue share from 'forward-looking' advisory services which help brands to plan and organise their media and marketing activities. We expect the new CEO with his significant media and agency expertise to make a significant contribution to the execution of this strategy as well as to the Group's business development activities.

Ebiquity's performance in 2020 will depend in part on the overall health of the global economy and advertising markets whose outlook remains highly uncertain. We will continue to take a prudent approach to cost management and incorporate lessons learned from dealing with the COVID-19 crisis, as well as pursuing planned measures to streamline our processes and enhance our service offering.

Looking ahead, the Board believes that Ebiquity's capabilities and leading position in its market, together with a strengthened management team under the new CEO, will enable it to meet the challenges of the COVID-19 disruption and successfully achieve its long-term goals as we emerge from the global crisis.

Rob Woodward
Chairman

20 May 2020

Executive review

"Ebiquity's offer meets advertisers' requirements and is matched by few competitors operating at a global level."

Alan Newman
Interim Chief Executive Officer/Chief Financial Officer

Strategic direction

With the digital revolution and resulting explosion of marketing channels, 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.

We have defined clearly our aim of becoming the lead adviser to Chief Marketing Officers ('CMOs') who are increasingly called upon to justify and explain with clarity the contribution that marketing spend makes to the performance of their business.

There are few unbiased, expert-led, data-driven consultancies in our marketplace. It is clear that independent, conflict-free, high-quality advice is increasingly valued by advertisers. Ebiquity's offer, through our portfolio of specialised consultancy services, meets advertisers' requirements and is matched by few, if any, competitors operating at a global level.

Ebiquity's services map into all the key stages of our clients' media lifecycle. These include:

- designing the media model, including internal and external structures;
- managing and selecting partners, including media and creative agencies and digital advertising services;
- defining objectives, including partner goals and commitments;
- evaluating outcomes;
- optimising plans; and
- reviewing compliance with contractual obligations.

Our primary differentiators are:

- our clear global leadership in providing core media performance services – we are acknowledged by the World Federation of Advertisers as the world's largest independent media adviser and leader in media benchmarking, agency management, and contract compliance;
- our reach among top advertisers – serving 70 of the world's top 100 advertisers through our 18 offices in the largest advertising markets;
- our data – we have the largest global pool of advertising spend data, covering over $50 billion; and
- our analytics – a market-leading analytics capability and platform. Its quality is reflected in a record five awards at the Institute of Practitioners in Advertising ('IPA') Effectiveness Awards for our clients, including Direct Line Group, Lidl, Weetabix, and Taylors of Harrogate.

We recognise that in order to maintain our leadership position and grow our business, we need to remain ahead of our competitors in terms of innovation, skills and service quality. We need in particular to reinforce our capabilities in being able to provide 'forward-looking' consulting analytics and advice as well as in reporting and assessing historic media performance.

Our acquisition of Digital Decisions complements and enhances our digital media performance offering.

Accordingly, we are continuing to invest in growing our analytics and advisory businesses. We are also enhancing our infrastructure to allow us to handle our unique client data sets more efficiently and help our core Media practice to generate high-quality analysis and insights upon which our clients can make decisions. Our 'MediaSuite' of automated applications covering data ingestion, media agency selection, and digital media benchmarking contribute to this. Our Media Management service is also innovating. For example, it recently launched an 'Agency Capabilities Review' to help advertisers to ensure the effective management of their agency relationships. This was successfully piloted with a global automotive group.

Keeping pace with developments in digital media is clearly vital for our business. Its greater complexity and the growing range of channels and intermediaries through which digital advertising money passes require the ability rapidly to obtain and analyse data and report on it to advertisers.

Our acquisition of Digital Decisions in January 2020 complements and enhances our digital media performance offering. It provides a digital media monitoring service (on an annual subscription basis), primarily targeted at procurement and media heads of global brands, and provides them with regular oversight on their digital advertising performance. Digital Decisions' technology applications ingest data 'from source' from agencies and provide recommendations for actions to improve digital media performance. Their system is designed to scale as a self-service solution and its relatively low delivery costs should lead to high margins over time. Integration with Ebiquity's platforms should also benefit our existing media performance services.

We recognise that achieving higher revenue growth requires strong relationships with current and potential clients and a clear understanding of their needs so as to tailor our services. A significant challenge is that only a small minority of the Group's clients buy more than one of our services. At the beginning of 2019, we created a team of dedicated (UK-based) client account leaders to manage relationships with our key global clients. This initiative, supported by detailed account plans, led to revenue from the clients managed by this team growing by 18% during the year.

Much of this increase was generated by introducing Analytics, AdTech and Media Management services into these clients in addition to the traditional Media Performance services. We plan to expand this programme to cover more clients and our non-UK offices, as well as to improve targeting and planning for all client accounts.

Communication and marketing of Ebiquity's services and thought leadership on media developments is essential in strengthening our market position and supporting our business growth. The appointment of Debbie Morrison from ISBA, early in 2019, as Managing Director, Global Partnerships & Events has helped to increase awareness of Ebiquity among senior marketing professionals and to enhance our programme of dedicated marketing events. This has included establishing a Client Council made up of senior media executives from leading global advertisers to provide advice on key advertiser concerns and feedback on how our services address these.

We have also continued to communicate on key industry issues and our innovations through the media, online channels and our own publications. Early in 2019, 'Tipping Point', a joint study by our Media and Analytics practices, was published. This explained that TV's ability to provide mass audience reach is diminishing faster than previously thought. This attracted many (positive and negative) reactions in national and international media. It was followed by 'Mind the Gap', published in January 2020, which combines Ebiquity's data and audience research to help identify how advertisers can improve their use of online channels to reach their target audiences. One of its data-backed conclusions on the effectiveness (or lack of it) of Facebook advertising also attracted much industry comment.

5 awards

Our Analytics practice won five awards at the IPA Effectiveness Awards for clients including Direct Line Group, Lidl, Weetabix and Taylors of Harrogate.

Executive review continued

Performance in the year

Group revenue in the year to 31 December 2019 fell by 1% to £68.7 million although it grew by 2% on a like-for-like basis excluding Stratigent, which was wound down in September 2019.

Our aim in 2019 was to stabilise and re-focus the business following a year (2018) in which the Group's costs had grown ahead of its revenue and its overall performance had been below expectations. We succeeded in delivering an overall profit result that was in line with expectations, although our revenue base did not grow in line with our original plans and the performance of our business segments varied significantly.

	Revenue			
	FY19 £m	FY18 £m	Variance £m	%
Media	**54.6**	54.2	0.4	1%
Analytics & Tech	**14.1**	15.2	(1.0)	(7%)
Group	**68.7**	69.4	(0.6)	(1%)

Practice growth rates	%
Media	
Media Performance and Management	(1%)
Contract Compliance	13%
Total Media	**1%**
Analytics & Tech	
Advanced Analytics	5%
AdTech	105%
MarTech	(39%)
Total Analytics & Tech	**(7%)**

Media

Our Media segment, which accounted for 79% of our total revenue and comprises Media Performance, Media Management and Contract Compliance services, reported a modest increase in revenue to £54.6 million (2018: £54.2 million). Within this, Contract Compliance (branded as FirmDecisions) performed successfully with revenue growth of 13%, while revenue from Media Performance and Management fell by 1% overall.

Our Media Performance practice, which remains our largest single revenue contributor, assists advertisers to monitor and evaluate their agencies' media buying performance.
It harnesses the expert knowledge of our global network of media specialists, the most extensive of its kind, and our access to unique client media spend data pools to assess the value for money delivered, both in comparison to the market and to the client's specific objectives. This helps brand owners to obtain accountability and transparency over the performance of their chosen media supply partners, especially given the industry's complex purchasing arrangements. Major clients for this practice include General Motors, L'Oreal and Beiersdorf.

The Media Management practice advises clients on topics such as the management and selection of media agencies and setting of media buying objectives, as well as the organisation of media functions. It conducts close to 100 agency selections annually, both at global level and within individual markets for clients such as JLR, McDonalds and Orange. This service is now supported by our new proprietary tool, 'Select', which was launched in 2018 and enables us to automate the comparison of the rates offered by agencies in their tenders. Media Management revenue, however, still depends to an extent on the level of global media agency pitches occurring in the market and there were fewer of these in 2019 than in the prior year.

There were significant regional variations in business performance across our network. UK & Ireland, our largest Media region, grew revenue by 2%, due mainly to its specialist international group which manages multi-market projects for global advertisers such as Fiat Chrysler Automobiles and PepsiCo and which won a number of new projects. Within Continental Europe, Italy was the best performer with 21% growth, supported by the launch of an innovative social media measurement service, and France grew by 2%, with clients including L'Oreal and PSA, the automotive group. Conversely, revenue fell in Germany (by 8%) and Russia (by 7%). New country managers have been appointed in both units and their performance improved in the second half.

The USA had a challenging year, but still managed to remain flat on the prior year. It won some significant new Media Performance clients (e.g. Verizon Wireless) but had fewer Media Management opportunities than expected. There were also performance issues in the US sales team which was previously shared with Stratigent and which the new US MD, appointed in May, has focused on resolving. Asia Pacific revenue fell by 9% for the full year, although it achieved second-half growth following a 19% decline in the first half which was due to lower demand from traditional higher-spending sectors, such as FMCG and retail. China returned to modest revenue growth in the year, benefiting from a renewed focus on serving international advertisers that require support in this expanding but challenging media market.

One of our key aims is to improve quality of service and reduce cost of delivery in Media through process improvements and automation. During the year, our automation strategy focused on rolling out three key MediaSuite tools in which we have invested significantly over recent years: EbiquityConnect™, EbiquitySelect™ and EbiquitySync™. These are designed to increase the speed and efficiency of analysis work and improve data security and handling. EbiquityConnect™ streamlines data ingestion from agencies, many of which have given positive feedback following the system's introduction. EbiquitySelect™ supports our agency selection work. EbiquitySync™ provides a standardised tool for benchmarking paid digital media spend. Within digital services, we have also been developing specialist methods for assessing paid search and paid social media spend. Over the next year, we will utilise the recently acquired Digital Decisions technology applications further to automate both data ingestion and reporting of results to clients for Media Performance work.

Our shared services media delivery centre ('SDC') in Spain is enabling media data analysis work to be centralised and standardised. This reduces delivery costs and frees up the time of specialist consultants in local markets for higher value-added activities. It became fully operational at the beginning of 2019 and the level of work taken on from the network increased steadily through the year. The SDC is already beginning to yield clear cost savings as well as quality benefits for the Media practice.

Contract Compliance (branded as 'FirmDecisions') supports brands by helping to ensure that agencies deliver services as contractually agreed through reviews conducted by a team of specialists. FirmDecisions is regarded as the global leader in this market, publicly acknowledged by industry bodies as an expert in the field. Its strong revenue growth reflects growing demand by advertisers for its in-depth financial compliance services as a means of ensuring transparency and accountability among their media buying partners. FirmDecisions continued to extend its global client list, with recent additions including Amex, Microsoft, and Sanofi, as well as expanding its local operations in markets such as Dubai, Germany, and India.

Focus on automation

During the year we rolled out three Media Suite tools – Ebiquity Connect™, Ebiquity Select™ and Ebiquity Sync™.

Focus on shared services

Our shared service media delivery centre in Spain became fully operational in 2019.

Executive review continued

Analytics & Tech

Analytics & Tech total revenue fell by 7% in the year to £14.1 million (2018: £15.2 million) but this decline was entirely due to the MarTech practice, comprising Stratigent and Digital Balance, whose revenue fell by 39%. In contrast, Advanced Analytics, the largest element, grew by 5% and AdTech more than doubled its revenue with growth of 105%.

Our Advanced Analytics practice helps brands to plan and optimise their investment in media. Its team, which includes data scientists, econometricians and statisticians, applies advanced analytical techniques to attribute and forecast the impact of marketing investments on business outcomes (e.g. sales) and to optimise these investments. The scope of its work covers traditional and digital media channels as well as factors such as pricing and promotions and, in recent projects, factory capacity. Its methods include market mix modelling, brand equity modelling and forecasting which are increasingly supported by automated planning tools that it delivers to clients.

During the year, Advanced Analytics continued to expand its client base, winning significant global projects, including with Volkswagen and a global telecoms group, and won its first project in the USA for an automotive group. This practice is managed globally from the UK where the largest part of its team of data scientists and analytics specialists are located, supported by a growing delivery capability based in Spain. Its operations expanded to France during the year with the appointment of a well-regarded senior analytics specialist, who will contribute both to sales and delivery of projects.

This has already led to winning a major project for a leading European airline. However, as previously reported, revenue in the year was impacted in the first half by an unexpected, substantial reduction in demand from a UK retail client. As anticipated, the practice recovered well in the second half.

One challenge is that our analytics practice is competing for data analysis skills that are in high demand by large companies in sectors such as digital platforms and financial services. To address this, we have established a graduate trainee scheme to help develop our own talent pool.

Our AdTech practice, which was established two years ago, helps brand owners to address the specific challenges of managing digital media and automated trading programmes by designing the data and technology ecosystem best suited to deliver their marketing strategy and optimise their digital media investments. Their solutions include the evaluation and planning of in-housing alternatives and the selection of advertising technology partners. The rapid growth of our AdTech practice since its launch in 2018 reflects the demand for its specialist services as well as the expertise of the team that we have assembled. During the year, its major projects included in-housing of digital media buying for two global brands and for a leading global energy group based in the USA. The latter resulted from the appointment of a US AdTech lead in mid-2019. We anticipate further growth in this important market.

Our MarTech practice comprised two units at the start of 2019, Digital Balance in Australia and Stratigent in the USA. Both of these provided similar website technology and data advisory services, but their recent performance has differed significantly.

Digital Balance helps brands to improve the effectiveness of their digital presence and provides a range of consulting, analytics, and optimisation services across a variety of website analytics platforms, including Google Analytics and Adobe. Until the middle of 2019, Digital Balance had grown its client base and revenue consistently since its acquisition by the Group in 2017. In the first half, its revenue increased by 36% compared to the same period in 2018. However, in the second half of 2019, several major clients deferred or cancelled projects unexpectedly, which led to full-year revenue falling by 15% compared to prior year. A new leadership team has been appointed and will be integrating Digital Balance more fully with the Australian media practice through joint digital products and cross-selling to Media clients.

In the USA, Stratigent's revenue had been declining over several years, mainly due to its business having focused on a software application whose use has been reducing in the USA. It also faced increasing price competition from independent and offshore suppliers. Actions taken at the beginning of 2019 to reposition the business and target new clients failed to yield sufficient new revenue. With a loss projected for 2019 and a very uncertain longer-term outlook, the business was wound down with effect from September 2019. This led to an impairment charge of £5.8 million being recognised as a highlighted item. The Chicago office where Stratigent and AdIntel USA had been based was subsequently closed and a sub-tenant found for the remainder of the lease.

Operating profit by segment

	Underlying operating profit				Operating profit margin	
	FY19	FY18	Variance		**FY19**	FY18
	£m	£m	£m	%	**%**	%
Media	**11.8**	12.1	(0.2)	(2%)	**22%**	22%
Analytics & Tech	**1.0**	1.4	(0.4)	(31%)	**7%**	9%
Unallocated costs	**(6.6)**	(7.1)	0.5	7%	**—**	—
Group	**6.2**	6.3	(0.2)	(3%)	**9%**	9%

Group operating profit of £6.2 million was slightly lower than in 2018, with a reduction of £0.6 million in the main operating segments, offset by a £0.5 million reduction in unallocated central costs. This partly reflects more costs being borne directly by the operating segments. The reduction in Media profits was largely due to the international media group and the USA. Analytics & Tech's fall in operating profit was mainly due to the losses arising in Stratigent and Digital Balance, both of which achieved small profits in 2018.

Outlook

In 2019, the Group made significant progress following the AdIntel disposal that positions it well for the future. The forthcoming closure of Accenture's media auditing practice highlights the importance to clients of independence in our business, and has led to significant new business wins.

However, in the current year, the COVID-19 pandemic is having an adverse impact on our clients and our own business although this varies between and within sectors and geographies. Business has continued as usual for some clients while others have reduced their service requirements for varying periods. Ebiquity's performance is influenced by global economic and advertising conditions, which remain highly uncertain. Therefore the outlook for our business in 2020 is difficult to predict with confidence and we continue to withhold guidance.

We continue to monitor the trends in the market closely and to maintain careful control over costs. We have strong liquidity resulting from the sale of AdIntel, extension of our banking facilities and the cost reduction measures already implemented. We have also agreed modifications to our banking covenants from July 2020 to May 2021. The Board remains confident that, building on our strategic position in the market and under the leadership of our new CEO, Ebiquity is well-placed as we emerge from the crisis to fulfil its potential as the leading independent media and marketing consultancy operating on a global level.

Executive review continued

Financial review

Group revenues for the year ended 31 December 2019 fell by £0.6 million or 1%, to £68.7 million.

Underlying operating profit (statutory operating profit excluding highlighted items) for 2019 was £6.2 million, a decrease of £0.2 million, or 3%, from the prior year. Project-related costs (which comprise external partner and production costs) increased by 0.5% from £8.8 million to £8.9million. Operating expenses reduced by 1% to £53.7 million from £54.2 million. As a result, the operating margin remained in line with the prior year at 9%.

Underlying profit before tax increased to £5.3 million in 2019 (2018: £5.2 million). Net finance costs were £0.9 million in 2019 compared with £1.2 million in 2018. The reduced cost reflects lower average gross debt in 2019 compared with 2018.

There was a statutory operating loss (after highlighted items) of £4.2 million compared to a loss of £1.4 million in 2018. Highlighted costs increased by £2.7 million as detailed below. This led to a reported loss before tax of £5.1 million compared to a loss of £2.5 million in 2018.

Highlighted items

Highlighted items before taxation for the continuing business totalled £10.3 million in the year to December 2019 (2018: £7.7 million).

Highlighted items during the year included the following:

- £1.2 million for purchased intangible asset amortisation (2018: £1.2 million);
- £0.1 million for share-based payment expenses (2018: £0.2 million);
- £1.3 million for severance and reorganisation costs including Group management changes and the winding down of Stratigent in the USA (2018: £1.2 million);
- £6.8 million relating to the impairment of goodwill and intangibles of Stratigent and Digital Balance (2018: £2.6 million impairment was recognised in relation to China);
- £0.9 million on the adoption of IFRS 16 for the first time, relating to the capitalisation of onerous leases to the right-of-use asset;
- £0.5 million relating to the relocation of the London office;
- £0.3 million costs incurred for the loan facility refinancing; and
- £0.8 million credit in respect of adjustments to contingent deferred consideration relating to Digital Balance.

Taxation

The underlying tax charge for the year for the continuing operations in 2019 was £1.9 million (2018: £1.8 million). This is due to an under-provision of tax recognised in the current year, but relating to a prior year.

The total tax charge including on highlighted items was £1.5 million, compared to £2.0 million in 2018.

Earnings per share

Underlying diluted earnings per share for 2019 was 3.6p (2018: 3.5p). There was a statutory diluted loss per share of 8.8p (2018: diluted loss per share of 6.4p).

Dividend

Our Group is in a healthy financial position following the AdIntel sale and extension of bank borrowing facilities to 2023. However, in view of the uncertainty created by the COVID-19 outbreak and its impact on the global economy, the Board considers it prudent to conserve the Group's cash resources during this time. It will therefore not be proposing the payment of a dividend in respect of 2019 at the forthcoming AGM, and will defer any dividend recommendation until economic and business conditions are more certain.

Equity

During 2019, 1,002,436 shares were issued upon the exercise of employee share options. As a result, the number of shares in issue increased to 80,115,626 (31 December 2018: 79,113,190).

Cash conversion

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Reported cash from operations	**5,657**	4,435
Underlying cash from operations	**8,870**	8,777
Underlying operating profit/(loss)	**6,167**	6,342
Cash conversion	**144%**	138%

Underlying cash from operations represents the cash flows from operations excluding the impact of highlighted items. The underlying net cash inflow from operations was £8.9 million during 2019 (2018: £8.8 million).

Cash conversion was 144% in 2019 (2018: 138%) reflecting continued improvements in the management of working capital.

Net debt and banking facilities

	31 December 2019 £'000	31 December 2018 £'000
Net cash	**8,236**	6,414
Bank debt[1]	**(14,000)**	(34,000)
Net debt[1]	**(5,764)**	(27,586)

1. Bank debt in the statement of financial position includes £0.2 million (2018: £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.

At the beginning of the year, the Group repaid £20.0 million of its borrowings on receipt of the proceeds from the AdIntel sale which completed on 2 January 2019.

In September 2019, the Group refinanced its banking facilities with Barclays and Royal Bank of Scotland. The new committed facility comprises a revolving credit facility of £23.0 million, of which £14.0 million was drawn on refinance, and £1.0 million available as an overdraft. The facility has a maturity date of 20 September 2023.

During the year, the Group continued to trade within the limits of its banking facilities and associated covenants. The covenants applying on a quarterly basis until June 2020 are based on EBITDA multiples as follows: interest cover >4.0; adjusted leverage <2.5; and adjusted deferred consideration leverage <3.0. In response to the COVID-19 disruption, modified covenants have been agreed with the lenders which will apply from July 2020 to May 2021. These will require the Group to maintain minimum liquidity of at least £5 million at the end of every month during that period. The covenants previously in force will apply again from June 2021 onwards.

Statement of financial position and net assets

A summary of the Group's balance sheet as at 31 December 2019 and 31 December 2018 is set out below:

	31 December 2019 £'000	31 December 2018 £'000
Goodwill and intangible assets	**35,172**	43,251
Right-of-use asset[1]	**8,339**	—
Other non-current assets	**3,549**	2,149
Net asset held for sale[2]	**—**	23,418
Net working capital	**12,927**	11,258
Other current liabilities	**(4,724)**	(2,251)
Lease liability[1]	**(9,590)**	—
Other non-current liabilities	**(1,423)**	(1,348)
Deferred consideration	**(14)**	(1,477)
Net debt	**(5,596)**	(27,486)
Net assets	**38,640**	47,514

1. A right-of-use asset and corresponding lease liability were recognised in the year on adoption of IFRS 16 for the first time.
2. The net asset held for sale in the prior year relates to net assets of the AdIntel business, the sale of which completed on 2 January 2019.

Net assets as at 31 December 2019 decreased by £8.9 million to £38.6 million (2018: £47.5 million). This principally reflects a £5.8 million reduction in goodwill and intangible assets through the impairment of goodwill in Stratigent, annual amortisation on the intangibles of £1.2 million and a £1.0 million reduction on adopting IFRS 16 for the first time.

Alan Newman
Interim Chief Executive Officer/Chief Financial Officer

20 May 2020

Client lifecycle

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

The client lifecycle

We help marketing leaders answer key questions across marketing activities.

Client questions:

1. Design future model
   - How do I organise for success, given new business and marketing requirements?
2. Manage and select partners
   - Which partners should I work with in order to deliver on this vision?
   - How do I best utilise existing partners?
3. Define and align objectives
   - What are the right incentives, and against which KPIs?
   - How do I align KPIs with marketing and business objectives?
4. Evaluate outcomes
   - Are my partners and my teams delivering what they promised?
   - Are my teams performing to expectation and targets?
5. Optimise performance
   - How do I improve and optimise my media and marketing performance?
   - What solutions should I put in place to enhance return on investment?

