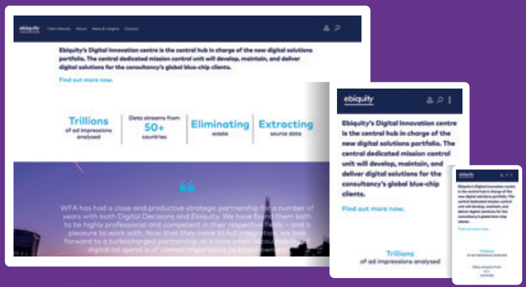
we are ebiquity

Annual report and financial statements
for the year ended 31 December 2020

Our purpose

Perfecting media investment decisions for better business outcomes.



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

We are world leaders in media investment analysis. We harness the power of data to provide independent, fact-based advice, enabling brand owners to perfect media investment decisions and improve business outcomes.

Our deep and varied specialist media experience helps brands to drive efficiency and secure optimal effectiveness from their media spend, eliminating wastage and creating value. We focus our analysis and advice in five key areas:

1. Media management;
2. Media performance;
3. Marketing effectiveness;
4. Technology advisory; and
5. Contract compliance.

Ebiquity is able to provide independent, unbiased advice and solutions to brands because we have no commercial interest in any part of the supply chain. We offer no media execution or trading services, nor do we negotiate with media owners or publishers on behalf of our clients.

More than 500 media specialists operate from our 19 offices worldwide, covering 80% of the global advertising market, from Shanghai to Singapore, Sydney to New York, Paris to London.

Ebiquity has the most comprehensive, independent view of today's global media market. We analyse US$55 billion of media spend from 75 markets annually, including trillions of digital media impressions. As a result, more than 70 of the world's top 100 advertisers today choose Ebiquity as their trusted media adviser.

Contents

Strategic report

An overview of key actions and events in 2020 and early 2021, together with our priorities as we move forward.

Corporate governance

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

Financial statements

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

Environmental, social & governance

Read more on pages 36 to 45

Our strategy

Read more on page 17

Highlights

£55.9m
Revenue
(2019[2]: £68.1m)

£(0.3)m
Underlying operating (loss)/profit[1]
(2019[2]: £5.6m)

£(1.3)m
Underlying (loss)/profit before tax[1]
(2019[2]: £4.7m)

£7.3m
Underlying operating cash inflow
(2019: £8.9m)

Financial highlights

- Second half revenue increased by 9% from first, although full-year revenue fell by 18% compared to 2019
- Project-related costs also reduced by 27%, enabling net revenue margin to rise to 89% (2019: 87%)
- Underlying operating costs reduced by 7% to £50.0m (2019: £53.7m)
- Financial position at 31 December 2020 remains strong: net bank debt of £7.8m (31 December 2019: £5.6m) with cash balances of £11.1m and undrawn bank facilities of £5.0m

Operational highlights

- Nick Waters, former Executive Chair, UK & Ireland, Dentsu Aegis Network started as Group Chief Executive Officer on 1 July 2020 with the objective to simplify, clarify and focus the business on a growth trajectory
- New business wins including Daimler, Generali, Perfetti van Melle and Reckitt
- Digital Decisions – which monitors advertising spend through the digital supply chain – acquired in January 2020 – performing as planned, winning 10 new clients
- New Digital Innovation Centre set up in order to speed up development of digital product suite
- Shared service media delivery centre in Spain continued to expand and deliver operational efficiencies

Divisional highlights

Media: media management, media performance and contract compliance

- Revenue of £46.0m (2019: £54.0m), reduced by 15%
- Operating profit of £6.8m (2019: £11.8m), reduced by 40%

Analytics and Tech: Advanced Analytics, MarTech and AdTech

- Revenue of £9.9m (2019: £14.1m), like-for-like decline of 15%, excluding Stratigent
- Operating loss of £0.7m (2019: profit of £1.0m)

1. Underlying operating profit is defined as the operating profit excluding highlighted items. These include share-based payments, amortisation of purchased intangibles and non-recurring items. Underlying profit before tax and earnings per share are calculated based on the underlying operating profit.
2. The 2019 financial statements have been restated as set out in note 1 of the Group financial statements. This impacted revenue, underlying operating, profit before tax and earnings per share.

At a glance

One Ebiquity

Ebiquity has 19 offices around the world, in markets which represent 80% of the world's media investments. This means that we are best placed to advise multinational brand owners.

The Company has more than 500 media specialists. We have the largest pool of dedicated media professionals outside the agency groups.

19 offices
520 employees

Chair's statement

Ebiquity has continued to deliver a high-quality service to clients, while ensuring a safe working environment for its staff.

Rob Woodward
Chair

In a year that has been dominated by the Covid-19 pandemic and its unprecedented economic and societal impacts, Ebiquity has continued to deliver a high-quality service to clients, while ensuring a safe working environment for its staff. The impact of Covid-19 on our clients' activity caused a significant revenue decline in our business and led to an underlying loss, despite implementing immediate cost reduction measures. Against this difficult background, the Group has continued to progress through a period of transition and concluded the year with strong new leadership together with a clear and focused growth strategy and enhanced operational structure.

From March 2020, our global teams moved efficiently to working from home and I wish to thank them for their exceptional resourcefulness and resilience in continuing to provide first-class client support under the most challenging of conditions. By the end of the financial year, several offices including Hamburg, Shanghai, Singapore and Sydney had fully or partially re-opened, depending on local regulations. We look forward to embracing new ways of working as restrictions associated with the pandemic are lifted.

Importantly, and despite the challenging environment, the year continued to be one of significant transition for the Group, highlighted by the appointment of Nick Waters as CEO in July and the establishment of a strengthened and refreshed leadership team.

Following Nick's appointment, the Board and management launched a thorough operational review to refine the Group's strategy, update market priorities, drive revenue growth and improve operating margins. In November, we set out this refreshed strategy which aims to deliver product solutions for the digital market, develop higher value strategic client relationships and improve operating efficiencies.

As part of the extensive review process and to facilitate the development of higher value engagement with clients, the Group has implemented a new geographically led organisational structure, as opposed to its previous practice-led format. The new operating model, which took effect from January 2021, means that Ebiquity can offer harmonised end-to-end client solutions and is better placed to identify and take advantage of cross-selling opportunities. To measure the delivery of our strategic ambition, we will be establishing and reporting against a number of broader non-financial KPIs to monitor progress.

As reported at the interim stage, the Covid-19 pandemic led to a significant reduction in global advertising activity and spend, especially in the second and third quarters of 2020. The downturn in activity varied by sector and geography, with the most pronounced impact being seen in the automotive, travel, leisure and non-food retail industries.

Chair's statement continued

The Group implemented cost management measures in response to maintain liquidity and protect the business while also