Where Ebiquity helps:

Desired outcomes:

1. Designing a future model that's fit for purpose

We help advertisers to organise and structure their marketing organisation – in-house and also agency and technology partners – in a way that is most likely to deliver success in both the medium and the long term. The models we help to build are optimised, flexible, and designed to deliver on our clients' business and marketing objectives.

The services we offer:

- Agency capability assessment and review
- In-housing assessment
- The Ebiquity media model

2. Managing and selecting agency partners

We work with advertisers to help them identify, select, on-board, and manage the right partners that can deliver the required capabilities and desired outcomes. These include the key relationship of the media agency of record, as well as advertising and marketing technology providers and other specialist agencies. This can also mean working smarter with existing partners.

The services we offer:

- Agency selection and management
- AdTech selection
- Contract review and negotiation (FirmDecisions)

3. Defining and aligning objectives

We help brands to make best use of their key partners and strategic relationships by helping them to align their marketing objectives and activities with their overall business objectives. This means helping CMOs to identify and set the right incentives for their partners and establish remuneration targets that reward against the delivery of meaningful KPIs.

The services we offer:

- KPI and target setting
- Agency remuneration
- Budget setting

4. Evaluating outcomes

By empowering our clients to compare outcomes with objectives, we enable them to develop and drive a culture of performance and accountability into their organisations. This allows them to assess whether their agency and technology partners – as well as their own internal teams – are delivering what they promised. Our data sets and analyses help advertisers to measure the outcomes of their media investments against their own targets and expectations and relevant benchmarks based on real spend data.

The services we offer:

- Media performance reviews
- Digital media KPI monitoring (Digital Decisions)
- Contract compliance reviews (FirmDecisions)

5. Optimising market performance

We partner with brands and their agency and technology providers to identify which levers they can pull to optimise a brand's performance. High performance marketing analytics is the key to unlocking increased return on marketing investment. Our award-winning team of media and marketing analysts and econometricians help brands to improve performance of their media, marketing, and promotional spend, both long term and short term.

The services we offer:

- Econometrics and attribution
- Brand equity modelling
- Test and learn

Practice reviews

Ebiquity has two reporting segments – Media, and Analytics & Tech.

Media

Media Performance (including Digital Decisions) – helps advertisers to monitor and evaluate their agencies' media buying performance.

Media Management – advises clients on topics including management and selection of media agencies, setting media buying objectives, and the organisation of media functions.

- Case study: JLR

Contract Compliance (branded as FirmDecisions) – supports advertisers by helping to ensure that agencies deliver services as contractually agreed, through reviews conducted by a team of experts.

Analytics & Tech

Advanced Analytics – helps advertisers to plan and optimise their investments in media and marketing, using analytical techniques to attribute and forecast the impact of marketing investments on business outcomes and to optimise these investments.

AdTech – helps brand owners to address the specific challenges of managing digital media and programmatic media trading by designing the data and technology ecosystem best suited to delivering their marketing strategy and optimising their digital media investments.

- Case study: ExxonMobil
- Case study: Vodafone

MarTech (branded Digital Balance) – assists brands to improve the effectiveness of their digital presence and provides a range of consulting, analytics, and optimisation services across a variety of website analytics platforms, including Google Analytics and Adobe.

Over the next few pages, the leads of our different practices give their report cards for 2019.

Media – Media Performance

In our Media Performance division, we help advertisers to monitor and evaluate their agencies' media buying performance.

Dietmar Kruse is Global Practice Principal for Media Performance. Based in our Hamburg office, Dietmar is responsible for driving revenue and profitability in the Media practice by innovating our service offering and driving efficiencies and automation in our data analysis.

How does your practice help clients?

We help brands understand where they stand relative to the market – competitors and peers – and show them how they can improve media performance. The two most important issues facing advertisers in media today are transparency of media performance and value erosion in media buying; all of the intermediaries between brands and publishers are taking a slice of their budget.

What makes Ebiquity Media Performance different?

We have the best data – the most extensive pool of media spend data of any consultancy worldwide – and we benchmark our clients' media performance against competitors and peers. We also track agency performance guarantees to determine whether savings promised at pitch are in fact delivered. We are uniquely well placed to assess media and agency performance because we are independent of the media trading ecosystem and combine singular global processes with national, on-the-ground expertise in 15 leading markets.

How are you evolving your offer to meet client needs?

In the past couple of years, we have started to develop and roll out a Media Suite of tools that have standardised, automated, and accelerated our media performance consultancy around the world. These include **EbiquityConnect™**, which validates and transfers data securely from agencies, and **EbiquitySync™**, which benchmarks digital media data and is specifically designed to deal with the complexities of digital.

What have been the business highlights for Ebiquity Media Performance in 2019?

Because we have now harmonised how we deliver digital media benchmarking across markets, we have started to provide this service to a growing number of global advertisers. The decision by Accenture to exit the media benchmarking market saw a number of major clients move to Ebiquity in 2019, a trend that looks set to accelerate in 2020.

Tell me about a couple of client highlights in the past year

In one case, we identified more than €7 million in media savings for a major advertiser resulting from agency errors in media performance calculations. In another, we welcomed back a client whose media performance was 17% below benchmark in the year it chose not to measure media performance; in the following year, performance improved by 9%.

Media – Digital Decisions

Digital Decisions provides a specialist digital media monitoring and optimisation service.

Ruben Schreurs is the founder of Digital Decisions, Ebiquity's specialist digital media monitoring and optimisation service. He founded the business in 2017, acquired by Ebiquity in 2020. Ruben is based in our New York City office, focused on driving growth in the US market.

How does your practice help clients?

Digital Decisions delivers best-in-class digital marketing consultancy advice and structural governance to global brands. Through our core Source Data Monitoring service, we provide a single global source of truth about digital media performance for global heads of media and marketing procurement leadership. Digital Decisions' live and real-time business intelligence interface reports data and value to advertisers in an easy-to-manage format, enabling better decision-making on digital media investment strategy.

What makes Digital Decisions different?

Using a methodology known as Robotic Process Automation, we extract the source data that identifies how digital media investments are performing automatically. Agencies no longer need to complete manual Excel templates, greatly improving both speed and accuracy. We deliver reporting and recommendations using scalable technologies such as Azure and Microsoft Power BI – not expensive and time-intensive PowerPoint. Both our back-end analytics and front-end user interface are fit for the new decade.

How are you evolving your offer to meet client needs?

We are committed to leading by example, deploying our methodologies and automation infrastructure across the Ebiquity family of companies. Digital Decisions is actively rolling out our service offer globally to top-tier, multinational clients. We are working in close partnership with Ebiquity's network of global client partners, helping our clients to capitalise on the opportunities offered by digital media with data-driven certainty.

What have been the business highlights for Digital Decisions in 2019?

We are the global partner of **Heineken**, providing our services in 28 markets. We work in close partnership with clients including **PepsiCo**, **KLM**, and **Three Mobile**. We are actively and rapidly expanding our footprint across the Ebiquity global client network.

Tell me about a couple of client highlights in the past year

Our partnership with our flagship client, Heineken, has become ever-more important to us in the past year. Today, we collaborate right around the world with Heineken's global media and procurement functions, local market leads, and global and local agency leadership. We are a true extension of their global team.

In 2019, we also launched two initiatives with our strategic partners at the World Federation of Advertisers: the Digital Media Benchmark, and Outlook 2020, an industry-wide view on how media prices are forecast to evolve, globally, in the year ahead. These initiatives have delivered both great momentum and thought leadership in the global media community.

Media – Media Management

In our Media Management division, we advise clients on topics including management and selection of media agencies, setting media buying objectives, and the organisation of media functions.

Laetitia Zinetti is Global Media Management Practice Lead and MD of Continental Europe. Laetitia leads the team that advises clients on best practice in topics including agency partner selection, operating models, and remuneration. She is based in Ebiquity's Paris office.

How does your practice help clients?

We help Chief Marketing Officers improve their media performance, by ensuring they have the best talent and capabilities in their organisations. We do this by putting the right processes and governance in place to drive growth. And we do this by helping them to select the right agency partners, set up to deliver against business and marketing objectives.

What makes Ebiquity Media Management different?

Ebiquity has a proven media framework created to enhance media management, from designing the optimal operating model to on-boarding new agency partners. We have a team of senior, dedicated, expert consultants who combine global experience with deep local knowledge. Our independence from the media trading ecosystem – as expressed in our Code of Conduct and Statement of Independence – means we can guarantee fair, robust, and best-practice consultancy advice that's right for individual clients.

What have been the business highlights for Ebiquity Media Management in 2019?

We helped the leading global telecoms business, **Vodafone**, to find a new global media agency partner in more than 20 markets, and also provided them with advisory services from our Tech practice. We also provided our Agency Capabilities Programme to luxury car manufacturer **JLR**, as well as delivering services from FirmDecisions, and our Analytics & Tech practices. Major new clients in 2019 included **Beiersdorf** (global), **Lindt**, and **Boehringer** Ingelheim in the US; and KFC, **Richemont**, and **Burger King** in major European markets.

How are you evolving your offer to meet client needs?

Ebiquity is well established as the leading global consultancy advising clients reviewing their media agencies of record; we advise around 100 major global and national advertisers each year using our market-leading Agency Selection Framework. We have recently extended this service to cover creative agencies, enabling advertisers to consolidate media and creative requirements within a single group. We have started to roll out globally **EbiquitySelect™**, a new tool which analyses media offer data from agencies provided during pitches.

New services introduced in 2019 include an Agency Capabilities Programme which benchmarks incumbent agencies' provision to determine whether they are the right partners for the long-term future. We have also launched an Organisation and Talent Trends report, an overview of the changing needs of employees globally and the what brands need to succeed in the future. This will be joined in 2020 by a new Operational Readiness tool to help advertisers build the optimal marketing strategy, and an Organisational Design service.

Tell me about a couple of client highlights in the past year

Providing our innovative Agency Capabilities Programme to JLR. See case study on page 20.

Case study

Agency Capabilities Programme

Client objectives

JLR undertook a lengthy global agency review after 17 years with its previous incumbent agency. Given challenging economic conditions, half-way into its new contract, the company wanted to assess what its agency was delivering to the business and understand whether they needed to review again.

Ebiquity approach

We ran an in-depth review of agency performance, analysing the operational set-up, technical ecosystem, and delivery against contracted obligations. We assessed delivery against both the client's business and marketing objectives.

Our impact

Using both qualitative and quantitative performance metrics, we highlighted areas where agency delivery was beyond expectations and identified areas for improvement. This gave JLR the confidence to extend the agency contract and redirect their focus to other, business-critical projects.

Contract Compliance – FirmDecisions

In our Contract Compliance division – branded as FirmDecisions – we support advertisers by helping to ensure that agencies deliver services as contractually agreed, through reviews conducted by a team of specialists.

Stephen Broderick is the Global CEO and co-founder of FirmDecisions. FirmDecisions provides advertisers with transparency into their marketing and media investment, including creative, media, digital, and below-the-line. Stephen is based in our London office.

How does your practice help clients?

FirmDecisions provides advertisers with financial transparency into the marketing and media supply chain, gives clarity on how each marketing dollar is being spent, and verifies that agency partners are meeting their contractual obligations. As the marketing ecosystem becomes ever-more complex, advertisers are under increased pressure to ensure that marketing investment reaches target consumers as efficiently and effectively as possible.

What makes FirmDecisions different?

We have performed more than 7,000 contract compliance reviews in more than 75 markets. All of our team are former agency, finance, or marketing procurement professionals with deep, specialist knowledge. Every day, we audit only media and marketing agencies. This specialism, experience, and focus provides expertise that generalist audit firms cannot.

How are you evolving your offer to meet client needs?

Our innovative Digital Deep Dive contract compliance reviews now provide advertisers with hitherto-unseen detail about the management and application of media-bought programmatically. FirmDecisions continually evolves its forensic approach to media transparency as new delivery and trading mechanisms are tested and introduced by agencies and service providers, including programmatic and digital-out-of-home, as well as influencer marketing.

The recent arrival of Digital Decisions into the Ebiquity family of companies and the growth of our Tech practice provides FirmDecisions with the opportunity and skills required to drill deeper into the challenges that advertisers are facing today in the increasingly digital marketing ecosystem.

What have been the business highlights for FirmDecisions in 2019?

Both **Amazon** and **Sanofi** started working with FirmDecisions in 2019. For both businesses, we were their first-ever contract compliance partner. **Microsoft** had been a longstanding client for many years, but they stopped auditing five years ago. But in 2019, we were delighted to welcome the tech giant back on board for an extensive programme of contract compliance reviews.

Analytics

In our Analytics practice, we help advertisers to plan and optimise their investments in media and marketing, using analytical techniques to attribute and forecast the impact of marketing investments on business outcomes and optimise these investments.

Mike Campbell runs Ebiquity's International Effectiveness Practice. The practice applies advanced analytics techniques to help brands optimise marketing investments across key marketing activities and markets. He is based in our London office.

How does your practice help clients?

We enable our clients to enhance the efficiency of all their marketing spend, typically improving the impact and return on investment of their media, promotions, and pricing strategies. We do this through a combination of both well-established and innovative analytics techniques, including econometrics, which is also known as market mix modelling.

What makes Ebiquity Analytics different?

We adopt a strong, consulting-focused approach to put statistical disciplines to work for our clients. A major debate in the sector is how best to balance long-term, brand-focused messaging with short-term, conversion messaging. Our Analytics practice has a unique portfolio of modelling solutions to address this key question, including both Brand Equity Modelling and Attribution.

How are you evolving your offer to meet client needs?

Ebiquity has been increasing the penetration of market-leading optimisation technology to support our clients. This includes both our proprietary **TestMatch™** software for test and learn programmes and **PlanIt™** to optimise promotional effectiveness in retail.

What have been the business highlights for Ebiquity Analytics in 2019?

We have started to expand the number of genuinely international assignments we run for multinationals, and in 2019 we created a new team in France who are already delivering strong work on a number of clients including **Air France/KLM** and **Cofidis**. Other major client wins include **BT Group** and **JLR**.

Tell me about a couple of client highlights in the past year

In 2019, the Analytics practice won a record five awards at the biennial Institute of Practitioners in Advertising ('IPA') Effectiveness Awards for our clients, including **Direct Line Group**, **Lidl**, **Weetabix**, and **Taylors of Harrogate**.

AdTech

In our AdTech division, we help brand owners to address the specific challenges of managing digital media and programmatic media trading by designing the data and technology ecosystem best suited to delivering their marketing strategy and optimising their digital media investments.

Tim Hussain is Managing Principal of Ebiquity's Tech Practice. He leads the Company's global tech advisory business, helping brands to navigate the complexities of advertising and marketing technology. He is based in our London office.

How does your practice help clients?

Ebiquity's Tech practice advises global brands in three principal areas relating to advertising and marketing technology (adtech and martech).

1. **Digital marketing transformation.** We help advertisers on their own, three-to-five-year change management journeys of digital marketing transformation. This covers people, process, and technology. We have developed a streamlined and scalable approach for identifying business challenges and developing new opportunities.
2. **Use and control of marketing data.** Data is the oil of the 21st century, and marketers who can leverage it better than their competitors can seize long-term competitive advantage. We help our clients in all areas related to marketing data, from strategic assessments of the status quo to setting up and working with new partners.
3. **Operational readiness.** Just as FirmDecisions identifies areas for improvement in contract compliance, so the Tech practice helps brands improve all aspects of digital marketing operations.

What makes Ebiquity Tech different?

Our independence from the media supply chain is a critical differentiator. So too is our senior, experienced team who have many years' proven operational experience running the very tools and technologies that our clients are moving into and where they need guidance. Ebiquity Tech is not a theoretical advisory practice like the management consultancies. We are experienced, hands-on practitioners.

How are you evolving your offer to meet client needs?

Throughout 2019, we continued to focus on developing our expertise in developing our end-to-end consultancy offer, from paid media all the way through to sales. A critical step forward has been deepening our experience across marketers' creative agency workflows. In 2020, we are enhancing our offer to include implementation services.

What have been the business highlights for Ebiquity Tech in 2019?

We won the **ExxonMobil** business in the US in 2019, which has been renewed for 2020 and extended in scope. We won our first piece of business for car manufacturer **SEAT**, strengthening our already-deep relationship with VW Group Marketing. And we won a global marketing transformation project for Beiersdorf's global marketing team, who have charged us with developing their operating structure for media for the long-term future.

Tell me about a couple of client highlights in the past year

See the case study for ExxonMobil and Vodafone on pages 24 and 25.

Case study

ExxonMobil

Taking direct control of adtech

Client objectives

ExxonMobil wanted to take direct ownership of all its advertising technology contracts. The company was committed to this approach to secure efficiencies in its global digital marketing operation.

Ebiquity approach

We supported Exxon's senior marketing leadership team throughout this process.
This included strategic council and education for Exxon executives on the level of savings and efficiencies that were achievable on Google and in other online properties.

Our impact

Through our honest, open, and knowledgeable advice, we enabled ExxonMobil to secure initial operational efficiencies of more than $2 million. The senior leadership team now has the knowledge required to run its advertising technology contracts itself. The level of understanding and skill in the team – as well as the confidence to execute – has increased significantly.

"We thought in the pitch that you were deliberately trying to make it sound more complicated and nuanced than it was to justify getting more of the work. But we now know that there was a lot of important detail and considerations which we were not aware of."

ExxonMobil marketing lead

Case study

Taking digital media buying in-house

Client objectives

As one of the world's largest telecommunications companies, Vodafone wanted help bringing much of its digital media buying in-house. The company also sought guidance on how reviewing its supplier chain could help to deliver its in-housing ambitions.

Ebiquity approach

We designed a process that allowed Vodafone to be transparent about its in-housing goals and ask agencies to suggest how they would help them achieve this. The process enabled them to understand:

1. The role they would play in Vodafone's drive to in-housing.
2. The commercial impacts Vodafone was looking to secure.
3. How they could demonstrate their strategic and consultancy skills.

Our impact

The process secured full co-operation for Vodafone from the agencies in the pitch process – including Dentsu Aegis which won the contract. It allowed agencies to approach remuneration in a completely new way and demonstrate capabilities beyond simply pricing.

People, community and environment

“Our ‘Recognise’ tool was launched globally, enabling staff at all levels to recognise each other for great work.”

Emma Winterson-Hayward
Chief People Officer

The Company recognises the importance of its people to the success of the business. It also considers how it impacts the environment and the importance of giving back to the community.

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:

Learning and development

In 2019, we launched our ‘Consulting Skills Toolkit’ offering the opportunity to learn and develop skills in negotiation, storytelling with data, presentation skills, project management training, and PowerPoint across our offices. We will further define and develop this curriculum during 2020. Over 850 training hours were received via this curriculum.

We launched our micro learning site SkillPill to all our offices, with an 80% adoption rate globally. The online app offers self-driven learning in management and leadership skills, change management, agile project management, innovation and strategy, amongst many others.

Wellbeing

Wellness Month continued in London with expert talks on resilience, sleep and managing stress, as well as massage sessions and wellbeing information. Germany also had their first Wellness Day.

Diversity

We solidified our approach to diversity with the launch of our diversity statement on all recruitment advertising, together with enhancements to our selection policies and processes to ensure we are delivering on this promise.

This year we announced our partnership with ‘Women in Data’. Women in Data provides a platform for female and gender diverse data professionals to share their technical knowledge and experiences, and to encourage a more diverse representation in the industry. A number of our staff attended their annual conference, at which we had an exhibitor stand, to network, share ideas and support greater gender diversity in the data industry.

An LGBT+ diversity group has been established in London. Its mission statement is to promote acceptance, education, respect, and equality throughout the Ebiquity Group and provide a safe and non-judgemental space as a support for the LGBT+ community, as well as providing advice, support, and education to the Ebiquity business.

As a result of the diversity groups in 2019, refinements have been made to flexible working policies and family leave.

Our 'Insight On' series in London continues with a variety of internal and external leaders from the most diverse backgrounds taking to the stage to share their career and life lessons.

People analytics

Data and insights capabilities were added to the People team in order to give the leadership team a deeper understanding of our people metrics and the impact and performance of our people strategies.

Recognition

Our 'Recognise' tool was launched globally, enabling staff at all levels to recognise each other for great work in the following categories: innovation, leadership, client success, profile building for Ebiquity, new business, and just a general 'thank you' for great work done. It also enables the most senior leaders in the organisation to award an 'Oscars' badge for exceptional contributions. In the last quarter of 2019 over 300 separate recognitions were sent, helping to foster a culture of great appreciation and celebration.

Community

Ebiquity recognises the importance of giving back to the communities in which it operates and making a positive contribution to society. World Child Cancer was selected as the global company charity via a voting process. World Child Cancer partner with healthcare professionals from high income countries to deliver services and support to children and the families of children with cancer in third world countries. So far, employees have raised over £11,000 through a variety of fundraising efforts, including sponsored spin, raffles, competitive sponsored events, and by charging staff to throw a cream pie in the face of a leader of their choice!

Environment

Ebiquity recognises the need to use resources prudently and aims to promote the maintenance of a healthy environment through responsible and sustainable consumption. During 2019 the Company set up a sustainability group which is looking at ways in which we can act more responsibly and carefully towards the environment. This group has set a target of consistently reducing the Group's carbon impact on an annual basis from a base year of 2019. As an office-based business, we look at the ways in which we work to try and minimise the impact we have on the environment.
As a business we are:

- reducing air travel and making use of video and audio conference technology where possible;
- globally seeking to store and dispose of waste responsibly and recycle where possible;
- turning off monitors and other electronic equipment when not in use; and
- using recycled paper in printers and copiers.

Consulting skills toolkit launched

Over 850 training hours were received via this tool.

Supporting the community

Fundraising events held which raised over £11,000 for World Child Cancer charity.

Section 172 statement

Under section 172 of the Companies Act 2006, there is a general duty on every director to act in a way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole.

In doing this, the directors must have regard, amongst other matters, to the following:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

Shareholders

The Company communicates with shareholders in a number of different ways. Following the publication of each of the Group's interim results and preliminary results, the Chief Executive Officer and the Chief Financial Officer meet many of the major shareholders. The Chairman and Company Secretary also meet with major shareholders when appropriate. All shareholders are invited to the Company's Annual General Meeting, and the Company's website at www.ebiquity.com contains corporate documents and shareholder information.

Clients

Ebiquity strives to deliver relevant and professional services to its clients. We continue to evolve our services in line with changes in the media industry.

All client-facing staff put the client at the forefront in the delivery of services. The Chief Client Officer ensures that clients get the appropriate level of customer service and regularly reports to the Board on client relationships and issues facing clients.

Ebiquity's own client forums

This year we have developed our own direct client forums, including a series of dinners on topics such as The Future of Media, Marketing in the next decade, and on the development of an Ebiquity Manifesto. We created an 'Ebiquity Client Council' composed of 15 senior brand owners which meets three times a year to discuss industry-critical issues and provide feedback and guidance on the development of our business. We also formed the 'Ebiquity Media Management Procurement Forum' to provide support and insight at regular meetings for our marketing procurement clients and contacts. These procurement forums will be developed in other markets going forward, with the Middle East and North Africa region already up and running.

We also created a series of events bringing the client community into Ebiquity to highlight research we have conducted and exchange views on key topics such as managing brand safety online, cross media measurement and the future effectiveness of TV and end-to-end management of influencer marketing. The Ebiquity blog provides, thought leadership pieces, research and webinars on key industry issues and topics.

We also partner with Mediatel on a key visioning conference – 'The Future of Brands' – which runs in London and Sydney and which attracts over 400 high-level clients.

Employees

As set out on pages 26 and 27, the Company recognises that its employees are its key asset and engages them in decision-making. It is important that we continue to create the right environment to encourage and create opportunities for individuals and teams to realise their full potential.

All offices hold regular 'Town Hall' meetings to ensure employees are kept up to date on local and global financial targets and key matters affecting the Group.

The Chief Executive Officer holds 'all hands' meetings where all employees can connect to a meeting held by video conference and hear an update from the Chief Executive Officer and are then invited to ask questions on any topic. They are held at different times of the day to ensure all global employees have the chance to attend.

Community and the environment

As set out on page 27, Ebiquity recognises it has a part to play in the maintenance of a healthy environment and the importance of giving back to the community.

Suppliers

Ebiquity aims to pay its suppliers within a reasonable period of their invoices being received and approved. Ebiquity Associates Limited (the Group's UK trading company) reports its payment practices, policies, and performance under section 3 of the Small Business, Enterprise and Employment Act 2015.

Trade bodies

Ebiquity has key formal strategic partnerships with advertiser trade bodies globally, including the WFA for global advertisers, ANA for US-based advertisers, and ISBA for UK-brand owners. We also work closely with similar bodies in many other markets from France to Australia.

The whole premise of these association relationships is to share key insights and trends and provide access for the advertiser community to Ebiquity's deep sector expertise. Knowledge is shared via webinars, senior dinners, and association sector meetings. We also develop thought pieces and expert guidance, and provide one-on-one advice for association members on key marketing and media-related issues.

We have published reports with the US and Canadian Associations of Advertisers and work closely with similar bodies globally.

Risks

As with all businesses, Ebiquity is exposed to a variety of risks. The Board recognises that commercial risks are an inherent part of business and that there needs to be an effective management of these risks in order to meet the Group's strategic objectives and create shareholder return.

The Board has put in place an organisational structure with defined lines of responsibility and has adopted an authority matrix which sets out the delegation of authority to individual business units and members of staff. The internal control system is designed to provide reasonable assurance against material misstatement or loss.

There is an internal risk committee which regularly meets to review existing risks and discuss new risks. The output of a bottom-up/top-down assessment of risks is fed into the Audit & Risk Committee of the Board. This includes details of the risk, the potential impact on the Group, mitigating actions that are required and progress against these actions.

The matters described below are not intended to be an exhaustive list of all possible risks and uncertainties, but highlights the key risks that the business faces and actions it takes to mitigate such risks.

Risk	Mitigating actions
COVID-19 The COVID-19 pandemic is affecting our clients' businesses and may continue to do so. The extent of the disruption and the timing remains uncertain. Different ways of working are required to deal with the measures imposed by COVID-19 and the safety of our staff becomes an enhanced risk.	The Company has taken cost reduction measures to protect the business and preserve cash. This includes a temporary 20% salary reduction taken by the senior management team and the Board, a deferral of annual pay reviews and a temporary freeze on recruitment. We are also utilising the different government schemes that are available globally. We had invested in technology and so are able to seamlessly work from home and planning is underway as to how the various offices can return when it is advisable to do so.
Staff retention and recruitment Staff remain our greatest asset and the Group relies on skilled employees to build and maintain client relationships and win new business. The market is competitive and there is a risk we cannot attract and/or retain the best talent.	The Group's People team seeks to recruit the best talent and to offer not only exciting work but a competitive remuneration package and to make the workplace a great place to be. Policies and processes are put in place to allow career progression and development. The Remuneration Committee considers retention and motivation when considering the remuneration framework for executives.
Cyber security The Company is aware of the increased threat of third parties seeking to attack the Group's IT system, causing the loss or corruption of data.	During 2019, the Group created the new role of Information Security Officer, who has been upgrading the Groups' cyber security capability. There has been investment in improving endpoint security, endpoint detection and response, patch management automation, and multi-layer authentication for remote users. The Group's IT function continues to monitor and improve the Group's IT security in light of the continually evolving threat.

Risks continued

Risk	Mitigating actions
Client loss There will always be a loss of some clients and new clients won. Losses may occur due to many events beyond our control, including the effect of other risks such as macroeconomic uncertainty, re-directing expenditure elsewhere, or a reduction in budget. The loss of a major client unexpectedly, however, could have a material impact on resourcing and revenue.	Consistently providing high-quality work and getting regular feedback from clients helps maintain strong client relationships. The Company continues to develop its 'Client Partner' group where senior consultants work alongside the client to ensure consistency of work and to expand the types of services the client takes from the Group.
Misappropriation of assets/fraud There is always the risk that fraudulent activity could take place by employees of the Group.	The Group puts in place good policies and procedures to ensure the segregation of duties and has an authority matrix setting out levels of authority. Bribery and anti-corruption training regularly takes place and an annual external audit provides comfort that this sort of behaviour is not taking place.
Dependency on media agencies Ebiquity has a unique relationship with media agencies. In order to carry out its services for clients, it requires co-operation from the media agencies to provide clients' data to Ebiquity in a timely and suitable format. There is a risk that media agencies do not co-operate with Ebiquity and try and frustrate the relationship it has with clients.	Ebiquity continues to try and build good and transparent working relationships with the media agencies. Standard NDAs are now in place with many of the major media agency groups, together with a 'code of conduct' or 'ways of working' document to ensure that both parties work in a fair and open way. The Group's CEO and other senior executives meet counterparts at the media agencies to share any issues or concerns that arise in the course of Ebiquity providing services to mutual clients.
Macroeconomic uncertainty, including Brexit As well as the macroeconomic uncertainty from COVID-19, there could be volatility in markets following Brexit. This could lead to downward pressure on budgets.	The impact of this is likely to vary by sector and geography. Our client base is across different sectors and geographies which should help limit the risk. Regular client feedback is sought to understand any impact on our clients. We continue to keep a tight control on our costs and have taken measures to preserve cash.

Corporate governance

What's in this section

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

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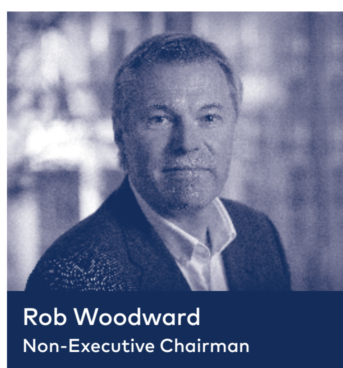
strong leadership

Board of Directors

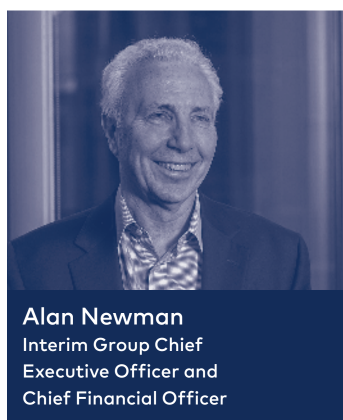
The Board of Directors (the 'Board') has overall responsibility for the Group and aims to represent the interests of shareholders and provide leadership and control in order to ensure the growth and development of the business.



Rob Woodward
Non-Executive Chairman

About
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 is Chair of 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.



Alan Newman
Interim Group Chief Executive Officer and Chief Financial Officer

About
Alan was appointed to the Board as Chief Financial Officer on 7 January 2019. On 12 November 2019, Alan was appointed Interim Chief Executive Officer after Michael Karg stepped down from the role.

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 Director 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

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

Experience
Richard was CEO of Instinctif Partners, the international business communications consultancy, for 12 years from 2006 to 2018. He subsequently held the role of Deputy Chairman of Instinctif Partners until September 2019. He is currently Chairman 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.

Key

- (A) Audit & Risk Committee
- (N) Nomination Committee
- (R) Remuneration Committee
- ○ Denotes Chairperson

Julie Baddeley
Non-Executive Director

About
Julie was appointed to the Board on 21 November 2014, 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, a director of Chrysalis VCT plc and Chair of the Steering Group of Chapter Zero. 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.

Tom Alexander
Non-Executive Director

About
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.

Mark Sanford
Company Secretary

About
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.

Corporate governance report

> "The Board recognises that shareholders look to the Board to promote the long-term success of the Company."

Rob Woodward
Non-Executive Chairman

Board attendance:

Rob Woodward	9/9
Michael Karg, PhD (until 12 November 2019)	5/5
Alan Newman	7/7
Richard Nichols	9/9
Julie Baddeley	9/9
Tom Alexander	9/9

Chairman's governance overview

I am pleased to introduce the corporate governance report for the year ended 31 December 2019.

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 and for the governance of the Group. 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.

The Board recognises that shareholders look to the Board to promote the long-term success of the Company and I recognise that effective governance is crucial to achieve this. As Chairman it is my role to provide the leadership to the Board to do so.

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 and the values of our business.

In July 2018 the Board formally adopted the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code') pursuant to Rule 26 of the AIM Rules. The Board believes that the QCA Code is appropriate for the Company and further details can be found on pages 38 and 39 where compliance with the various principles of the QCA Code is set out. As an AIM-listed company, the Company is not required to comply with the UK Corporate Governance Code (the 'UK Code'), however the Board does consider the principles and provisions of the UK Code when it considers it appropriate and relevant.

Rob Woodward
Chairman

20 May 2020

Statement of compliance

Ebiquity has adopted the QCA Code and is compliant with its principles. Further details are set out on pages 38 and 39.

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.

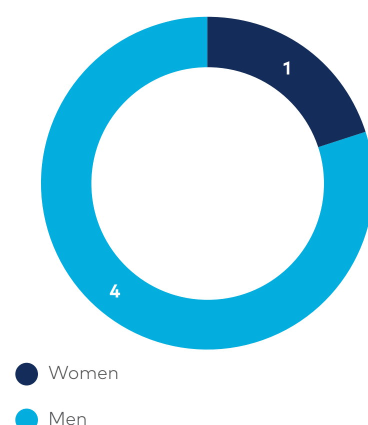
Composition of the Board and roles of the Directors

The changes to the Board composition during the year were as follows:

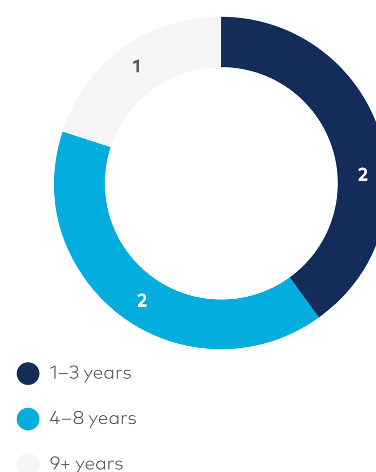
Kevin McNair stepped down as Interim Chief Financial Officer on 7 January 2019 as Alan Newman was appointed Chief Financial Officer on that date. Following Michael Karg's resignation as Director and Chief Executive Officer on 12 November 2019, Alan also took on the role of Interim Chief Executive Officer.

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.

Gender diversity



Tenure



The Board of Directors now comprises an independent Non-Executive Chairman, three further independent Non-Executive Directors and one Executive Director. Nick Waters has been appointed as Chief Executive Officer with effect from 1 July 2020. 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. The three Non-Executive Directors are all considered to be independent and no single director is dominant in the decision-making process.

The Chairman's principal role is to lead the Board in the determination of its direction and strategy. The Chairman is responsible for setting the agenda for, and organising the business of, the Board as well as ensuring its effectiveness. 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 Officer regularly meet with investors and analysts to discuss the performance of the business and its strategy.

Appointment, election and re-election of Directors

The Company's Articles of Association provide that at each AGM of the Company, one-third of the Directors must retire by rotation. At the forthcoming AGM, Rob Woodward and Richard Nichols will offer themselves for re-election by shareholders.

With regard to both Rob Woodward and Richard Nichols, the Board is satisfied that their contributions continue to be effective and they demonstrate sufficient time commitment to their roles. The Board also believes that each director standing is independent in character and judgement. The Board acknowledges that Richard Nichols reached 11 years' tenure as a Non-Executive Director in November 2019. After evaluation, the Board has determined that Richard remains independent in character and judgement in his role as Non-Executive Director. If Richard Nichols continues on the Board, it will be the Board's intention to seek re-election annually, consistent with the QCA Code.

Biographical details regarding the Directors, including the committees on which they serve, are contained on pages 32 and 33.

Corporate governance report continued

The Board's responsibilities

The principal matters considered by the Board include:

- approving the annual budget and quarterly reforecasts;
- the Company's strategy, performance and outlook;
- review of the Group's risk management and internal controls;
- the Group's financial results for the half year and full year;
- approving the Company's dividend policy;
- major capital projects; and
- corporate governance matters including QCA Code compliance.

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 face-to-face on seven occasions. In addition, there were two further Board meetings of the Non-Executive Directors held by telephone.

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 CEO update, a CFO update and a Company Secretary update. Monthly management accounts are shared with the Board. 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.

Board of Directors

Chairman	**Rob Woodward** Non-Executive Chairman		
Executive Director	**Alan Newman** Interim Chief Executive Officer and Chief Financial Officer		
Non-Executive Directors	**Richard Nichols** Non-Executive Director	**Julie Baddeley** Non-Executive Director	**Tom Alexander** Non-Executive Director

Board committees

Audit & Risk Committee	Nomination Committee	Remuneration Committee
2019 membership	**2019 membership**	**2019 membership**
Richard Nichols (Chair)	Rob Woodward (Chair)	Julie Baddeley (Chair)
Rob Woodward	Richard Nichols	Rob Woodward
Tom Alexander	Julie Baddeley	Tom Alexander
	Tom Alexander	

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.

Risk management

The Company's approach to risk is set out on pages 29 and 30.

Board committees

The Board has constituted several committees to support it in the performance of its functions. The principal committees are the Audit & Risk Committee, the Remuneration Committee and the Nomination Committee. The reports of these committees can be found on pages 40 to 48.

The Company Secretary acts as secretary to the committees. The terms of reference of each committee are available on the Group's website and are reviewed regularly and updated as required.

Audit & Risk Committee

The Audit & Risk Committee currently comprises Richard Nichols (Chair), Rob Woodward, and Tom Alexander. The Board considers Richard Nichols to have recent and relevant financial experience to chair the Committee. Richard is a qualified chartered accountant and has served as the finance director and chief executive officer of listed and private companies. The Chief Financial Officer also attends most meetings at the invitation of the Chair. 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.

Remuneration Committee

The Remuneration Committee currently comprises Julie Baddeley (Chair), Rob Woodward, and Tom Alexander. The Executive Directors attend the meetings on the invitation of the Chair but will not be present for any discussions regarding their own remuneration. 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.

Nomination Committee attendance:

Rob Woodward	1/1
Richard Nichols	1/1
Julie Baddeley	1/1
Tom Alexander	1/1

Nomination Committee

The Nomination Committee is chaired by Rob Woodward. The Nomination Committee currently comprises Rob Woodward, Richard Nichols, Julie Baddeley, and Alan Newman. 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.

Board evaluation

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. All Directors complete a questionnaire on the structure and the performance of the Board and its committees which is sent anonymously to the Company Secretary who collates the scores and comments. The Board discusses the outcome of the questionnaire and what actions need to take place as a consequence.

Directors' conflicts of interest

Directors have a statutory duty to avoid conflicts of interest with the Company. The Company Secretary keeps a register of the Directors' other interests and potential conflicts which is constantly kept up to date. At the beginning of each Board meeting the Directors confirm they have no conflicts of interest in relation to the matters being considered.

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 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 the 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.

Corporate governance report continued

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 02 to 30.

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

As set out in this corporate governance report, the Directors actively seek to build a relationship with shareholders. The Chief Executive Officer and the Chief Financial 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. The Chairman and the Company Secretary also meet with major shareholders as required. 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 are set out on pages 26 and 27, and the section 172 statement on page 28 details engagement with other stakeholders.

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 risk management approach adopted by the Board is set out on pages 29 and 30.

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 currently one full-time Executive Director. Nick Waters has been appointed as Chief Executive Officer with effect from 1 July 2020. 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 are set out on page 34.

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 32 and 33.

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.

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 2019, 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 to address issues raised.

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, open to all employees, 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 on page 35.

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 37.

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 the Company's 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.

Audit & Risk Committee report

"The Board has delegated to the Audit & Risk Committee oversight of the Group's financial reporting and the Group's risk management process."

Richard Nichols
Audit & Risk Committee Chair

Committee attendance:	
Rob Woodward	3/3
Richard Nichols	3/3
Tom Alexander	3/3

Introduction

I am pleased to present the report of the Audit & Risk Committee (the 'Committee') for the year ended 31 December 2019. This report details the Committee's role and responsibilities and key activities during the year. Although the Board has ultimate responsibility for the Group's system of internal control and for managing the Group's risks, 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.

Richard Nichols
Audit & Risk Committee Chair

20 May 2020

Composition of the Audit & Risk Committee

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 32.

The Committee met on three occasions during the year. The attendance of its members is set out in the table on page 40. 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 responsibilities 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;
- considering the Group's accounting policies and practices and the application of accounting standards;
- overseeing the relationship with the Group's external auditors and 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. Further information on the Group's approach to risk is set out on pages 29 and 30.

Activities during the year

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

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

- **the assessment of the carrying value of goodwill and intangible assets:** the Committee assesses on a twice-yearly basis whether there are any indicators of impairment to the carrying value of any cash-generating unit. The Committee reviewed the key assumptions in the assessment of goodwill and the sensitivity of these assumptions and impact on the carrying value of goodwill and intangible assets. On this basis the Committee makes recommendations to the Board in this regard;
- **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;
- **presentation and disclosure 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 to ensure full disclosure had been made in the financial statements;
- **capitalisation of intangibles:** the Committee reviewed the nature and quantum of the system development costs 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;
- **impact of IFRS 16:** the Committee reviewed the impact and adoption of the new IFRS 16 accounting standard;
- **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; and
- **going concern:** in accordance with the guidance issued by the Financial Reporting Council, the Committee reviewed the specific consideration made by the Directors to the potential impact of the COVID-19 pandemic on the global economy, business environment in which the Group operates, and its business in particular. As at the date of this annual report this impact remained highly uncertain and difficult to predict.

  The Directors have accordingly considered a range of scenarios relating to the impact of COVID-19 which they believe are plausible in the context of the Group's clients, services and operations and assessed their impact on the Group's cash flows and liquidity for a period of 12 months from the date of approval of these financial statements. In this assessment, the Directors had regard to the potential reduction in receipts from clients that may arise from the COVID-19 disruption and to options that may be available to the Group to mitigate any resulting negative impact on its cash flows and liquidity. These include: (i) draw down of all available borrowing facilities; (ii) reductions in its operating and capital expenditure; and (iii) benefit of measures taken by governments and central banks in the countries in which the Group operates to assist businesses and employees, directly or indirectly, to meet their financial obligations and maintain their business operations during the period of the pandemic.

  As a result of these scenarios, the Directors consider that the Group will have sufficient liquidity within its existing bank facilities, totalling £24,000,000, to meet its obligations during the next 12 months.

Audit & Risk Committee report continued

Activities during the year continued

- **going concern:** continued
  The Directors consulted with the lenders, Barclays and Royal Bank of Scotland, to negotiate covenant waivers where required in order to negate the risk of any future covenant breaches. The existing covenants remain in place for the 12 months to March 2020 and June 2020. The March 2020 covenants have already been achieved, and there are no concerns over meeting the June 2020 covenants; revenue would have to reduce by 21% between May and June 2020 compared to the latest prudent expectations for a breach to result.

  Agreement in principle has been reached with the lenders to replace the existing covenants for September 2020, December 2020 and March 2021 with a monthly liquidity test that will be in place between July 2020 and May 2021. This is subject to the agreement of legal documentation with the lenders which is not yet in place, but which the Directors are confident will be shortly. Under the Directors' base case scenario, there are no forecast breaches of the new liquidity covenant tests. The Directors' downside scenario indicates that the covenant test at May 2021 is the most sensitive but is not breached. If revised expectations for this period were to worsen then the Directors would take the appropriate action ahead of time to reduce operating costs to mitigate the likelihood of a breach.

  The covenants revert to the existing measures as at June 2021, which under the current base case scenario would be breached and would need to be waived. The Directors are confident, based on the support of the lenders, that waivers would be granted, however, there is a risk that this may not occur. This, and the risk that legal documentation is not agreed to replace the existing covenants for September 2020 to May 2021, represent a material uncertainty that casts significant doubt on the Group's ability to continue to operate as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

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.

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.

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. There were no non-audit fees paid to PwC during the year.

Remuneration Committee report

"The Company will continue to review its remuneration practices and policies and will liaise with investors where appropriate."

Julie Baddeley
Remuneration Committee Chair

Committee attendance:

Rob Woodward	8/8
Julie Baddeley	8/8
Tom Alexander	8/8

Introduction

I am pleased to present the report of the Remuneration Committee (the 'Committee') for the year ended 31 December 2019. This report details the Company's overall approach to pay, benefits and incentives for its executives and the remuneration arrangements that are in place for the Directors.

During the year, the Committee reviewed the Group's Long-Term Incentive Plan ('LTIP'), in conjunction with external advisers, to ensure that it was in line with market practice and suitable for the retention and motivation of the executives. The outcome of this review was not to substantially change the scheme, as the Committee concluded that the existing structure continued to support the delivery of the strategy. The awards granted to Directors during the year were nil-priced options which vest after three years subject to continued employment and the achievement of both earnings per share ('EPS') and total shareholder return ('TSR') performance conditions.

Details of the scheme are explained in more detail below. We will continue to monitor and review the LTIP to ensure it remains in line with market practice for a company of our size and the fact that we are a people-based business.

Michael Karg stepped down as CEO during the year and left the business on 31 December 2019. Nick Waters has been appointed as Chief Executive Officer with effect from 1 July 2020.

The Company will continue to review its remuneration practices and policies and will liaise with investors where appropriate.

Julie Baddeley
Remuneration Committee Chair

20 May 2020

Remuneration Committee report continued

Remuneration framework

The Board recognises the need to have the right remuneration framework in place in order to attract and retain people with industry-leading skills, knowledge and the experience needed to develop and grow the business, and to incentivise them to deliver the strategy and promote long-term sustainable success. The Committee considers the following when setting the remuneration framework:

- the responsibility of the executive's role, their experience and performance;
- the remuneration arrangements in place for the wider workforce;
- market practice at other companies of a similar size and complexity as well as at other companies in the sector;
- the need to attract and retain executives of the right calibre with the required skills and the need to get the right balance of short and long-term incentives; and
- the need for the short and long-term incentives to be aligned with the Group's strategy.

For all Executive Directors, the Committee may make use of some or all of the remuneration components set out below.

Executive Directors

Base salary

Key features	Reflects market practice commensurate with the role and the geography of the executive. Reviewed annually to take account of cost of living adjustments, market comparators and the individual's performance in the role.
Purpose and link to strategy	To provide a core level of reward for the completion of core duties. Set at a level to attract and retain employees of a sufficient calibre and expertise to deliver the Group's strategy.
Maximum opportunity	There is no prescribed maximum salary or salary increase, but the Company regularly reviews relevant talent markets and the Committee uses its discretion to award increases when it considers it necessary. The Committee takes account of base salary increments in the rest of the workforce when making any adjustments to executive salaries.
Performance measures	The Committee considers the executive's performance during the period since the last review.

Benefits

Key features	The Remuneration Committee ensures that arrangements for Executive Directors are in line with general policies for the workforce, including, but not limited to, private medical, life and critical illness insurances, and personal pension contributions.
Purpose and link to strategy	To provide current and future heath and security for the executive and their dependents in line with local market practice.
Maximum opportunity	The value of benefits is not capped, but the Committee will consider the aggregate value of any benefits when determining what, if any, should be offered.
Performance measures	Not applicable.

Pension

Key features	Executive Directors are entitled to receive employer contributions to a personal pension plan.
Purpose and link to strategy	To provide Executive Directors with long-term savings for the future in line with market practice.
Maximum opportunity	Maximum contribution of 10% of base salary.
Performance measures	Not applicable.

Annual performance bonus

Key features	Discretional annual cash bonus depending on achievement of Group financial targets and personal strategic objectives. Targets are reviewed annually by the Committee.
Purpose and link to strategy	To incentivise the individual to achieve against a set of agreed short-term financial objectives and personal achievements.
Maximum opportunity	A maximum of 100% of salary may be earned by any one Director in a financial year.
Performance measures	The overall bonus target is linked to budgeted operating profit as well as personal objectives relating to the Group's overall strategy.

Long-Term Incentive Plan ('LTIP')

Key features	Awards are made under the Ebiquity 2012 Executive Share Option Plan (the 'Plan'). The awards are subject to continued employment and the achievement of certain financial performance conditions. The Committee may adjust and amend awards in accordance with the LTIP rules. Awards are made according to role, performance and perceived future value.
Purpose and link to strategy	The provision of an LTIP is intended to provide incentives for longer-term growth and value creation through shareholder returns. It aligns the Executive Directors' interests with those of shareholders.
Maximum opportunity	Awards typically do not exceed 100% of salary and are subject to a maximum of 200% of salary in exceptional circumstances.
Performance measures	Performance conditions are chosen by the Committee to support the delivery of the Company's strategy and provide alignment between Executive Directors and shareholders. Performance conditions may vary each year depending on the financial and strategic priorities and performance. Awards granted in 2019 are based on the achievement of adjusted EPS and TSR performance conditions, as further detailed below.

Remuneration Committee report continued

Non-Executive Directors

Fees

Key features	Cash fees determined by the Executive Directors reflect time commitment and responsibility (including being a member of, or chairing, the committees).
Purpose and link to strategy	Set at a level to attract and retain Non-Executive Directors of a sufficient calibre with relevant skills and expertise to assist in establishing and monitoring the Group's strategy.
Maximum opportunity	There is no prescribed maximum, but the Company regularly reviews the fees and takes into account relevant market data.
Performance measures	Evaluation of the Board's performance takes place annually.

Directors' remuneration in the year ended 31 December 2019

	Salary/fees £'000	Taxable benefits £'000	Bonus £'000	**Year ended 31 December 2019 Total £'000**	Year ended 31 December 2018 Total £'000
Executive					
Michael Karg, PhD[1]	346	16	—	**362**	416
Kevin McNair[2]	63	—	—	**63**	88
Alan Newman[3]	240	1	—	**241**	—
Andrew Noble[4]	—	—	—	**—**	281
Morag Blazey[5]	—	—	—	**—**	407
Non-Executive					
Michael Higgins[6]	—	—	—	**—**	43
Rob Woodward	85	—	—	**85**	62
Richard Nichols	35	—	—	**35**	45
Julie Baddeley	35	—	—	**35**	45
Tom Alexander	35	—	—	**35**	45
	839	17	—	**856**	1,432

1. Michael Karg stepped down as a director on 12 November 2019 and his employment ceased on 31 December 2019. His salary during the period was £400,000 per annum and he received £18,614 of taxable benefits. In January 2020, Michael received a payment totalling £513,017 in lieu of base salary, pension and healthcare benefits for his notice period, his accrued but untaken holiday, and in settlement of other provisions in connection with cessation of employment. This amount is not included in the salary/fees column above.
2. Kevin McNair resigned as Interim Chief Financial Officer on 7 January 2019. He received a payment in lieu of part of his notice period.
3. Alan Newman was appointed as Chief Financial Officer on 7 January 2019. His salary was set at £225,000. On 12 November 2019, he also took on the role of Interim Chief Executive Officer and his salary was increased to £350,000 per annum for the period of time in this role.
4. Andrew Noble resigned as a director on 2 October 2018 and his employment ceased on 23 December 2018.
5. Morag Blazey ceased to be a director on 2 January 2019.
6. Michael Higgins retired from his role as Chairman on 9 May 2018.

Pensions

No Director was a member of a Company pension scheme (FY2018: nil). Contributions totalling £40,000 (FY2018: £32,167) were made to Michael Karg's private pension schemes. No other Director received any pension contributions during the year.

Annual bonus

For 2019, Executive Directors were eligible for cash bonuses as a percentage of base salary dependent on achievement of budgeted operating profit of the Group. Financial targets were not met and therefore no bonus was paid.

Long-term incentives

During the year, no share options that were previously granted to Directors under the Company's LTIP vested (FY2018: 285,000 share options). No Director exercised share options during the year (FY2018: 40,295 share options).

Outstanding share awards

Share options were granted to the Interim Chief Executive Officer in December 2019 in respect of the financial year to 31 December 2019 as set out below:

Beneficiary	Grant date	Volume	Exercise price	Performance conditions	End of performance period
Alan Newman	4 December 2019	410,000	£nil	**75% of vesting based on EPS growth** The EPS portion of the Award will vest in full if the Company achieves a 15% compound annual growth rate or higher in EPS for the financial year to 31 December 2021 compared to a reference EPS for the financial year to 31 December 2018. A minimum compound annual growth rate in EPS of 8% over this three-year period will trigger vesting of 30% of the EPS portion of the Award. There will be straight-line vesting between these points. **25% of vesting based on TSR growth** 25% of the TSR portion of the Award will vest if the Company's TSR is at least equal to the TSR of the AIM Media Index over the three-year performance period to 31 December 2021. The TSR portion of the Award will vest in full if the Company's TSR is at least 8% per annum greater than the average TSR of the companies in the AIM Media Index. There will be straight-line vesting between these points. TSR will be measured based on the three-month average TSR to 31 December 2021 compared to the three-month average TSR to 31 December 2018.	31/12/2021

Directors' interests in share plans

As at 31 December 2019, the following Directors held share options over ordinary shares of 25p each under the Ebiquity 2012 Executive Share Option Plan:

Beneficiary	Number as at 31 December 2018	Share options lapsed during the year	Share options vested during the year	Share options granted during the year	**Number of share options at 31 December 2019**	Grant date	End of performance period
Alan Newman	—	—	—	410,000	**410,000**	3/12/2019	31/12/2021
Michael Karg	100,000	—	—	—	**100,000**	26/1/2016	Vested 30/6/2016
Michael Karg	100,000	—	—	—	**100,000**	26/1/2016	Vested 31/12/2016
Michael Karg	350,000	70,000	—	—	**280,000**	13/2/2018	31/12/2020
Michael Karg	350,000	140,000	—	—	**210,000**	13/2/2018	31/12/2021
Michael Karg	500,000	300,000	—	—	**200,000**	11/7/2018	31/12/2022

Remuneration Committee report continued

Directors' interests in the shares of Ebiquity plc

	31 December 2019		31 December 2018	
	Ordinary shares	**Options**	Ordinary shares	Options
Michael Karg	**41,661**	**890,000**	18,160	1,400,000
Alan Newman	**160,000**	**410,000**	—	—
Rob Woodward	**39,980**	**—**	39,980	—
Richard Nichols	**100,000**	**—**	100,000	—
Julie Baddeley	**15,000**	**—**	15,000	—
Tom Alexander	**—**	**—**	—	—

Termination payments to Directors

One director, Michael Karg, left the Company in the year ended 31 December 2019 and received a total of £513,017 including contributions to pension, payment in lieu of healthcare benefits, payment in lieu of his notice period, payment in lieu of his accrued but untaken holiday, 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 again reported for the snapshot date of 5 April 2018. Although not required in 2019, the Company has continued to report its findings and the most recent report is available on the Company's website.

Directors' report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2019.

Ebiquity plc is incorporated in England and Wales under registered number 3967525. Its registered address and principal office is at Chapter House, 16 Brunswick Place, London N1 6DZ. The Company is the ultimate parent of the Group. Its overseas operations are subsidiaries (see note 14).

Future developments

The future developments of the Group are considered in the strategic report on pages 02 to 30.

Dividends

No dividend is being paid in respect of the year ending 31 December 2019.

Research and development

The Group continues to invest in the development of products. During the period, a total of £1,203,000 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 (FY2018: 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 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. This consideration was dependent on a working capital target position at the date of completion. The working capital acquired by Nielsen was below this target and a resulting repayment was made to Nielsen of £1,155,000 on 31 October 2019.

Acquisitions

On 11 June 2019, the Group acquired the outstanding 5.97% interest in its subsidiary undertaking, Ebiquity Germany GmbH, from the minority shareholder for cash consideration of €380,000 (£336,000).

Events after the reporting period

On 8 January 2020, the Group completed the purchase of Digital Decisions B.V ('Digital Decisions'). The acquisition was for an initial cash consideration of €700,000 (£597,000) with further consideration payable in a mix of cash and Ebiquity plc shares. The first deferred payment will be based on performance for the year ending 31 December 2020 and the second payment will be based on the average performance for the years ending 31 December 2021 and 31 December 2022.

On 3 February 2020, the Company announced that it would be acquiring the outstanding 49% interest in its subsidiary Ebiquity Italy Media Advisor S.r.l ('Ebiquity Italy') from the founders and minority shareholders Arcangelo DiNieri and Maria Gabrielli. The transaction will complete in May 2020. The total consideration of €3.6 million is based on an average of Ebiquity Italy's profit before tax and management charges for the years ending 31 December 2018 and 2019. Since the announcement date the payment terms have been amended. The consideration will now be paid in a mix of cash and Ebiquity plc shares. At completion 25% of the total consideration will be paid in Ebiquity plc shares and 5% in cash. The remaining cash payments will be paid over the following 10 months.

COVID-19

The Company continues to closely monitor the COVID-19 pandemic and its impact on our staff, clients and operations. Our primary focus is ensuring the safety and wellbeing of our employees and we have successfully implemented a remote working policy for all of our offices globally, although our staff in China have now returned to their offices.

The COVID-19 disruption is affecting our clients' businesses and their service requirements, although the extent and timing of its impact over the coming months remains uncertain.

The Company is undertaking prudent cost reduction measures in order to protect the business and preserve cash in the current environment.
This includes a 20% salary reduction taken by the senior management team and Board, a deferral of the annual pay review, and temporary freeze on recruitment. The Group is also utilising, to the extent necessary, the different government schemes put in place to support businesses in many of the countries in which it operates, including Australia, France, UK and USA.

Directors' report continued

Directors

Details of the Directors serving at the end of the year and their biographies are set out on pages 32 and 33.

Alan Newman was appointed Chief Financial Officer and a director of the Company on 7 January 2019. Kevin McNair resigned from the Board as Interim Chief Financial Officer on the same day.

Michael Karg stepped down as a director and Chief Executive Officer on 12 November 2019 and left the business on 31 December 2019. Alan Newman took on the role of Interim Chief Executive Officer (and Chief Financial Officer) on 12 November 2019.

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.

Further information about the Directors' interests is provided in the Remuneration Committee report on pages 43 to 48.

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.

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 pages 26 and 27.

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 27 to the financial statements.

Substantial shareholdings

At the date of this report, the Company's issued share capital consisted of 80,125,626 ordinary shares of 25p each and a total of 75,925,626 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.

Shareholders	Shares	% of issued share capital	% of voting share capital
Artemis Investment Management	15,344,790	19.15%	20.21%
Canaccord Genuity Wealth Management (Inst)	10,179,334	12.70%	13.41%
BGF Investment Management Limited	9,976,441	12.45%	13.14%
JO Hambro Capital Management	9,500,000	11.86%	12.51%
Legal & General Investment Management	4,945,200	6.17%	6.51%
Herald Investment Management	4,341,125	5.42%	5.72%
Fidelity International	3,709,109	4.63%	4.89%
River and Mercantile Asset Management	2,435,695	3.04%	3.21%

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. As explained in the Audit & Risk Committee report on pages 40 to 42, additional work was undertaken in light of the COVID-19 pandemic. This included consulting with its lenders and varying the financial covenants it has with them. As a result of this assessment, the Board concluded that the Group will have sufficient liquidity within its existing bank facilities, totalling £24,000,000, to meet its obligations during the next 12 months.

As detailed in the Audit & Risk Committee report agreement in principle has been reached with the lenders to replace the existing covenants for September 2020, December 2020 and March 2021 with a monthly liquidity test that will be in place between July 2020 and May 2021. This is subject to the agreement of legal documentation with the lenders which is not yet in place, but which the Directors are confident will be shortly.

The covenants revert to the existing measures as at June 2021, which under the current base case scenario would be breached and would need to be waived. The Directors are confident, based on the support of the lenders, that waivers would be granted, however, there is a risk that this may not occur. This, and the risk that legal documentation is not agreed to replace the existing covenants for September 2020 to May 2021, represent a material uncertainty that casts significant doubt on the Group's ability to continue to operate as a going concern.
The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Independent auditors and disclosure of information to auditors

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

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

By order of the Board

Mark Sanford
Company Secretary

20 May 2020

Financial statements

What's in this section

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

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detailed financials

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 regulation.

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

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 2019 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 (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 December 2019; the consolidated income statement, 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.

Material uncertainty related to going concern

In forming our opinion on the group and company financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the consolidated financial statements and note 2 to the Company financial statements concerning the group's and company's ability to continue as a going concern.

The Directors have given specific consideration to the potential impact of the Covid-19 pandemic on the global economy, business environment in which the company operates and its business in particular. The Directors have considered a range of scenarios relating to the impact of Covid-19 which they believe are plausible in the context of the group's and company's operations and assessed their impact on the group's and company's cash flows and liquidity for a period of 12 months from the date of approval of the financial statements. As a result of these scenarios, the Directors consider that the group and company will have sufficient liquidity within its existing bank facilities, totalling £24,000,000, to meet its obligations during the next 12 months.

Agreement in principle has been reached with the lenders to replace the existing covenants for September 2020, December 2020 and March 2021 with a monthly liquidity test that will be in place between July 2020 and May 2021. This is subject to the agreement of legal documentation with the lenders which is not yet in place, but which the Directors are confident will be shortly. Under the Directors' base case scenario there are no forecast breaches of the new liquidity covenant tests. If revised expectations for this period were to worsen then the Directors would take the appropriate actions ahead of time to reduce operating costs to mitigate the likelihood of a breach.

The covenants revert to the existing measures as at June 2021, which under the current base case scenario would be breached and would need to be waived. The Directors are confident, based on the support of the lenders, that waivers would be granted however there is a risk that this may not occur.

These conditions, along with the other matters explained in note 1 to the consolidated financial statements and note 2 to the Company financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and company's ability to continue as a going concern. The group and company financial statements do not include the adjustments that would result if the group and company are unable to continue as a going concern.

Audit procedures performed

In concluding there is a material uncertainty, our audit procedures evaluated the Directors' assessment of the group's forecast trading for at least 12 months from the date of approval of the financial statements and the downside scenarios that have been modelled. We have understood the impact on forecast liquidity and covenant compliance.

In assessing the impact of the above scenarios, which are referred to in note 1 of the financial statements, we performed the following procedures on the Directors' assessment that the group and company will continue as a going concern:

- We obtained management's paper that supports the Board's assessments and conclusions with respect to the disclosures provided around going concern;
- We discussed with management the impact assessments applied in the going concern reviews so we could understand and challenge the rationale for those assumptions, including our knowledge of the business, the sector and wider commentary available from key customers;
- We obtained the monthly trading results to April 2020, and flash trading results thereafter for 2020 year to date, and compared to the management's original and revised forecasts, and considered the impact of these actual results on the future forecast period;
- We understood the mitigating actions that have and could be taken by management, including suspending dividend payments, receipt of government support, such as grants and subsidies, and restructuring of headcount;
- We assessed management's sensitivity scenario, which also includes further potential mitigating actions available, to confirm they are within management's control. We challenged management to run further downside scenarios in order to assess the possible impact;
- We assessed the availability of liquidity resources under different scenarios modelled by management, and assessed compliance of the associated covenants tests;
- We obtained and read the written confirmation from the lenders that agreement in principle has been reached with the lenders to replace the existing covenants for September 2020, December 2020 and March 2021 with a monthly liquidity test that will be in place between July 2020 and May 2021;
- We evaluated additional downside sensitivities and considered the impact on covenants and liquidity headroom; and
- We assessed the disclosures in the Annual report and financial statements relating to going concern, including the material uncertainties, to ensure they were fair, balanced and understandable and in compliance with IAS 1.

Our audit approach

Context

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.

Overview

- Overall group materiality: £200,000 (2018: £250,000), based on 5% of profit before tax and highlighted items from continuing operations.
- Overall company materiality: £784,000 (2018: £988,000), based on 1% of total assets.

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

- Risk of impairment of goodwill and intangible assets (Group).
- Accounting for contract revenue recognition (Group).
- Going concern consideration for Covid-19 (Group and Company).
- Impairment of investments (Company).

Report on the audit of the financial statements continued

Our audit approach continued

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. In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. 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 the business. The key assumptions applied by management were future revenue growth, cost assumptions and the discount rate used as set out in note 10 to the Group financial statements. We focused on those Cash Generating Units (CGUs) we considered to carry more judgement because of current year losses or historical underperformance against budgets, or for which management's impairment model gave lower headroom relative to other CGUs. The Value In Use (VIU) calculations in relation to the Group's China CGU (goodwill of £2,150k) and Media America CGU (goodwill and intangible assets of £604k) were most sensitive to changes in key assumptions.	We have evaluated management's future cash flow forecasts, which were prepared to a sufficiently detailed level, including comparing them to the latest Board approved budgets, testing the integrity of the underlying calculations and assessing how both internal and external drivers of performance were incorporated into the projections. We also challenged the discount rates used by independently recalculating the cost of capital. In respect of the China and Media America CGUs, we have assessed each of the assumptions that have been applied to the impairment model and agree with the amount of the impairment that has been recognised. The Media America business under performed in 2019, suffering a decline in revenue and a change in senior management. A revised strategic plan has been developed and approved by the Board which we have reviewed and understood the impact of on the 2020 forecast. For both CGUs, we compared the 2019 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. Therefore, we also examined the disclosures made in the financial statements and concluded that they are appropriate given the sensitivity of the China and Media America CGU to changes in assumptions.

Key audit matter	How our audit addressed the key audit matter
Accounting for contract revenue recognition (Group) 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. Where services are performed by an indeterminate number of acts over a specific period, revenue is recognised on a straight line basis over the specific period unless there is evidence that some other method better represents the stage of completion. If the outcome of a contract cannot be estimated reliably, the contract revenue is recognised to the extent of contract costs incurred that it is probable would be recoverable. Costs are recognised as an expense in the period in which they are incurred. Careful consideration needs to be given to projects open at year end requiring significant judgement in respect of the stage of completion and the associated revenue and profit to be recognised. The total amount of revenue and profit to be recognised under a contract can be affected by changes in conditions and circumstances over time, such as: • variations to the original contract terms • cost overruns • scope changes that require further negotiation and settlement. Variations can arise from changing client specifications, changes to the job based on unforeseen circumstances (e.g. macroeconomic factors), as well as from inefficiencies on the part of either party. There can be some uncertainties, therefore, in determining the amounts to be recovered from any additional work performed. The risk is, therefore, that contract revenue is not recognised in the correct period or that revenue and associated profit is misstated.	We understood management's policies and their controls for recording revenue. We performed detailed end-to-end walkthroughs of the finance and operational processes, utilising our understanding from prior years to reassess the design effectiveness of the key internal controls and identify changes, if any. We reviewed a sample of the terms and conditions attached to revenue contracts and evaluated management's judgements used to determine the timing of recognition of revenue. We selected a number of contracts 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.

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
Going concern consideration for Covid-19 (Group and Company) Management consider COVID-19 to be a non-adjusting event as at the balance sheet date and have made disclosures in note 34 to the financial statements on that basis. The ongoing and rapid spread of the disease prompted reactions that have had an impact on the group. As part of the review management focussed on the timing of government interventions, deferral of dividend payments and the impact from the workforce working from home. The impact if treated as a non-adjusting event is that the annual report is prepared assuming no impact, but that the potential future impact is considered as part of the going concern review and disclosures only. The main focus of our work has therefore been in respect of the post balance sheet event disclosures as well as management's going concern assessment due to the uncertainties created by the impact of Covid-19 on the business and the group's compliance with banking covenants.	We understand and agree with the non-adjusting conclusion made by management. In assessing the impact of the scenarios set out by management in their going concern model, we performed procedures on the Directors' assessment that the group and company will be able to continue as a going concern but that a material uncertainty exists. Please refer to the section "Material uncertainty related to going concern" above for details. With regards to the post balance sheet events disclosure, we agree with the expected impact as set out by management in note 34 and consider the disclosures to be adequate.

Key audit matter	How our audit addressed the key audit matter
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 with the conclusion that no impairment is required as at 31 December 2019, except for the impairment of investments in relation to Stratigent LLC which has been recognised in the company's financial statements.

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, Ebiquity Germany GmbH and Ebiquity SAS; for the purpose of obtaining required coverage over the Group balances, we have also included in our scope Ebiquity Inc. (incorporated in USA) and Ebiquity Pty Ltd (incorporated in Australia). The specified procedures had been performed in respect of Ebiquity Italia S.r.l. using the Group materiality.

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

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 audit is performed in the UK by the same engagement leader and team as audited components incorporated in the UK; the German and Australian components have been audited by other network firms; the French component has been audited by BDO France, local statutory auditor. 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 France, and attended the clearance meeting by conference call in Germany, Australia and France.

Independent auditors' report continued

to the members of Ebiquity plc

Report on the audit of the financial statements continued

Our audit approach continued

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	£200,000 (2018: £250,000).	£784,000 (2018: £988,000).
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 from continuing operations 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 £40,000 and £190,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £10,000 (Group audit) (2018: £15,000) and £10,000 (Company audit) (2018: £15,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

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 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and 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.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the 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

20 May 2020

Consolidated income statement

for the year ended 31 December 2019

	Note	Year ended 31 December 2019			Year ended 31 December 2018 as restated (note 1)		
		Before highlighted items £'000	**Highlighted items (note 3) £'000**	**Total £'000**	Before highlighted items £'000	Highlighted items (note 3) £'000	Total £'000
Revenue	2	**68,733**	**–**	**68,733**	69,368	–	69,368
Project-related costs		**(8,857)**	**–**	**(8,857)**	(8,813)	–	(8,813)
Net revenue		**59,876**	**–**	**59,876**	60,555	–	60,555
Cost of sales		**(27,355)**	**–**	**(27,355)**	(28,787)	–	(28,787)
Gross profit		**32,521**	**–**	**32,521**	31,768	–	31,768
Administrative expenses		**(26,354)**	**(10,330)**	**(36,684)**	(25,426)	(7,695)	(33,121)
Operating profit/(loss)	4	**6,167**	**(10,330)**	**(4,163)**	6,342	(7,695)	(1,353)
Finance income	6	**9**	**–**	**9**	25	–	25
Finance expenses	6	**(907)**	**–**	**(907)**	(1,176)	–	(1,176)
Net finance costs		**(898)**	**–**	**(898)**	(1,151)	–	(1,151)
Profit/(loss) before taxation from continuing operations		**5,269**	**(10,330)**	**(5,061)**	5,191	(7,695)	(2,504)
Taxation (charge)/credit – continuing operations	7	**(1,931)**	**454**	**(1,477)**	(1,778)	(207)	(1,985)
Profit/(loss) for the year – continuing operations		**3,338**	**(9,876)**	**(6,538)**	3,413	(7,902)	(4,489)
Net (loss)/profit from discontinued operations	8	**–**	**(1,018)**	**(1,018)**	644	(1,489)	(845)
Profit/(loss) for the year		**3,338**	**(10,894)**	**(7,556)**	4,057	(9,391)	(5,334)
Attributable to:							
Equity holders of the parent		**2,875**	**(10,882)**	**(8,007)**	3,568	(9,374)	(5,806)
Non-controlling interests		**463**	**(12)**	**451**	489	(17)	472
		3,338	**(10,894)**	**(7,556)**	4,057	(9,391)	(5,334)
Earnings per share – continuing operations							
Basic	9			**(8.79)p**			(6.35)p
Diluted	9			**(8.79)p**			(6.35)p
Earnings per share – discontinued operations							
Basic	9			**(1.28)p**			(1.05)p
Diluted	9			**(1.28)p**			(1.05)p

The notes on pages 67 to 105 are an integral part of these financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2019

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
(Loss) for the year	**(7,556)**	(5,334)
Other comprehensive (expense)/income:		
Items that will not be reclassified subsequently to profit or loss		
Exchange differences on translation of overseas subsidiaries	**(716)**	267
Total other comprehensive (expense)/income for the year	**(716)**	267
Total comprehensive expense for the year	**(8,272)**	(5,067)
Attributable to:		
Equity holders of the parent	**(8,723)**	(5,539)
Non-controlling interests	**451**	472
	(8,272)	(5,067)

The notes on pages 67 to 105 are an integral part of these financial statements.

Consolidated statement of financial position

as at 31 December 2019

	Note	31 December 2019 £'000	31 December 2018 £'000
Non-current assets			
Goodwill	10	**28,409**	34,774
Other intangible assets	11	**6,763**	8,477
Property, plant and equipment	12	**2,563**	1,170
Right-of-use assets	13	**8,339**	—
Deferred tax asset	22	**986**	979
Total non-current assets		**47,060**	45,400
Current assets			
Trade and other receivables	15	**27,586**	29,408
Assets held for sale	16	**—**	27,734
Cash and cash equivalents	17	**8,236**	8,793
Total current assets		**35,822**	65,935
Total assets		**82,882**	111,335
Current liabilities			
Trade and other payables	18	**(5,575)**	(7,510)
Liabilities held for sale	16	**—**	(4,316)
Accruals and contract liabilities	19	**(9,084)**	(10,640)
Financial liabilities	20	**22**	(2,822)
Current tax liabilities	7	**(4,152)**	(1,358)
Provisions	21	**(300)**	(570)
Lease liabilities	13	**(1,834)**	—
Deferred tax liability	22	**(272)**	(323)
Total current liabilities		**(21,195)**	(27,539)
Non-current liabilities			
Financial liabilities	20	**(13,868)**	(34,934)
Provisions	21	**(387)**	(67)
Lease liabilities	13	**(7,756)**	—
Deferred tax liability	22	**(1,036)**	(1,281)
Total non-current liabilities		**(23,047)**	(36,282)
Total liabilities		**(44,242)**	(63,821)
Total net assets		**38,640**	47,514
Equity			
Ordinary shares	24	**20,029**	19,778
Share premium		**46**	44
Other reserves		**4,428**	5,144
Retained earnings		**12,958**	21,556
Equity attributable to the owners of the parent		**37,461**	44,522
Non-controlling interests		**1,179**	992
Total equity		**38,640**	47,514

The notes on pages 67 to 105 are an integral part of these financial statements. The financial statements on pages 62 to 66 were approved and authorised for issue by the Board of Directors on 19 May 2020 and were signed on its behalf by:

Alan Newman
Director
Ebiquity plc. Registered No. 03967525

20 May 2020

Consolidated statement of changes in equity

for the year ended 31 December 2019

	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 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 income/(expense) for the year		—	—	267	(5,806)	(5,539)	472	(5,067)
Shares issued for cash	24	229	23	—	—	252	—	252
Share options charge	3	—	—	—	394	394	—	394
Dividends paid to shareholders	28	—	—	—	(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
(Loss)/profit for the year		**—**	**—**	**—**	**(8,007)**	**(8,007)**	**451**	**(7,556)**
Other comprehensive expense		**—**	**—**	**(716)**	**—**	**(716)**	**—**	**(716)**
Total comprehensive (expense)/income for the year		**—**	**—**	**(716)**	**(8,007)**	**(8,723)**	**451**	**(8,272)**
Shares issued for cash	24	**251**	**2**	**—**	**—**	**253**	**—**	**253**
Share options charge	3	**—**	**—**	**—**	**195**	**195**	**—**	**195**
Acquisition of minority interest		**—**	**—**	**—**	**(252)**	**(252)**	**(83)**	**(335)**
Dividends paid to shareholders	28	**—**	**—**	**—**	**(534)**	**(534)**	**—**	**(534)**
Dividends paid to non-controlling interests		**—**	**—**	**—**	**—**	**—**	**(181)**	**(181)**
31 December 2019		**20,029**	**46**	**4,428**	**12,958**	**37,461**	**1,179**	**38,640**

1. Includes a credit of £3,667,000 (31 December 2018: £3,667,000) in the merger reserve, a gain of £2,239,000 (31 December 2018: £2,955,000) recognised in the translation reserve, and is partially offset by a debit balance of £1,478,000 (31 December 2018: £1,478,000) in the ESOP reserve. Refer to note 25 for further details.

The notes on pages 67 to 105 are an integral part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2019

	Note	**Year ended 31 December 2019 £'000**	Year ended 31 December 2018 £'000
Cash flows from operating activities			
Cash generated from operations	29	**5,657**	7,631
Finance expenses paid		**(727)**	(1,093)
Finance income received		**9**	25
Income taxes paid		**(1,345)**	(1,952)
Net cash generated from operating activities		**3,594**	4,611
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		**—**	—
Disposal of subsidiaries	8	**24,845**	—
Payments to acquire non-controlling interest	20	**(335)**	—
Payments in respect of contingent consideration	20	**(648)**	(858)
Purchase of property, plant and equipment	12	**(2,024)**	(643)
Purchase of intangible assets	11	**(1,211)**	(1,141)
Net cash generated by/(used in) investing activities		**20,627**	(2,642)
Cash flows from financing activities			
Proceeds from issue of share capital (net of issue costs)		**253**	252
Proceeds from bank borrowings	20	**—**	2,000
Repayment of bank borrowings	20	**(20,000)**	(1,250)
Bank loan fees paid		**(204)**	(70)
Repayment of lease liabilities	13	**(1,192)**	—
Dividends paid to shareholders	28	**(534)**	(527)
Dividends paid to non-controlling interests		**(518)**	(190)
Capital repayment of finance leases		**—**	(4)
Net cash flow (used in)/generated by financing activities		**(22,195)**	211
Net increase in cash, cash equivalents and bank overdrafts		**2,026**	2,180
Cash, cash equivalents and bank overdraft at beginning of year	17	**6,414**	4,325
Effects of exchange rate changes on cash and cash equivalents		**(204)**	(91)
Group cash and cash equivalents at the end of the year	17	**8,236**	6,414

The notes on pages 67 to 105 are an integral part of these financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2019

1. Accounting policies

General information

Ebiquity plc (the 'Company') and its subsidiaries (together, the 'Group') exists to help brands optimise return on investment from their marketing spend, working with many of the world's leading advertisers to improve marketing outcomes and enhance business performance. 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 Chapter House, 16 Brunswick Place, London N1 6DZ.

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 the 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 20. As at 31 December 2019, the Group had cash balances of £8,236,000 and undrawn bank facilities available of £10,000,000, and was cash generative and within its banking covenants.

In assessing the going concern of the Group, the Directors have considered the Group's forecasts and projections, taking account of reasonably possible changes in trading performance and the Group's cash flows, liquidity and bank facilities.

In accordance with the guidance issued by the Financial Reporting Council, the Directors have given specific consideration to the potential impact of the COVID-19 pandemic on the global economy, business environment in which the Group operates, and its business in particular. As at the date of this annual report this impact remained highly uncertain and difficult to predict. The Directors have accordingly considered a range of scenarios relating to the impact of COVID-19 which they believe are plausible in the context of the Group's clients, services and operations and assessed their impact on the Group's cash flows and liquidity for a period of 12 months from the date of approval of these financial statements. In this assessment, the Directors had regard to the potential reduction in receipts from clients that may arise from the COVID-19 disruption and to options that may be available to the Group to mitigate any resulting negative impact on its cash flows and liquidity. These include: (i) draw down of all available borrowing facilities; (ii) reductions in its operating and capital expenditure; and (iii) benefit of measures taken by governments and central banks in the countries in which the Group operates to assist businesses and employees, directly or indirectly, to meet their financial obligations and maintain their business operations during the period of the pandemic.

As a result of these scenarios, the Directors consider that the Group will have sufficient liquidity within its existing bank facilities, totalling £24,000,000, to meet its obligations during the next 12 months.

The Directors consulted with the lenders, Barclays and Royal Bank of Scotland, to negotiate covenant waivers where required in order to negate the risk of any future covenant breaches. The existing covenants remain in place for the 12 months to March 2020 and June 2020. The March 2020 covenants have already been achieved and there are no concerns over meeting the June 2020 covenants; revenue would have to reduce by 21% between May and June 2020 compared to the latest prudent expectations for a breach to result.

Agreement in principle has been reached with the lenders to replace the existing covenants for September 2020, December 2020 and March 2021 with a monthly liquidity test that will be in place between July 2020 and May 2021. This is subject to the agreement of legal documentation with the lenders which is not yet in place, but which the Directors are confident will be shortly. Under the Directors' base case scenario there are no forecast breaches of the new liquidity covenant tests. The Directors' downside scenario indicates that the covenant test at May 2021 is the most sensitive but is not breached. If revised expectations for this period were to worsen then the Directors would take the appropriate actions ahead of time to reduce operating costs to mitigate the likelihood of a breach.

The covenants revert to the existing measures as at June 2021, which under the current base case scenario would be breached and would need to be waived. The Directors are confident, based on the support of the lenders that waivers would be granted, however, there is a risk that this may not occur. This, and the risk that the legal documentation is not agreed to replace the existing covenants for September 2020 to May 2021, represent a material uncertainty that casts significant doubt on the Group's ability to continue to operate as a going concern. The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

1. Accounting policies continued

Basis of preparation continued

On 13 February 2018, the Group agreed to sell its Advertising Intelligence ('AdIntel') business to Nielsen Media Research Limited ('Nielsen'), a subsidiary of Nielsen Holdings plc; the transaction was approved as at 31 December 2018 and completion took place on 2 January 2019.
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 profit on disposal arising in the current year and the results in the comparative year of this segment have been presented within discontinued operations in the income statement. The assets and liabilities of the AdIntel business were reported as held for sale in the statement of financial position in the comparative year.

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 as 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 disposals, and their subsequent integration into/separation from the Group, adjustments to the estimates of contingent consideration on acquired entities, asset impairment charges, management restructuring and other significant one-off items. Costs associated with ongoing market landscaping, acquisition identification and early stage discussions with acquisition targets are reported in underlying administrative expenses.

Taxation

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

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

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

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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

1. Accounting policies continued

Taxation continued

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 AdIntel 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 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 £1,203,000 of internally generated intangible assets (31 December 2018: £1,084,000).

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 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 no impairment loss had been recognised.

Cash and cash equivalents

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

Financial instruments

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

Financial assets

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

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

Financial liabilities

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

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

Leases

Prior to the adoption of IFRS 16 on 1 January 2019, the Group accounted for leases in accordance with the principles of IAS 17 '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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

1. Accounting policies continued

Share-based payments continued

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 2019, the Group adopted the following amendments which are effective for accounting periods beginning on or after 1 January 2019. IFRS 16 has been applied in these financial statements using the modified retrospective method, meaning the comparatives have not been restated to reflect the effects of IFRS 16.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.17%.

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 the statement of financial position for lessees. The operating lease charge is replaced by a depreciation charge and an interest charge. 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.

Reconciliation of operating lease commitments as at 31 December 2018 to lease liabilities recognised as at 1 January 2019:

	Total £'000
Operating lease commitments disclosed as at 31 December 2018	8,351
Discounted using the lessee's incremental borrowing rate of 3.17% at the date of initial application	8,095
(Less): short-term leases not recognised as a liability	(554)
(Less): leases part of the AdIntel sale	(1,429)
Add: contracts reassessed as lease contracts	56
(Less): change in lease term	(417)
Lease liabilities recognised as at 1 January 2019	**5,751**
Of which are:	
Current lease liabilities	969
Non-current lease liabilities	4,782
	5,751

The standard requires the Group to recognise a 'right-of-use' asset, representing the right to use the underlying asset, and a corresponding lease liability, representing the obligation to make lease payments, on its statement of financial position, for almost all lease contracts.

The impact on the income statement is that former operating lease expenses are replaced by depreciation and interest, thereby improving EBITDA and operating profit. Total expenses (depreciation of right-of-use assets and interest on lease liabilities) are typically higher in the earlier years of a lease and lower in the later years, in comparison with former accounting for operating leases.

The main impact on the statement of cash flows is higher cash flows from operating activities, since cash payments for the principal part of the lease liability are classified in the net cash flow from financing activities.

The tax effect from the adjustments from IFRS 16 have been measured and recognised accordingly.

1. Accounting policies continued

Adoption of new standards and interpretations continued

The change in accounting policy has impacted the primary statements as follows:

	Income statement debit/ (credit)	Statement of financial position debit/ (credit)	Cash flow statement inflow/ (outflow)
Operating lease rentals	(1,437)	—	—
Depreciation charge	1,595	(1,595)	—
Interest expense	253	(253)	—
Highlighted items	462	—	—
Right-of-use assets	—	10,576	—
Impairment of right-of-use assets	—	(642)	—
Lease liabilities	—	(9,337)	—
Accruals	—	952	—
Other debtors	—	(574)	—
Deferred tax asset	(152)	152	—
Cash flows from operating activities	—	—	1,192
Cash flows from financing activities	—	—	(1,192)
Total impact	**721**	**(721)**	**—**

Accounting policy for leases

The Group has various lease arrangements for buildings, cars, and IT equipment. Lease terms are negotiated on an individual basis locally. This results in a wide range of different terms and conditions. At the inception of a lease contract, the Group assesses whether the contract conveys the right to control the use of an identified asset for a certain period in exchange for a consideration, in which case it is identified as a lease. The Group then recognises a right-of-use asset and a corresponding lease liability at the lease commencement date. Lease-related assets and liabilities are measured on a present value basis. Lease-related assets and liabilities are subjected to re-measurement when either terms are modified or lease assumptions have changed. Such an event results in the lease liability being re-measured to reflect the measurement of the present value of the remaining lease payments, discounted using the discount rate at the time of the change. The lease assets are adjusted to reflect the change in the re-measured liabilities.

Right-of-use assets:

Right-of-use assets include the net present value of the following components:

- the initial measurement of the lease liability;
- lease payments made before the commencement date of the lease;
- initial direct costs; and
- costs to restore.

The right-of-use assets are reduced for lease incentives relating to the lease. The right-of-use assets are depreciated on a straight-line basis over the duration of the contract. In the event that the lease contract becomes onerous, the right-of-use asset is impaired for the part which has become onerous.

Lease liabilities:

Lease liabilities include the net present value of the following components:

- fixed payments excluding lease incentive receivables;
- future contractually agreed fixed increases; and
- payments related to renewals or early termination, in case options to renew or for early termination are reasonably certain to be exercised.

The lease payments are discounted using the interest rate implicit in the lease. If such rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The discount rate that is used to calculate the present value reflects the interest rate applicable to the lease at inception of the contract. Lease contracts entered into in a currency different to the local functional currency are subjected to periodic foreign currency revaluations which are recognised in the income statement in net finance costs.

The lease liabilities are subsequently increased by the interest costs on the lease liabilities and decreased by lease payments made.

Presentational change in income statement

During the year, the Group changed its accounting policy with respect to the classification of costs previously included within cost of sales. Cost of sales historically comprised external production costs, direct salary, commission and freelancer costs. The Group now records external production costs within a new cost line named project-related costs. On project-related costs being deducted from revenue, the result is net revenue. Direct salary, commission and freelancer costs remain to be recorded within costs of sales which is deducted from net revenue to get to gross profit.

The Group believes that this revised classification is more appropriate for the continuing consultancy-based business.

The impact of this voluntary change in accounting policy is purely presentational. There is no change to gross profit or operating profit in the consolidated financial statements and there are no further impacts in the consolidated financial statements.

The comparative income statement, for the year ended 31 December 2018, has been restated to reflect the change in accounting policy as detailed above.

The change reflects a reclassification of external production costs of £8,813,000 to project-related costs, with net revenue of £60,555,000 resulting. Sales commission, direct salary costs and freelancer costs of £28,787,000 are then included within cost of sales, with gross profit of £31,768,000 resulting. This is no change from the gross profit reported in the 2018 financial statements. Administrative expenses remain unchanged and therefore the resulting underlying operating profit remains at £6,342,000.

The impact of the change in accounting policy is shown in the table below:

	Year ended 31 Dec 2018			Year ended 31 Dec 2018 (reclassified)			Impact of re-classification
	Before highlighted items £'000	Highlighted items £'000	Total £'000	Before highlighted items £'000	Highlighted items £'000	Total £'000	Total £'000
Revenue	69,368	—	69,368	69,368	—	69,368	—
Project-related costs	—	—	—	(8,813)	—	(8,813)	(8,813)
Net revenue	—	—	—	60,555	—	60,555	60,555
Cost of sales	(37,600)	—	(37,600)	(28,787)	—	(28,787)	8,813
Gross profit	31,768	—	31,768	31,768	—	31,768	—
Administrative expenses	(25,426)	(7,695)	(33,121)	(25,426)	(7,695)	(33,121)	—
Operating profit	6,342	(7,695)	(1,353)	6,342	(7,695)	(1,353)	—

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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

2. Segmental reporting continued

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2019 is as follows:

Year ended 31 December 2019

	Media £'000	Analytics & Tech £'000	Reportable segments £'000	Unallocated £'000	Discontinued operations £'000	Total £'000
Revenue	**54,585**	**14,148**	**68,733**	**—**	**—**	**68,733**
Operating profit/(loss) before highlighted items	**11,845**	**966**	**12,811**	**(6,644)**	**—**	**6,167**
Total assets	**69,382**	**11,581**	**80,963**	**1,919**	**—**	**82,882**

Unsatisfied long-term contracts

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

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied as at 31 December 2019	**304**	2,152

It is expected that 97% of the transaction price allocated to the unsatisfied contracts as of 31 December 2019 will be recognised during the next reporting period (31 December 2018: 68%); the remaining 3% will be recognised in the 2021 financial year (31 December 2018: 32% to be recognised in 2020).

Significant changes in contract assets and liabilities

Contract assets have increased from £8,003,000 to £9,366,000 and contract liabilities have increased from £3,979,000 to £4,635,000 from 31 December 2018 to 31 December 2019.

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

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

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Reportable segment operating profit before highlighted items	**12,811**	13,474
Unallocated costs[1]:		
Staff costs	**(3,428)**	(4,794)
Property costs	**(1,513)**	(322)
Exchange rate movements	**(208)**	121
Other administrative expenses	**(1,495)**	(2,137)
Operating profit before highlighted items	**6,167**	6,342
Highlighted items (note 3)	**(10,330)**	(7,695)
Operating loss	**(4,163)**	(1,353)
Net finance costs	**(898)**	(1,151)
(Loss) before tax	**(5,061)**	(2,504)

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 2019 £'000	31 December 2018 £'000
Total assets for reportable segments	**80,963**	102,742
Unallocated amounts:		
Property, plant and equipment	**—**	448
Other intangible assets	**642**	815
Other receivables	**868**	1,654
Cash and cash equivalents	**332**	5,034
Deferred tax asset	**77**	642
Total assets	**82,882**	111,335

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

	Year ended 31 December 2019		Year ended 31 December 2018	
	Revenue by location of customers £'000	Non-current assets £'000	Revenue by location of customers £'000	Non-current assets £'000
United Kingdom	**33,176**	**27,802**	26,009	44,078
Rest of Europe	**18,783**	**7,402**	33,113	9,221
North America	**8,951**	**3,416**	18,345	6,820
Rest of world	**7,823**	**7,454**	12,161	12,116
	68,733	**46,074**	89,628	72,235
Deferred tax assets	**—**	**986**	—	1,019
Total	**68,733**	**47,060**	89,628	73,254

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 2019			Year ended 31 December 2018		
	Cash £'000	Non-cash £'000	Total £'000	Cash £'000	Non-cash £'000	Total £'000
Administrative expenses						
Share option (credit)/charge	**(78)**	**195**	**117**	(127)	350	223
Amortisation of purchased intangibles	**—**	**1,169**	**1,169**	—	1,240	1,240
Impairment of goodwill	**—**	**6,751**	**6,751**	—	2,607	2,607
Severance and reorganisation costs	**1,333**	**—**	**1,333**	826	331	1,157
Acquisition, integration and strategic costs	**998**	**(38)**	**960**	2,050	419	2,469
Total highlighted items before tax	**2,253**	**8,077**	**10,330**	2,749	4,947	7,696
Taxation (credit)/charge	**(536)**	**82**	**(454)**	(242)	448	206
Total highlighted items after tax – continuing operations	**1,717**	**8,159**	**9,876**	2,507	5,395	7,902
Highlighted items – discontinued operations	**2,521**	**(1,503)**	**1,018**	982	507	1,489
Total highlighted items	**4,238**	**6,656**	**10,894**	3,489	5,902	9,391

Amortisation of purchased intangibles relates to acquisitions made in the current financial year of £nil and to acquisitions made in prior years of £1,169,000 (31 December 2018: £nil in the current financial year and £1,240,000 in prior years). Separate disclosure is considered relevant because amortisation of purchased intangibles has no correlation to underlying profitability of the Group.

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

3. Highlighted items continued

In the current year, a non-cash IFRS 2 charge of £195,000 (31 December 2018: £350,000) 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 and intangibles of £6,751,000 (2018: £2,607,000) has been recognised in the year. £5,844,000 is in relation to the impairment of goodwill, purchased intangibles and internally generated intangibles held in Stratigent LLC. The impairment was determined with reference to the current net book value of these items, the result being that these items have been fully written down due to the winding down of the activities of this operation. A further impairment of £907,000 was recognised in relation to the goodwill held in Digital Balance Australia Pty Limited; the impairment was determined, and is equal to, the downward revision of the contingent consideration payable.

Total severance and reorganisation costs of £1,333,000 (31 December 2018: £1,157,000) were recognised during the year, relating to severances in the UK, the US and Germany as part of management restructuring in those countries. 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 £960,000 (31 December 2018: £2,469,000) were recognised during the year, primarily consisting of £641,000 being the recognition of, and movement in the year of, impairment to the right-of-use assets recognised in relation to the London, Chicago, Sydney, and Hamburg office leases in accordance with IFRS 16. A further £501,000 was incurred in relation to one-off costs associated with the relocation to the new London premises and £262,000 was incurred in relation to office costs incurred on vacated office space in Hamburg, Sydney, and Chicago. £257,000 was then incurred in relation to the refinancing of the loan facility. Costs of £78,000 were also recognised in relation to the acquisition of Digital Decisions B.V, which completed on 8 January 2020; see note 34 for further details. Partially offsetting this is the adjustment to the fair value of contingent consideration amounting to a credit of £779,000, predominantly arising in relation to the downward revision of the amounts payable in relation to the Digital Balance Australia Pty Limited acquisition. 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 in the current year comprise the profits on disposal of the AdIntel and the Reputation business respectively of £1,408,000 and £36,000 and the tax charge arising thereon of £2,462,000.

As at 31 December 2019, £1,526,000 of the £2,254,000 cash highlighted items had been settled (31 December 2018: £1,043,000 of the £2,749,000 cash highlighted items had been settled).

4. Operating profit after highlighted items

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

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Operating lease rentals[1]		
– other	**—**	134
– land and buildings	**670**	2,328
Depreciation and amortisation (notes 11, 12 and 13)[2]	**4,205**	2,785
Impairment of goodwill (note 10)	**5,989**	2,607
Impairment of intangibles (note 11)	**761**	—
Contingent consideration revaluations (note 3)	**(779)**	95
Income on transitional services agreement	**(1,273)**	—
Loss on disposal of fixed assets	**40**	17
Research costs – expensed	**93**	542
Foreign exchange loss/(gain)	**205**	(103)

1. Operating lease rentals have reduced by £1,437,000 on adoption of IFRS 16.
2. Depreciation in the current year includes £1,596,000 on adoption of IFRS 16.

Auditors' remuneration

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

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements	**299**	250
Fees payable to the Company's auditors and its associates for other services:		
– other audit-related assurance services	**52**	30
– other assurance services	**—**	2
– tax compliance services	**21**	28
	372	310

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 2019 Number	Year ended 31 December 2018 Number
Media	**341**	335
Analytics & Tech	**117**	110
IT development and support	**22**	31
Administration	**83**	94
Directors	**7**	8
Number of employees employed by continuing operations	**570**	578
Number of employees employed by discontinued operations	**—**	348
	570	926

At 31 December 2019, the total number of employees of the Group employed by continuing operations was 555 (31 December 2018: 574); including discontinued operations in the prior year this was 905.

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

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Wages and salaries	**35,075**	37,135
Social security costs	**4,027**	3,632
Other pension costs	**815**	780
Share options charge (note 26)	**194**	394
Total staff costs from continuing operations	**40,111**	41,941
Staff costs from discontinued operations	**—**	10,160
Total staff costs	**40,111**	52,101

Directors' remuneration

Total Directors' remuneration was £856,000, including £362,000 to the highest paid Director (31 December 2018: £1,432,000 including £416,000 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. £nil performance bonuses were paid during the year (31 December 2018: £nil). No retention bonuses were payable to any Directors (31 December 2018: £152,000).

One Director stepped down as a director on 12 November 2019 and his employment ceased on 31 December 2019. His salary during the period was £400,000 per annum and he received £19,000 of taxable benefits. In January 2020, he received a payment totalling £513,000 in lieu of base salary, pension and healthcare benefits for his notice period, his accrued but untaken holiday and in settlement of other provisions in connection with cessation of employment.

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

5. Employee information continued

Directors' remuneration continued

No Directors were a member of a Company pension scheme as at 31 December 2019 (31 December 2018: none). Contributions totalling £40,000 (31 December 2018: £32,000) were made to Directors' private pension schemes during the year, including £40,000 to the highest paid Director (31 December 2018: £25,000).

No Directors exercised share options during the year (31 December 2018: 40,295). The highest paid Director exercised no share options (31 December 2018: nil).

During the year, 410,000 (31 December 2018: 1,650,000) share options were granted to Directors under the Group's Executive Incentive Plan scheme. Vesting is subject to the satisfaction of certain performance criteria (see note 25 for further details).

Further details on Directors' remuneration can be found in the Remuneration Committee report on pages 43 to 48.

6. Finance income and expenses

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Finance income		
Bank interest	**9**	25
Finance income	**9**	25
Finance expenses		
Bank loans and overdraft interest	**(600)**	(1,116)
Loan fee amortisation	**(54)**	(60)
Lease liabilities' interest	**(253)**	—
Finance expenses	**(907)**	(1,176)

7. Taxation charge/(credit)

	Year ended 31 December 2019			Year ended 31 December 2018		
	Before highlighted items £'000	**Highlighted items £'000**	**Total £'000**	Before highlighted items £'000	Highlighted items £'000	Total £'000
UK tax						
Current year	**298**	**(383)**	**(85)**	795	(148)	647
Adjustment in respect of prior year	**494**	**—**	**494**	148	—	148
	792	**(383)**	**409**	943	(148)	795
Foreign tax						
Current year	**1,404**	**(153)**	**1,251**	806	(94)	712
Adjustment in respect of prior year	**120**	**—**	**120**	170	—	170
	1,524	**(153)**	**1,371**	976	(94)	882
Total current tax	**2,316**	**(536)**	**1,780**	1,919	(242)	1,677
Deferred tax						
Origination and reversal of temporary differences (note 22)	**(295)**	**82**	**(213)**	86	449	535
Adjustment in respect of prior year	**(90)**	**—**	**(90)**	(227)	—	(227)
Total tax charge/(credit)	**1,931**	**(454)**	**1,477**	1,778	207	1,985

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

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Loss before tax	**(5,061)**	(2,501)
Corporation tax at 19.00% (31 December 2018: 19.00%)	**(962)**	(475)
Non-deductible taxable expenses	**1,139**	1,602
Overseas tax rate differential	**361**	204
Overseas losses not recognised	**149**	563
Losses utilised not previously recognised	**266**	—
Adjustment in respect of prior years	**524**	91
Total tax charge	**1,477**	1,985

Following the Budget on 11 March 2020, the corporation tax rate effective from 1 April 2020 and 1 April 2021 will remain at 19%. This supersedes the announcement on 6 September 2016 which detailed a reduction to 17% from 1 April 2020.

The table below shows a reconciliation of the current tax liability for each year end:

	£'000
At 1 January 2018	1,598
Corporation tax payments	(2,287)
Corporation tax refunds	334
Under-provision in relation to prior years	321
Provision for the year ended 31 December 2018	1,344
Foreign exchange	48
At 31 December 2018	1,358
Corporation tax payments	**(1,499)**
Corporation tax refunds	**151**
Under-provision in relation to prior years	**614**
Provision for the year ended 31 December 2019[1]	**3,629**
Foreign exchange	**(101)**
At 31 December 2019	**4,152**

1. The provision for the current year includes £2,462,000 in relation to the discontinued operation.

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

8. Discontinued operations

On 12 February 2018, the Group agreed to dispose of the AdIntel business to Nielsen for gross consideration of £26,000,000. This disposal was completed on 2 January 2019. The gross consideration was dependent upon a working capital target position at the date of completion. The working capital acquired by Nielsen was below this target and a resulting repayment was made to Nielsen of £1,155,000 on 31 October 2019; net consideration was therefore £24,845,000. The results of this division have been presented within discontinued operations as appropriate.

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. The consideration payable was dependent upon the revenue performance of the business during the 12 months following completion. The consideration resulting was £36,000, half of which was paid in the year and the balance is payable in June 2020. The results of this division have been presented within discontinued operations as appropriate.

The financial performance and cash flow information presented below reflects the AdIntel results for the year ended 31 December 2018 and the profit on disposal recognised in 2019 on the sale completing on 2 January 2019, and the Reputation results for the three months to 31 March 2018, the profit on disposal recognised in 2018 and the contingent consideration recognised in 2019.

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

	Year ended 31 December 2019			Year ended 31 December 2018		
	AdIntel £'000	**Reputation £'000**	**Total £'000**	AdIntel £'000	Reputation £'000	Total £'000
Revenue	**–**	**–**	**–**	20,074	186	20,260
Cost of sales	**–**	**–**	**–**	(11,999)	(203)	(12,202)
Gross profit	**–**	**–**	**–**	8,075	(17)	8,058
Administrative expenses	**–**	**–**	**–**	(6,681)	(92)	(6,773)
Impairment of asset held for sale	**–**	**–**	**–**	(297)	–	(297)
Operating profit/(loss)	**–**	**–**	**–**	1,097	(109)	988
Highlighted items	**(1,408)**	**(36)**	**(1,444)**	(1,879)	34	(1,845)
(Loss) before tax	**(1,408)**	**(36)**	**(1,444)**	(782)	(75)	(857)
Tax	**2,455**	**7**	**2,462**	12	–	12
Net result from discontinued operations	**1,047**	**(29)**	**1,018**	(770)	(75)	(845)

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

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Cash generated from operations – continuing operations	**3,594**	1,999
Cash generated from operations – discontinued operations	**–**	2,612
Total cash generated from operations	**3,594**	4,611
Cash used in investment activities – continuing operations	**(4,218)**	(2,461)
Cash generated by/(used in) investment activities – discontinued operations	**24,845**	(181)
Total cash generated by/(used in) investment activities	**20,627**	(2,642)
Cash (used in)/generated by financing activities – continuing operations	**(22,195)**	211
Cash generated by financing activities – discontinued operations	**–**	–
Total cash (used in)/generated by financing activities	**(22,195)**	211
Net decrease in cash and cash equivalents – continuing operations	**(22,819)**	(251)
Net increase in cash and cash equivalents – discontinued operations	**24,845**	2,431
Net increase in cash and cash equivalents	**2,026**	2,180

Below is a table summarising the details of the sale of the divisions:

	Year ended 31 December 2019			Year ended 31 December 2018		
	AdIntel £'000	Reputation £'000	Total £'000	AdIntel £'000	Reputation £'000	Total £'000
Cash received or receivable:						
Cash	26,000	36	26,036	—	—	—
Decrease of consideration	(1,155)	—	(1,155)	—	—	—
Total disposal consideration	24,845	36	24,881	—	—	—
Carrying amount of net assets/(liabilities) sold (note 16)	23,060	—	23,060	—	(34)	(34)
Costs to sell – current year	95	—	95	—	—	—
Reclassification of foreign currency translation reserve	282	—	282	—	—	—
Total	23,437	—	23,437	—	(34)	(34)
Gain on sale before income tax	1,408	36	1,444	—	34	34
Income tax charge on gain	(2,455)	(7)	(2,462)[1]	—	(11)	(11)
(Loss)/gain on sale after income tax	(1,047)	29	(1,018)	—	23	23
Costs to sell – prior year	(3,176)	—	(3,176)	—	—	—
(Loss)/gain on sale after income tax – total	(4,223)	29	(4,194)	—	23	23

1. The income tax charge on the gain on disposal is £2,462,000 and exceeds the gain on sale of £1,444,000 due primarily to the difference between accounting base costs and tax base costs for the assets sold. Certain goodwill and intangible balances recognised for accounting purposes do not have base costs for corporation tax purposes, therefore these items are not able to shield the gain from a tax perspective.

9. Earnings per share

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

	Year ended 31 December 2019			Year ended 31 December 2018		
	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	(6,989)	(1,018)	(8,007)	(4,985)	(822)	(5,806)
Adjustments:						
Impact of highlighted items (net of tax)[1]	9,864	1,018	10,882	7,887	1,485	9,371
Earnings for the purpose of underlying earnings per share	2,875	—	2,875	2,902	663	3,565
Number of shares:						
Weighted average number of shares during the year						
– basic	79,490,174	79,490,174	79,490,174	78,557,977	78,557,977	78,557,977
– dilutive effect of share options	1,155,106	1,155,106	1,155,106	4,176,597	4,176,597	4,176,597
– diluted	80,645,280	80,645,280	80,645,280	82,734,574	82,734,574	82,734,574
Basic earnings per share	(8.79)p	(1.28)p	(10.07)p	(6.35)p	(1.05)p	(7.40)p
Diluted earnings per share	(8.79)p	(1.28)p	(10.07)p	(6.35)p	(1.05)p	(7.40)p
Underlying basic earnings per share	3.62p	0.00p	3.62p	3.70p	0.84p	4.54p
Underlying diluted earnings per share	3.57p	0.00p	3.57p	3.51p	0.80p	4.31p

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 2018	62,446
Additions[1]	140
Reclassification of available-for-sale asset[2]	(22,299)
Foreign exchange differences	223
At 31 December 2018	40,510
Disposals[3]	**(3,129)**
Foreign exchange differences	**(632)**
At 31 December 2019	**36,749**
Accumulated impairment	
At 1 January 2018	(3,129)
Impairment[4]	(2,607)
At 31 December 2018	(5,736)
Impairment[5]	**(5,989)**
Disposals[3]	**3,129**
Foreign exchange differences	**256**
At 31 December 2019	**(8,340)**
Net book value	
At 31 December 2019	**28,409**
At 31 December 2018	34,774

1. £140,000 of goodwill was recognised following the revaluation of contingent consideration payable for the acquisition of Digital Balance Australia Pty Limited.
2. Goodwill in relation to the Intel segment of £22,299,000 was reclassified to assets held for sale in the prior year statement of financial position. Refer to note 16 for more details.
3. The disposal in the year relates to the write off of the goodwill cost and accumulated amortisation in relation to the Reputation division which was sold in the prior year.
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.
5. An impairment of £5,082,000 was recognised in relation to goodwill held in Stratigent LLC so that the carrying value was adjusted down to £nil on the decision being taken to wind down this division. A further impairment of £907,000 was recognised for goodwill held in Digital Balance which equates to the downward revision of the contingent consideration payable.

Goodwill has been allocated to the following segments:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Media	**25,905**	26,294
Analytics & Tech	**2,504**	8,480
	28,409	34,774

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 2019 £'000**	Year ended 31 December 2018 £'000
Media UK and International	Media	**9,241**	9,263
Analytics USA	Analytics & Tech	**—**	5,057
China	Media	**2,150**	2,242
Media Germany	Media	**4,319**	4,327
Media Value Group	Media/Analytics & Tech	**3,042**	3,197
FirmDecisions	Media	**2,981**	2,981
Media Australia	Media	**2,289**	2,369
Effectiveness	Analytics & Tech	**1,678**	1,678
Digital Balance	Analytics & Tech	**826**	1,745
Media America	Media	**604**	604
Media France	Media	**560**	572
Media Italy	Media	**382**	402
Russia	Media	**337**	337
		28,409	34,774

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 £5,082,000 of goodwill was recognised in the year ended 31 December 2019 in relation to the Analytics USA CGU in order to write down the carrying value in full due to the winding down of the activities of this operation, and a further impairment of £907,000 was recognised to write down the carrying value of the goodwill in the Digital Balance CGU in line with the downward revision of the contingent consideration (year ended 31 December 2018: £2,607,000 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).

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 2020 financial year.

For the 2021 and 2022 financial years, the forecast EBIT is as per management and market expectations. The forecast 2022 balances are taken to perpetuity in the model. The forecast for 2021 and 2022 uses certain assumptions to forecast revenue and operating costs within the Group's operating segments beyond the 2020 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 12.0% (31 December 2018: between 7.0% and 12.1%).

Growth rate assumptions

Cash flows beyond the three-year period are extrapolated at a rate of 2.25% (31 December 2018: 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 the China and Media America CGUs.

Sensitivity analysis

The Group's calculations of value-in-use for its respective CGUs are sensitive to a number of key assumptions. Other than disclosed below, management does not consider a reasonable possible change, in isolation, of any of the key assumptions to cause the carrying value of any CGU to exceed its value-in-use. The considerations underpinning why management believes no impairment is required in respect of China and Media America are as follows, specifically what change in key assumptions would result in an impairment:

	China		Media America	
	Current %	% change leading to impairment[1]	Current %	% change leading to impairment[1]
Budgeted revenue growth	8%	(1)% to 7%	17%-19%	(8)% to 9%-11%
Budgeted cost growth	5%	+1% to 6%	0%-3%	+4% to 4%-7%
Pre-tax discount rate	12%	+2% to 14%	11%	+28% to 39%

1. These changes have been applied to 2021 and 2022 projected information.

11. Other intangible assets

	Capitalised development costs £'000	Computer software £'000	Purchased intangible assets[1] £'000	Total intangible assets £'000
Cost				
At 31 January 2018	5,530	3,472	25,333	34,335
Additions	1,084	57	—	1,141
Reallocation	29	17	—	46
Reclassification of available-for-sale asset[2]	(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
Additions	**1,203**	**13**	**—**	**1,216**
Reallocation	**10**	**—**	**—**	**10**
Disposals	**(388)**	**(139)**	**(1,402)**	**(1,929)**
Foreign exchange differences	**(49)**	**(24)**	**(314)**	**(387)**
At 31 December 2019	**4,034**	**2,525**	**16,165**	**22,724**
Amortisation and impairment				
At 31 January 2018	(1,949)	(1,896)	(17,367)	(21,212)
Charge for the year – continuing operations[3]	(326)	(428)	(1,240)	(1,994)
Charge for the year – discontinued operations[3]	(590)	(85)	(617)	(1,292)
Impairment[4]	(125)	—	—	(125)
Reallocation	—	(46)	—	(46)
Reclassification of available-for-sale asset[2]	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)
Charge for the year[3]	**(464)**	**(409)**	**(1,169)**	**(2,042)**
Impairment[4]	**(155)**	**—**	**(607)**	**(762)**
Reallocation	**(10)**	**—**	**—**	**(10)**
Disposals	**388**	**134**	**1,402**	**1,924**
Foreign exchange differences	**28**	**28**	**210**	**266**
At 31 December 2019	**(1,471)**	**(1,853)**	**(12,637)**	**(15,961)**
Net book value				
At 31 December 2019[5]	**2,563**	**672**	**3,528**	**6,763**
At 31 December 2018	2,000	1,069	5,408	8,477

1. Purchased intangible assets consist principally of customer relationships with a typical useful life of eight to 10 years.
2. Intangibles in relation to the Intel segment of £2,377,000 were reclassified to assets held for sale in the prior year statement of financial position. Refer to note 16 for more details.
3. Amortisation is charged within administrative expenses so as to write off the cost of the intangible assets over their estimated useful lives. The amortisation of purchased intangible assets is included as a highlighted administrative expense.
4. An impairment charge of £762,000 has been recognised for the year ended 31 December 2019 (year ended 31 December 2018: £125,000) following management's review of the carrying value of other intangible assets.
5. Of the net book value of capitalised development costs, £1,557,000 remains in development at 31 December 2019.

12. Property, plant and equipment

	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Computer equipment £'000	Leasehold land and building improvements £'000	Total £'000
Cost					
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[1]	—	(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
Allocation	**—**	**—**	**16**	**(45)**	**(29)**
Additions	**17**	**230**	**561**	**1,417**	**2,225**
Disposals	**—**	**(796)**	**(1,834)**	**(1,188)**	**(3,818)**
Foreign exchange differences	**(1)**	**(40)**	**(86)**	**(36)**	**(163)**
At 31 December 2019	**36**	**1,016**	**1,834**	**2,047**	**4,933**
Accumulated depreciation					
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[1]	—	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)
Allocation	**—**	**(30)**	**14**	**45**	**29**
Charge for the year	**(5)**	**(125)**	**(210)**	**(227)**	**(567)**
Disposals	**—**	**755**	**1,845**	**1,017**	**3,617**
Foreign exchange differences	**—**	**23**	**57**	**19**	**99**
At 31 December 2019	**(15)**	**(564)**	**(1,204)**	**(587)**	**(2,370)**
Net book value					
At 31 December 2019	**21**	**453**	**630**	**1,460**	**2,563**
At 31 December 2018	10	435	267	458	1,170

1. Property, plant and equipment in relation to the Intel segment of £411,000 was reclassified to assets held for sale in the prior year statement of financial position. Refer to note 16 for more details.

13. Right-of-use assets and lease liabilities

Right-of-use assets:

	Buildings £'000	Equipment £'000	Vehicles £'000	Total £'000
Cost				
At 31 December 2018	—	—	—	—
Assets recognised on adoption of IFRS 16 on 1 January 2019	**5,208**	**178**	**41**	**5,427**
Additions	**5,109**	**22**	**18**	**5,149**
At 31 December 2019	**10,317**	**200**	**59**	**10,576**
Accumulated depreciation				
At 31 December 2018	—	—	—	—
Charge for the year	**(1,568)**	**(15)**	**(13)**	**(1,596)**
Impairment for the year	**(641)**	**—**	**—**	**(641)**
At 31 December 2019	**(2,209)**	**(15)**	**(13)**	**(2,237)**
Net book value				
At 31 December 2019	**8,108**	**185**	**46**	**8,339**
At 31 December 2018	—	—	—	—

Lease liabilities:

	Buildings £'000	Equipment £'000	Vehicles £'000	Total £'000
Cost				
At 31 December 2018	—	—	—	—
Liabilities recognised on adoption of IFRS 16 on 1 January 2019	**5,533**	**178**	**41**	**5,752**
Additions	**4,739**	**22**	**18**	**4,779**
Cash payments in the year	**(1,139)**	**(36)**	**(19)**	**(1,194)**
Interest charge in the year	**247**	**5**	**1**	**253**
At 31 December 2019	**9,380**	**169**	**41**	**9,590**
Current	**1,771**	**46**	**17**	**1,834**
Non-current	**7,609**	**123**	**24**	**7,756**

The present value of the minimum lease payments are as follows:

	Minimum lease payments	
	31 December 2019 £'000	31 December 2018 £'000
Amounts due:		
Within one year	**2,116**	—
Between one and two years	**2,307**	—
Between two and three years	**2,115**	—
Between three and four years	**1,896**	—
Between four and five years	**893**	—
Later than five years	**1,083**	—
	10,410	—

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

14. Subsidiaries

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

Subsidiary undertaking	Proportion of nominal value of issued ordinary shares held	Country of incorporation	Nature of business
Adtrack Limited	100%[3]	UK	Non-trading
AMMO Limited	100%[3]	UK	Non-trading
Axiology Limited	100%[3]	UK	Non-trading
Barsby Rowe Limited	100%[3]	UK	Non-trading
BCMG Acquisitions Limited	100%[3]	UK	Non-trading
BCMG Limited	100%	UK	Holding company
Billetts Consulting Limited	100%[3]	UK	Non-trading
Billetts International Limited	100%[3]	UK	Non-trading
Billetts Limited	100%[3]	UK	Non-trading
Billetts Marketing Investment Management Limited	100%[3]	UK	Non-trading
Billetts Marketing Sciences Limited	100%[3]	UK	Non-trading
Billetts Media Consulting Limited	100%[3]	UK	Non-trading
Brief Information Limited	100%[3]	UK	Non-trading
Checking Advertising Services Limited	100%	UK	Non-trading
China Media (Shanghai) Management Consulting Company Limited[2]	100%[3]	China	Media consultancy
China Media Consulting Group Limited	100%[3]	Hong Kong	Holding company
Data Management Services Group Limited	100%[3]	UK	Non-trading
Digital Balance Australia Pty Limited[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[2]	100%	UK	Media consultancy
Ebiquity Germany GmbH[2,4]	100%[3]	Germany	Media 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 consultancy
Ebiquity Italy Media Advisor S.r.l.[2]	51%[3]	Italy	Media consultancy
Ebiquity Marsh Limited[2]	100%[3]	Ireland	Media consultancy
Ebiquity Pte. Limited[2]	100%[3]	Singapore	Media consultancy
Ebiquity Pty Limited[2]	100%[3]	Australia	Media 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
Ebiquity UK Holdings Limited	100%	UK	Holding company
Ebiquity UK Limited	100%[3]	UK	Non-trading
Fairbrother Lenz Eley Limited	100%[3]	UK	Non-trading
Faulkner Group Pty Limited	100%[3]	Australia	Non-trading

Subsidiary undertaking	Proportion of nominal value of issued ordinary shares held	Country of incorporation	Nature of business
FirmDecisions ASJP Germany GmbH[2]	100%[3]	Germany	Media consultancy
FirmDecisions China Limited[2]	100%[3]	China	Media consultancy
FirmDecisions DMCC[1,2]	100%[3]	UAE	Media consultancy
FirmDecisions Group Limited	100%	UK	Holding company
FirmDecisions ASJP LLC[2]	100%[3]	US	Media consultancy
FirmDecisions Pty Limited[2]	100%[3]	Australia	Media consultancy
FirmDecisions Iberia S.L.[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. FirmDecisions DMCC was incorporated in March 2019.
2. Principal trading entity.
3. Shares held by an intermediate holding company.
4. In June 2019, the Group acquired the outstanding 5.97% interest in Ebiquity Germany GmbH from the minority shareholder.

15. Trade and other receivables

	31 December 2019 £'000	31 December 2018 £'000
Trade and other receivables due within one year		
Net trade receivables (note 27)	**16,078**	18,320
Other receivables	**882**	2,325
Prepayments	**1,260**	760
Contract assets	**9,366**	8,003
	27,586	29,408

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

16. Assets and liabilities held for sale

In 2017, the Board concluded that the most probable route to realising future economic benefit through its AdIntel 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 AdIntel business to Nielsen for gross consideration of £26,000,000. This transaction was subject to certain conditions, including approval from the Competition and Markets Authority who immediately commenced a Phase I 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 gross consideration was dependent upon a working capital target position at the date of completion. The working capital acquired by Nielsen was below this target and a resulting repayment was made to Nielsen of £1,155,000 on 31 October 2019; net consideration was therefore £24,845,000.

Under the terms of the disposal, the Group will provide certain services to Nielsen to facilitate the acquisition and integration of the AdIntel 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 AdIntel business was treated as an asset held for sale as at 31 December 2018 since, at this date, the sale was deemed to be probable, and the disposal of AdIntel will signal a complete exit from this service line.

The net assets of the AdIntel business, which have been presented net on the Group balance sheet, are shown below:

	31 December 2019 £'000	2 January 2019 £'000	31 December 2018 £'000
Non-current assets			
Goodwill	–	22,295	22,293
Other intangible assets	–	2,377	2,377
Property, plant and equipment	–	414	412
Deferred tax asset	–	40	40
Total non-current assets	–	25,126	25,122
Current assets			
Trade and other receivables	–	2,854	2,612
Cash and cash equivalents	–	–	–
Total current assets	–	2,854	2,612
Total assets	–	27,980	27,734
Current liabilities			
Trade and other payables	–	(1,058)	(796)
Accruals and contract liabilities	–	(3,283)	(2,940)
Current tax liabilities	–	(86)	(86)
Total current liabilities	–	(4,427)	(3,822)
Non-current liabilities			
Deferred tax liabilities	–	(413)	(413)
Provisions	–	(80)	(81)
Total non-current liabilities	–	(493)	(494)
Total liabilities	–	(4,920)	(4,316)
Total net assets	–	23,060	23,418

17. Cash and cash equivalents

	31 December 2019 £'000	31 December 2018 £'000
Cash and cash equivalents	**8,236**	8,793

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 2019 £'000	31 December 2018 £'000
Cash and cash equivalents	**8,236**	8,793
Bank overdrafts (note 20)	**—**	(2,379)
Cash, cash equivalents and bank overdrafts	**8,236**	6,414

18. Trade and other payables

	31 December 2019 £'000	31 December 2018 £'000
Trade payables	**2,615**	3,385
Other taxation and social security	**2,116**	2,837
Other payables	**844**	1,288
	5,575	7,510

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

19. Accruals and contract liabilities

	31 December 2019 £'000	31 December 2018 £'000
Accruals	**4,449**	6,661
Contract liabilities	**4,635**	3,979
	9,084	10,640

20. Financial liabilities

	31 December 2019 £'000	31 December 2018 £'000
Current		
Bank overdraft	**—**	2,379
Loan fees[1]	**(36)**	(65)
Contingent consideration	**14**	508
	(22)	2,822
Non-current		
Bank borrowings	**14,000**	34,000
Loan fees[1]	**(132)**	(35)
Contingent consideration	**—**	969
	13,868	34,934
Total financial liabilities	**13,846**	37,756

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 August 2024.

20. Financial liabilities continued

	Bank overdrafts £'000	Bank borrowings £'000	Finance lease liabilities £'000	Contingent consideration £'000	Total £'000
At 1 January 2018	407	33,161	4	2,094	35,666
Recognised on acquisition	—	—	—	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
Recognised on revaluation	**—**	**—**	**—**	**336**	**336**
Paid	**—**	**(180)**	**—**	**(983)**	**(1,163)**
Charged to the income statement	**—**	**112**	**—**	**(989)**	**(877)**
Discounting charged to the income statement	**—**	**—**	**—**	**218**	**218**
Repayments	**(2,379)**	**(20,000)**	**—**	**—**	**(22,379)**
Foreign exchange released to the income statement	**—**	**—**	**—**	**(45)**	**(45)**
At 31 December 2019	**—**	**13,832**	**—**	**14**	**13,846**

A currency analysis for the bank borrowings is shown below:

	31 December 2019 £'000	31 December 2018 £'000
Pounds sterling	**13,832**	33,900
Total bank borrowings	**13,832**	33,900

On 20 September 2019, the Group refinanced its banking facilities with Barclays and Royal Bank of Scotland and on 20 September 2019 drew down on these new facilities. The new committed facility, totalling £24,000,000, comprises a revolving credit facility ('RCF') of £23,000,000 (of which £14,000,000 was drawn on refinance) and £1,000,000 available as an overdraft for working capital purposes. The RCF has a maturity date of 20 September 2023. The drawn RCF and any further drawings under the RCF are repayable on maturity of the facility. The facility may be used for deferred consideration payments on past acquisitions, to fund future potential acquisitions, and for general working capital requirements.

Loan arrangement fees of £168,000 (31 December 2018: £100,000) are offset against the term loan, and are being amortised over the period of the loan. £36,000 of loan arrangement fees have been included within creditors due within one year and the balancing £132,000 has been included within creditors due after more than one year.

The facility bears variable interest of LIBOR plus a margin of 2.25%. 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, Germany and Australia.

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 June 2020.

21. Provisions

	Onerous lease[1] £'000	Dilapidations[2] £'000	Total £'000
At 1 January 2018	—	393	393
Recognition of onerous lease provision	324	—	324
Reclassification of available-for-sale liability	—	(80)	(80)
At 31 December 2018	324	313	637
Recognition of dilapidations provision	**—**	**450**	**450**
Discounting charged to the income statement	**—**	**(63)**	**(63)**
Utilisation of provision	**(57)**	**—**	**(57)**
Unused amounts released to income statement	**(267)**	**(13)**	**(280)**
At 31 December 2019	**—**	**687**	**687**
Current	**—**	**300**	**300**
Non-current	**—**	**387**	**387**

1. The onerous lease provisions recognised in the prior year in relation to the Hamburg and Sydney offices have been utilised in the current year, with the excess released. The provisions were utilised until the Company was released from the lease obligation on a new tenant occupying the space.
2. The dilapidations provision relates to the expected costs of vacating various properties. The amount recognised in the year relates to the newly occupied London office. The provision is expected to be fully utilised by June 2024.

22. Deferred tax

	Tangible assets £'000	Intangible assets £'000	Share-based payments £'000	Tax losses £'000	Other timing differences £'000	Total £'000
At 1 January 2018	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)
Credit/(charge) to income	**162**	**245**	**(327)**	**171**	**52**	**303**
At 31 December 2019	**404**	**(1,036)**	**101**	**447**	**(238)**	**(322)**

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 2019 £'000	31 December 2018 £'000
Deferred tax assets – non-current	**986**	979
Deferred tax liabilities – current	**(272)**	(323)
Deferred tax liabilities – non-current	**(1,036)**	(1,281)
	(322)	(625)

At the year end, the Group had tax losses of £2,062,000 (31 December 2018: £1,190,000) available for offset against future profits. A deferred tax asset of £447,000 (31 December 2018: £276,000) has been recognised in respect of such losses.

The Group has unrecognised tax losses of £784,000 (31 December 2018: £3,103,000) and unrecognised deferred tax assets of £156,000 (31 December 2018: £590,000) 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.

23. 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.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases; see notes 13 and 27 for further information.

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

	31 December 2019		31 December 2018	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
No later than one year	–	–	2,245	150
Later than one year but no later than five years	–	–	4,613	58
Later than five years	–	–	1,285	–
	–	–	8,143	208

Lessor

There is no minimum aggregate future rent receivable under non-cancellable operating leases as at 31 December 2018.

24. Ordinary shares

	Number of shares	Nominal value £'000
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
Share options exercised	**1,002,436**	**251**
At 31 December 2019 – ordinary shares of 25p	**80,115,626**	**20,029**

Ordinary shares carry voting rights and are entitled to share in the profits of the Company (dividends). At the year end, 2,410,458 shares were held by the ESOP (31 December 2018: 3,291,569). The Company does not have a limited amount of authorised capital.

25. Reserves

Share premium

The share premium reserve of £46,000 (31 December 2018: £44,000) 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 2018: £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 2018: £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 £2,239,000 (31 December 2018: £2,955,000) 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.

26. 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 2019:

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 2010-May 2020	35.0	35.0	4,200,000
Executive Share Option Plan – 26 May 2010	10 years	May 2011-May 2020	64.5	64.5	62,015
Executive Share Option Plan – 30 July 2010	10 years	July 2011-July 2020	61.0	61.0	34,482
Executive Share Option Plan – 11 August 2011	10 years	August 2012-August 2021	25.0-71.5	47.2	83,785
Executive Share Option Plan – 27 September 2012	10 years	September 2013-September 2022	97.5	97.5	135,000
Executive Share Option Plan – 23 May 2013	10 years	April 2016-May 2023	25.0	25.0	95,239
Executive Share Option Plan – 17 January 2014	10 years	April 2016-January 2024	25.0	25.0	109,891
Executive Share Option Plan – 15 May 2014	10 years	April 2017-May 2024	25.0	25.0	126,551
Executive Share Option Plan – 1 October 2015	10 years	April 2018-October 2025	25.0	25.0	590,000
Executive Incentive Plan – 27 January 2016	10 years	June 2016-January 2026	25.0	25.0	200,000
Executive Share Option Plan – 24 July 2017	10 years	December 2018-July 2027	nil	nil	340,000
Executive Share Option Plan – 13 February 2018	10 years	April 2021-February 2028	25.0	25.0	1,880,000
Executive Share Option Plan – 24 May 2018	10 years	December 2020-May 2028	nil-25.0	16.9	905,000
Executive Share Option Plan – 11 July 2018	10 years	April 2023-July 2028	25.0	25.0	315,000
Executive Share Option Plan – 11 November 2019	10 years	December 2021-November 2029	nil	nil	340,000
Executive Share Option Plan – 4 December 2019	10 years	April 2022-December 2029	nil	nil	1,472,500
					10,889,463

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.

1,812,500 (31 December 2018: 4,495,000) share options have been granted to employees under the ESOP in the year ended 31 December 2019.

26. Share-based payments continued

Executive Share Option Plan ('ESOP') continued

Options had not been granted to the executive team between October 2015 and February 2018 due to many of them being involved in the sale of the AdIntel 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%.

The options awarded in respect of the years ending 31 December 2018 and 31 December 2019 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. As at 31 December 2019, there are no options outstanding under this scheme.

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 2019.

Movements in outstanding ordinary share options:

	31 December 2019		31 December 2018	
	Number of share options	**Weighted average exercise price (pence)**	Number of share options	Weighted average exercise price (pence)
Outstanding at beginning of year	**11,333,071**	**28.6**	8,443,801	30.9
Granted during the year	**1,812,500**	**—**	4,495,000	23.0
Exercised during the year	**(1,002,437)**	**0.3**	(915,730)	27.5
Lapsed during the year	**(1,253,671)**	**—**	(389,999)	19.9
Performance criteria not expected to be met	**—**	**—**	(300,000)	25.0
Outstanding at the end of the year	**10,889,463**	**28.8**	11,333,071	28.6
Exercisable at the end of the year	**5,976,963**	**0.3**	6,854,741	33.2

During the year, share options were granted with a weighted average fair value of 41.1p (31 December 2018: 64.0p). These fair values were calculated using the Black-Scholes model with the following inputs:

	31 December 2019	31 December 2018
Weighted average share price	**41.1p**	64.0p
Exercise price	**nil**	nil-25.0p
Expected volatility[1]	**38.80%**	15.1%
Vesting period	**2 to 2.5 years**	2.5 to 5 years
Risk-free interest rates	**0.57% to 0.61%**	1.93% to 2.12%

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 1,002,437 shares (31 December 2018: 915,730 shares) being issued at a weighted average price of 25p each (31 December 2018: 27.5p). The weighted average share price on the dates of exercise for options exercised during the year was 51.0p (31 December 2018: 68.0p).

The options outstanding at the end of the year have a weighted average remaining contractual life of 2.2 years (31 December 2018: 5.4 years), with a range of exercise prices being between nil and 25p.

The total charge in respect of share option schemes recognised in the consolidated income statement during the period amounted to £195,000 (31 December 2018: £394,000).

27. 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 99 to 103.

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 2019 £'000	31 December 2018 £'000
Financial assets:		
Cash and cash equivalents	**8,236**	8,793
Financial liabilities held at amortised cost:		
Bank overdraft	**—**	(2,379)
Bank borrowings	**(13,832)**	(33,900)
Net debt	**(5,596)**	(27,486)
Equity	**(38,640)**	(47,514)
Capital	**(44,236)**	(75,000)

Financial risk management

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

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

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

Credit risk

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

Trade receivables

The Group operates in an industry where most of its customers are reputable and well-established multinational or large national businesses. When the 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.

27. Capital and financial risk management continued

Credit risk continued

Financial assets past due but not impaired

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

	Total £'000	Past due + 30 days £'000	Past due + 60 days £'000
At 31 December 2019	**3,848**	**1,827**	**2,021**
At 31 December 2018	9,081	5,328	3,753

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

	31 December 2019			31 December 2018		
	Gross value £'000	**Provision £'000**	**Carrying value £'000**	Gross value £'000	Provision £'000	Carrying value £'000
Trade receivables	**16,153**	**(75)**	**16,078**	18,393	(73)	18,320

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 2019 £'000	31 December 2018 £'000
Opening balance	**73**	262
Increase in provision	**83**	46
Written off against provision	**(41)**	(95)
Reclassification of available-for-sale asset	**—**	(39)
Recovered amount reversed	**(40)**	(101)
Closing balance	**75**	73

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 £67,000 (31 December 2018: £139,000).

Currency risk

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

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

	31 December 2019		31 December 2018	
	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	**99**	**2,447**	179	3,350
10% strengthening of euro	**339**	**1,143**	314	1,445
10% strengthening of Australian dollar	**10**	**653**	162	603

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

The currency profile of the financial assets at 31 December 2019 is as follows:

	Cash and cash equivalents		Gross trade receivables	
	31 December 2019 £'000	31 December 2018 £'000	**31 December 2019 £'000**	31 December 2018 £'000
Pounds sterling	**1,731**	2,659	**4,621**	5,458
US dollar	**1,588**	1,789	**3,360**	5,056
Euro	**3,227**	2,576	**6,527**	6,162
Australian dollar	**555**	1,106	**683**	835
Russian rouble	**243**	176	**343**	292
Singapore dollar	**233**	121	**(35)**	3
Chinese renminbi	**555**	366	**423**	414
Indian rupee	**—**	—	**20**	72
New Zealand dollar	**—**	—	**117**	71
South African rand	**—**	—	**19**	30
United Arab Emirate dirham	**104**	—	**—**	—
	8,236	8,793	**16,078**	18,393

Other price risks

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

Liquidity risk

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

The liquidity risk of each Group company is managed centrally by the Group. All surplus cash in the UK is held centrally to maximise the returns on deposits through economies of scale. The type of cash instrument used and its maturity date will depend on the Group's forecast cash requirements. Throughout the year, the Group maintained a revolving credit facility with Barclays and Royal Bank of Scotland (see note 20) to manage any short-term cash requirements. At 31 December 2019, £9,000,000 (31 December 2018: £nil) of the revolving credit facility was undrawn and the £1,000,000 overdraft remains available. The facility expires in September 2023, at which point drawn-down amounts will be repayable.

It is a condition of the borrowings that the Group passes 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 2019 £'000	31 December 2018 £'000
Current financial assets		
Loans and receivables:		
Trade and other receivables[1] (note 15)	**16,960**	20,645
Cash and cash equivalents (note 17)	**8,236**	8,793
Gross trade receivables	**25,196**	29,438

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

27. Capital and financial risk management continued

Financial liabilities

	31 December 2019 £'000	31 December 2018 £'000
Current financial liabilities		
Other financial liabilities at amortised cost:		
Trade and other payables[1]	**3,459**	4,672
Accruals	**4,449**	6,659
Bank overdrafts	**—**	2,379
Loans and borrowings	**(36)**	(65)
Lease liabilities[2]	**1,834**	—
Liabilities at fair value through profit and loss:		
Contingent consideration	**14**	508
	9,720	14,153
Non-current financial liabilities		
Other financial liabilities at amortised cost:		
Loans and borrowings	**13,868**	33,965
Lease liabilities[2]	**7,756**	—
Liabilities at fair value through profit and loss:		
Contingent consideration	**—**	969
	21,624	34,934
Total financial liabilities	**31,344**	49,087

1. Trade and other payables includes trade payables and other payables and excludes other taxation and social security and contract liabilities.
2. Lease liabilities were recognised on 1 January 2019 on the adoption of IFRS 16.

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 2019			
Trade and other payables	**3,459**	**—**	**3,459**
Accruals	**4,449**	**—**	**4,449**
Bank loans and overdrafts	**541**	**15,762**	**16,303**
Lease liabilities[1]	**2,111**	**8,293**	**10,404**
Contingent consideration	**14**	**—**	**14**
Total financial liabilities	**10,574**	**24,055**	**34,624**
Less: finance charges allocated to future periods	**(854)**	**(2,431)**	**(3,285)**
Present value	**9,720**	**21,624**	**31,344**
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

1. Lease liabilities were recognised in the current year on adopting IFRS 16 from 1 January 2019.

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 2019				
Financial liabilities				
Contingent consideration	**—**	**—**	**14**	**14**
	—	**—**	**14**	**14**
At 31 December 2018				
Financial liabilities				
Contingent consideration	—	—	1,477	1,477
	—	—	1,477	1,477

Refer to note 20 for a reconciliation of movements during the year.

The fair value of the contingent consideration of £14,000 (31 December 2018: £1,477,000) was estimated by applying the income approach. The fair value estimates are based on a discount rate of 3.0% forecast EBIT of Ebiquity Marsh Limited. 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.

28. Dividends

	31 December 2019 £'000	31 December 2018 £'000
Dividend in respect of the prior year	**534**	527
Total dividend paid	**534**	527

A dividend of £534,000 was paid during the current financial year (31 December 2018: £527,000). Dividends were paid to non-controlling interests as shown in the consolidated statement of changes in equity.

29. Cash generated from operations

	31 December 2019 £'000	31 December 2018 £'000
(Loss) before taxation	**(5,061)**	(2,504)
Adjustments for:		
Depreciation (notes 12 and 13)	**2,163**	665
Amortisation (note 11)	**2,042**	1,994
Loan fees written off	**58**	—
Gain on disposal	**5**	—
Impairment of right-of-use assets (note 13)	**641**	—
Impairment of goodwill (note 10)	**5,989**	2,732
Impairment of intangibles (note 11)	**761**	—
Unrealised foreign exchange loss	**47**	320
Share option charges (note 3)	**195**	350
Finance income (note 6)	**(9)**	(25)
Finance expenses (note 6)	**907**	1,176
Contingent consideration revaluations (note 3)	**(779)**	94
	6,959	4,802
Decrease/(increase) in trade and other receivables	**1,536**	(2,138)
(Decrease)/increase in trade and other payables	**(2,838)**	1,447
Movement in provisions	**—**	324
Cash generated from operations – continuing operations	**5,657**	4,435
Cash generated from operations – discontinued operations	**—**	3,196
Cash generated from operations	**5,657**	7,631

30. Acquisitions

Ebiquity Germany GmbH

On 11 June 2019, the Group acquired the outstanding 5.97% interest in its subsidiary undertaking, Ebiquity Germany GmbH, from the minority shareholder for cash consideration of €380,000 (£336,000) payable in equal instalments in June 2019 and October 2019.

31. Disposals

On 12 February 2018, the Group agreed to dispose of the AdIntel business to Nielsen for gross consideration of £26,000,000. This transaction was subject to certain conditions, including approval from the Competition and Markets Authority, who immediately commenced a Phase I 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 gross consideration was dependent upon a working capital target position at the date of completion. The working capital acquired by Nielsen was below this target and a resulting repayment was made to Nielsen of £1,155,000 on 31 October 2019, resulting in net consideration of £24,845,000.

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 of £34,000 was recognised on disposal. This is the remaining part of the Group's Intel segment in addition to the AdIntel business. Completion took place on 31 March 2018. The consideration payable was £36,000, which was determined with reference to the revenue performance of the business during the 12 months following completion.

On 21 August 2019, it was decided to wind down the activities of Stratigent LLC, the Chicago-based marketing technology business which has been trading at a loss due to significantly reduced demand in the US market for the software technology on which its skills were focused. This was the result of a wider review of opportunities for further efficiency gains across the business as well as examining investment areas to ensure these fit with the Group's strategic priorities. As at 31 December 2019, the division has one employee and is continuing to fulfil its contractual requirements with its remaining clients.

32. 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.

33. Related party transactions

The Group has a related party relationship with its subsidiaries (refer to note 14) 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 2018: £2,000) for a membership subscription were charged to the Company by the Quoted Companies Alliance, a company of which Alan Newman is a director.

Costs of £65,000 (31 December 2018: £83,000) for public relations consultancy were charged to the Company by Instinctif Partners Limited, a company of which Richard Nichols was a director during the year. As at the year end, £7,000 (31 December 2018: £5,000) was owed to Instinctif Partners Limited.

34. Events after the reporting period

On 8 January 2020, the Group completed the purchase of Digital Decisions B.V ('Digital Decisions'). The acquisition was for an initial cash consideration of €700,000 (£597,000) with further consideration payable in a mix of cash and Ebiquity plc shares. The first deferred payment will be based on performance for the year ending 31 December 2020 and the second payment will be based on the average performance in the years ending 31 December 2021 and 31 December 2022.

On 3 February 2020, the Group announced that it will be acquiring the outstanding 49% interest in its subsidiary Ebiquity Italy Media Advisor S.r.l ('Ebiquity Italy') from its founders and minority shareholders Arcangelo DiNieri and Maria Gabrielli. The transaction will complete in May 2020. The total consideration of €3,600,000 is based on an average of Ebiquity Italy's profit before tax and management charges for the years ending 31 December 2018 and 2019. Since the announcement date, the payment terms have been amended. The consideration will now be paid in a combination of cash and Ebiquity plc shares. At completion 25% of the total consideration will be paid in Ebiquity plc shares and 5% in cash. The remaining cash will be paid over the following 10 months.

The Company continues to closely monitor the COVID-19 pandemic and its impact on our staff, clients and operations. Our primary focus is ensuring the safety and well-being of our employees and we have successfully implemented a remote working policy for all of our offices globally, although our staff in China have now returned to their offices.

The COVID-19 disruption is affecting our clients' businesses and their service requirements, although the extent and timing of its impact over the coming months remains uncertain.

The Company is undertaking prudent cost reduction measures in order to protect the business and preserve cash in the current environment. This includes a 20% salary reduction taken by the senior management team and Board, a deferral of the annual pay review and temporary freeze on recruitment. The Group is also utilising, to the extent necessary, the different government schemes put in place to support businesses in many of the countries in which it operates. To date, these include the selected furloughing of staff in the UK and France, and receipt of funds from the US Payroll Protection Program and various government subsidies and support schemes in Asia Pacific.

No adjustments have been made to the financial statements in respect of this.

Company statement of financial position

as at 31 December 2019

	Note	31 December 2019 £'000	31 December 2018 £'000
Fixed assets			
Intangible assets	6	**2,309**	2,107
Right-of-use assets	7	**4,025**	—
Investments in subsidiaries	8	**49,082**	75,501
Deferred tax asset	9	**91**	—
Total fixed assets		**55,507**	77,608
Current assets			
Trade and other receivables	10	**22,712**	21,184
Cash at bank and in hand		**263**	48
Total current assets		**22,975**	21,232
Creditors: amounts falling due within one year	11	**(44,856)**	(42,772)
Net current liabilities		**(21,881)**	(21,540)
Total assets less current liabilities		**33,626**	56,068
Creditors: amounts falling due after more than one year	12	**(18,473)**	(33,965)
Net assets		**15,153**	22,103
Equity			
Ordinary shares	13	**20,029**	19,778
Share premium	14	**46**	44
Other reserves	14	**(733)**	(733)
Retained earnings	14	**(4,189)**	3,014
Total shareholders' funds		**15,153**	22,103

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 £6,864,000 (31 December 2018: loss for the year of £1,873,000).

The notes on pages 108 to 118 are an integral part of the financial statements of the Company. The financial statements on pages 106 to 107 were approved and authorised for issue by the Board of Directors on 19 May 2020 and were signed on its behalf by:

Alan Newman

Director

Ebiquity plc. Registered No. 03967525

20 May 2020

Company statement of changes in equity

for the year ended 31 December 2019

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 31 December 2017		19,549	21	(733)	4,283	23,120
(Loss) for the year		—	—	—	(1,873)	(1,873)
Other comprehensive result for the year		—	—	—	—	—
Total comprehensive (loss) for the year		—	—	—	(1,873)	(1,873)
Proceeds from shares issued	13	229	23	—	—	252
Share-based payments credit		—	—	—	522	522
Capital contribution relating to share-based payments		—	—	—	609	609
Dividends to shareholders	13	—	—	—	(527)	(527)
At 31 December 2018		19,778	44	(733)	3,014	22,103
(Loss) for the year		**—**	**—**	**—**	**(6,864)**	**(6,864)**
Other comprehensive result for the year		**—**	**—**	**—**	**—**	**—**
Total comprehensive (loss) for the year		**—**	**—**	**—**	**(6,864)**	**(6,864)**
Proceeds from shares issued	13	**251**	**2**	**—**	**—**	**253**
Share-based payments credit		**—**	**—**	**—**	**33**	**33**
Capital contribution relating to share-based payments		**—**	**—**	**—**	**162**	**162**
Dividends to shareholders	13	**—**	**—**	**—**	**(534)**	**(534)**
At 31 December 2019		**20,029**	**46**	**(733)**	**(4,189)**	**15,153**

The notes on pages 108 to 118 are an integral part of the financial statements of the Company.

Notes to the Company financial statements

for the year ended 31 December 2019

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 Chapter House, 16 Brunswick Place, London N1 6DZ.

The financial statements of the Company represent the results for the year ended 31 December 2019 whilst the comparatives represent the results for the year ended 31 December 2018.

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 20 to the consolidated financial statements. As at 31 December 2019, the Company has undrawn bank facilities available of £10,000.000.

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.

In accordance with the guidance issued by the Financial Reporting Council, the Directors have given specific consideration to the potential impact of the COVID-19 pandemic on the global economy, the business environment in which the Company operates and its business in particular. As at the date of approval of these financial statements, this impact remained highly uncertain and difficult to predict. The Directors have accordingly considered a range of scenarios relating to the impact of COVID-19 which they believe are plausible, and assessed their impact on the Company's cash flows and liquidity for a period of 12 months from the date of approval of these financial statements.

In this assessment, the Directors had regard to the potential reduction in the Group's receipts from clients that may arise from the COVID-19 disruption and to options that may be available to the Group to mitigate any resulting negative impact on its cash flows and liquidity. These include: (i) draw down of all available borrowing facilities; (ii) reductions in its operating and capital expenditure; and (iii) benefit of measures taken by the UK government and the Bank of England to assist businesses and employees, directly or indirectly, to meet their financial obligations and maintain their business operations during the period of the pandemic.

As a result of this assessment, the Directors consider that the Company will have sufficient liquidity within its existing bank facilities, totalling £24,000,000, to meet its obligations during the next 12 months.

The Directors consulted with the lenders, Barclays and Royal Bank of Scotland, to negotiate covenant waivers where required in order to negate the risk of any future covenant breaches. The existing covenants remain in place for the 12 months to March 2020 and June 2020. The March 2020 covenants have already been achieved, and there are no concerns over meeting the June 2020 covenants; the Group's revenue would have to reduce by 21% between May and June 2020 compared to the latest prudent expectations for a breach to result.

Agreement in principle has been reached with the lenders to replace the existing covenants for September 2020, December 2020 and March 2021 with a monthly liquidity test that will be in place between July 2020 and May 2021. This is subject to the agreement of legal documentation with the lenders which is not yet in place, but which the Directors are confident will be shortly. Under the Directors' base case scenario there are no forecast breaches of the new liquidity covenant tests. The Directors' downside scenario indicates that the covenant test at May 2021 is the most sensitive but is not breached. If revised expectations for this period were to worsen then the Directors would take the appropriate actions ahead of time to reduce operating costs to mitigate the likelihood of a breach.

The covenants revert to the existing measures as at June 2021, which under the current base case scenario would be breached and would need to be waived. The Directors are confident, based on the support of the lenders that waivers would be granted, however, there is a risk that this may not occur. This, and the risk that the legal documentation is not agreed to replace the existing covenants for September 2020 to May 2021, represent a material uncertainty that casts significant doubt on the Company's ability to continue to operate as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

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.

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.

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.

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.

2. Basis of preparation continued

Intangible assets continued

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 £747,000 of internally generated intangible assets (31 December 2018: £509,000).

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.

Investments in subsidiaries

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

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

Cash and cash equivalents

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

Share capital

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

Deferred taxation

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

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

Financial instruments

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

Financial assets

Financial assets are classified, at initial recognition, and subsequently measured, at fair value through profit or loss ('FVPL'), amortised cost, or fair value through other comprehensive income ('FVOCI').

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI Criterion').

Financial assets are initially measured at their fair value plus, for those financial assets not at fair value through profit or loss, transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, being the date that the Company commits to purchase or sell the asset.

For the purposes of subsequent measurement, all of the Company's financial assets are classified as financial assets at amortised cost. Financial assets at amortised cost comprise of assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI Criterion. This category includes the Company's trade and other receivables and cash and cash equivalents. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, interest income, foreign exchange gains and losses, and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The Company has not classified any assets as being financial assets at FVOCI or FVPL.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities comprise of trade and other payables and borrowings.

The Company's payables are subsequently measured at amortised cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

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.

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 financial statements, the Directors have made certain estimates and judgements relating to the reporting of results of operations and the financial position of the Company. Actual results may significantly differ from those estimates, often as the 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 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 determined to be adjusting or non-adjusting events and the terminal growth rate used in impairment assessments.

Investments

The Company has recorded an asset for investment in subsidiary companies. The Directors believe the carrying value of these investments is supported by their underlying net assets. Any changes to the carrying value of investments after the measurement period are recognised in the income statement.

Adoption of new standards and interpretations

On 1 January 2019, the Company adopted the following amendments which are effective for accounting periods beginning on or after 1 January 2019.

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 the statement of financial position for lessees. The operating lease charge is replaced by a depreciation charge and an interest charge. 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.

IFRS 16 has been applied in these financial statements using the modified retrospective method, meaning the comparatives have not been restated to reflect the effects of IFRS 16.

The standard requires the Company to recognise a 'right-of-use' asset, representing the right to use the underlying asset, and a corresponding lease liability, representing the obligation to make lease payments, on its statement of financial position, for almost all lease contracts.

The impact on the income statement is that former operating lease expenses are replaced by depreciation and interest, thereby improving EBITDA. Total expenses (depreciation of right-of-use assets and interest on lease liabilities) are typically higher in the earlier years of a lease and lower in the later years, in comparison with former accounting for operating leases.

The main impact on the statement of cash flows is higher cash flows from operating activities, since cash payments for the principal part of the lease liability are classified in the net cash flow from financing activities.

The tax effect from the adjustments from IFRS 16 have been measured and recognised accordingly.

2. Basis of preparation continued

Adoption of new standards and interpretations continued

The change in accounting policy has impacted the primary statements as follows:

	Income statement debit/ (credit)	Statement of financial position debit/ (credit)	Cash flow statement inflow/ (outflow)
Operating lease rentals	(84)	—	—
Depreciation charge	472	(472)	—
Interest expense	90	(90)	—
Right-of-use assets	—	5,001	—
Impairment of right-of-use assets	—	(504)	—
Lease liabilities	—	(4,630)	—
Accruals	—	588	—
Other debtors	—	(371)	—
Deferred tax asset	(91)	91	—
Cash flows from operating activities	—	—	—
Cash flows from financing activities	—	—	—
Total impact	**387**	**(387)**	**—**

Accounting policy for leases

The Company has a lease arrangement for buildings. At the inception of a lease contract, the Company assesses whether the contract conveys the right to control the use of an identified asset for a certain period in exchange for a consideration, in which case it is identified as a lease. The Company then recognises a right-of-use asset and a corresponding lease liability at the lease commencement date. Lease-related assets and liabilities are measured on a present value basis. Lease-related assets and liabilities are subjected to re-measurement when either terms are modified or lease assumptions have changed. Such an event results in the lease liability being re-measured to reflect the measurement of the present value of the remaining lease payments, discounted using the discount rate at the time of the change. The lease assets are adjusted to reflect the change in the re-measured liabilities.

Right-of-use assets:

Right-of-use assets include the net present value of the following components:

- the initial measurement of the lease liability;
- lease payments made before the commencement date of the lease;
- initial direct costs; and
- costs to restore.

The right-of-use assets are reduced for lease incentives relating to the lease. The right-of-use assets are depreciated on a straight-line basis over the duration of the contract. In the event that the lease contract becomes onerous, the right-of-use asset is impaired for the part which has become onerous.

Lease liabilities:

Lease liabilities include the net present value of the following components:

- fixed payments excluding lease incentive receivables;
- future contractually agreed fixed increases; and
- payments related to renewals or early termination, in case options to renew or for early termination are reasonably certain to be exercised.

The lease payments are discounted using the interest rate implicit in the lease. If such rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The discount rate that is used to calculate the present value reflects the interest rate applicable to the lease at inception of the contract. Lease contracts entered into in a currency different to the local functional currency are subjected to periodic foreign currency revaluations which are recognised in the income statement in net finance costs.

The lease liabilities are subsequently increased by the interest costs on the lease liabilities and decreased by lease payments made.

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 £6,864,000 (31 December 2018: loss for the year of £1,873,000).

4. Operating loss

Auditors' remuneration

Fees for the audit of the Company were £3,000 (31 December 2018: £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 2019 £'000	Year ended 31 December 2018 £'000
The tax charge is made up as follows:		
Current tax	**19**	—
Deferred tax		
Origination and reversal of timing differences	**(91)**	—
Taxation on ordinary activities	**—**	—
Total tax credit	**(72)**	—

The tax assessment for the year differs to the standard rate of corporation tax in the UK of 19.00% (31 December 2018: 19.00%).

The differences are explained below:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
(Loss) on ordinary activities before taxation	**(6,936)**	(1,873)
(Loss) on ordinary activities at the standard rate of corporation tax in the UK of 19.00% (31 December 2018: 19.00%)	**(1,318)**	(356)
Effects of:		
Expenses not deductible/(income) not taxable	**269**	(26)
Depreciation in excess of capital allowances	**—**	120
Additions to intangibles	**(127)**	110
Relieved to other Group companies	**1,176**	152
Adjustments to tax charge in respect of prior years	**15**	—
Withholding tax suffered	**4**	—
Deferred tax	**(91)**	—
Current tax credit for the year	**(72)**	—

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.

Notes to the Company financial statements continued

for the year ended 31 December 2019

6. Intangible assets

	Research and development £'000	Computer software £'000	Total £'000
Cost			
At 1 January 2019	2,053	1,565	3,618
Additions	**747**	**11**	**758**
Disposals	**(391)**	**—**	**(391)**
Transfer	**(157)**	**—**	**(157)**
At 31 December 2019	**2,252**	**1,576**	**3,828**
Amortisation			
At 1 January 2019	(864)	(647)	(1,511)
Transfer	**157**	**—**	**157**
Disposals	**388**	**—**	**388**
Charge for the year	**(267)**	**(286)**	**(553)**
At 31 December 2019	**(586)**	**(933)**	**(1,519)**
Net book value			
At 31 December 2019	**1,666**	**643**	**2,309**
At 31 December 2018	1,189	918	2,107

7. Right-of-use assets and lease liabilities

Right-of-use assets:

	Buildings £'000	Total £'000
Cost		
At 31 December 2018	—	—
Assets recognised on adoption of IFRS 16 on 1 January 2019	**—**	**—**
Additions	**5,001**	**5,001**
At 31 December 2019	**5,001**	**5,001**
Accumulated depreciation		
At 31 December 2018	—	—
Charge for the year	**(472)**	**(472)**
Impairment for the year	**(504)**	**(504)**
At 31 December 2019	**(976)**	**(976)**
Net book value		
At 31 December 2019	**4,025**	**4,025**
At 31 December 2018	—	—

Lease liabilities:

	Buildings £'000	Total £'000
Cost		
At 31 December 2018	—	—
Liabilities recognised on adoption of IFRS 16 on 1 January 2019	**—**	**—**
Additions	**4,630**	**4,630**
Cash payments in the year	**—**	**—**
Interest charge in the year	**90**	**90**
At 31 December 2019	**4,720**	**4,720**
Current	**502**	**502**
Non-current	**4,218**	**4,218**

The present value of the minimum lease payments are as follows:

	Minimum lease payments	
	31 December 2019 £'000	31 December 2018 £'000
Amounts due:		
Within one year	**955**	—
Between one and two years	**1,264**	—
Between two and three years	**1,264**	—
Between three and four years	**1,264**	—
Between four and five years	**319**	—
Later than five years	**—**	—
	5,066	—

8. Investments in subsidiaries

	£'000
Cost and net book value	
At 31 December 2018	75,501
Additions	**165**
Impairment	**(7,754)**
Disposals	**(18,830)**
At 31 December 2019	**49,082**

The Company's principal trading subsidiaries and associated undertakings are listed in note 14 to the consolidated financial statements.

An impairment of £7,754,000 was recognised in relation to the investment held in Ebiquity US Financing Limited and Ebiquity Holdings Inc so that the carrying value was adjusted to be in line with the value-in-use.

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 to the consolidated financial statements.

The disposal in the year relates to the sale of the investment in the AdIntel business, the sale of which completed on 2 January 2019. The profit resulting on disposal was £5,920,000 and has been recognised in the income statement in the year.

Notes to the Company financial statements continued

for the year ended 31 December 2019

9. Deferred tax asset

	Tangible assets £'000	Total £'000
At 1 January 2018	—	—
Credit/(charge) to income	—	—
Reclassification of available-for-sale asset	—	—
At 31 December 2018	—	—
Credit to income	**91**	**91**
At 31 December 2019	**91**	**91**

The following is the analysis of the deferred tax balance for financial reporting purposes:

	31 December 2019 £'000	31 December 2018 £'000
Deferred tax assets – non-current	**91**	—
Deferred tax liabilities – current	**—**	—
Deferred tax liabilities – non-current	**—**	—
	91	—

Deferred tax has been recognised in the year on adoption of IFRS 16.

10. Trade and other receivables

	31 December 2019 £'000	31 December 2018 £'000
Trade receivables	**170**	—
Amounts owed by Group undertakings	**21,861**	19,954
Other receivables	**230**	514
Other taxation and social security	**—**	65
Prepayments	**451**	651
	22,712	21,184

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

11. Creditors: amounts falling due within one year

	31 December 2019 £'000	31 December 2018 £'000
Bank loans and overdrafts	**(36)**	2,314
Trade creditors	**787**	1,027
Amounts owed to Group undertakings	**41,817**	37,539
Corporation tax	**15**	—
Lease liabilities (note 7)	**502**	—
Other taxation and social security	**281**	—
Accruals	**1,490**	1,892
	44,856	42,772

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.

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

	31 December 2019 £'000	31 December 2018 £'000
Bank loans – between two and five years	**13,868**	33,965
Provisions	**387**	—
Lease liabilities (note 7)	**4,218**	—
	18,473	33,965

On 20 September 2019, the Group refinanced its banking facilities with Barclays and Royal Bank of Scotland and on 20 September 2019 drew down on these new facilities. The new committed facility, totalling £24,000,000, comprises a revolving credit facility ('RCF') of £23,000,000 (of which £14,000,000 was drawn on refinance) and £1,000,000 available as an overdraft for working capital purposes. The RCF has a maturity date of 20 September 2023. The drawn RCF and any further drawings under the RCF are repayable on maturity of the facility. The facility may be used for deferred consideration payments on past acquisitions, to fund future potential acquisitions, and for general working capital requirements.

Loan arrangement fees of £168,000 (31 December 2018: £100,000) are offset against the term loan, and are being amortised over the period of the loan. £36,000 of loan arrangement fees have been included within creditors due within one year and the balancing £132,000 has been included within creditors due after more than one year.

The facility bears variable interest of LIBOR plus a margin of 2.25%. 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, Germany and Australia.

The provision represents the expected costs of vacating the London property. It was recognised on signing the lease agreement during the year.

Lease liabilities were recognised on the signing of the lease agreement during the year in accordance with IFRS 16.

13. Ordinary shares

	Number of shares	Nominal value £'000
Allotted, called up and fully paid		
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
Share options exercised	**—**	**—**
Shares issued	**1,002,436**	**251**
At 31 December 2019 – ordinary shares of 25p	**80,115,626**	**20,029**

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 £534,000 (31 December 2018: 0.71p with a total of £527,000), to shareholders.

Notes to the Company financial statements continued

for the year ended 31 December 2019

14. 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 2018: £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 2018: 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 2018: 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 £nil (31 December 2018: £3,014,000).

A capital reduction will be completed in order to increase distributable reserves post year end to enable future dividends to be declared.

15. Share-based payments

Full disclosure of share-based payments is included in the consolidated financial statements (see note 26 to the consolidated financial statements).

16. Commitments

Capital commitments contracted but not provided for by the Company amount to £nil (31 December 2018: £nil).

17. 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.

18. 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 33 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.

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Chartered Accountants and Statutory Auditors
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London EC4M 7LT

Registrars
Computershare Investor Services plc
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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 20 May 2020, the Company's issued share capital consists of 80,125,626 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 20 May 2020, the percentage of the Company's issued share capital that is not in public hands is 66.49%.

Company registration
Registered office
Chapter House
16 Brunswick Place
London N1 6DZ

Company number 03967525

Glossary

AdIntel	Advertising Intelligence
AIM	Alternative Investment Market
ANA	Association of National Advertisers
Board	the Board of Directors of Ebiquity plc
CEO	Chief Executive Officer
CGUs	cash-generating units
Digital Decisions	Digital Decisions B.V
Ebiquity Italy	Ebiquity Italy Media Advisor S.r.l
Ebiquity or the Company	Ebiquity plc
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
FMCG	fast-moving consumer goods
FRS 101	Financial Reporting Standard 101 'Reduced Disclosure Framework'
FVOCI	fair value through other comprehensive income
FVPL	fair value through profit or loss
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
Net debt	long-term borrowings, short-term borrowings less cash and cash equivalents
Nielsen	Nielsen Media Research Limited
PwC	PricewaterhouseCoopers LLP
QCA Code	Quoted Companies Alliance Corporate Governance Code
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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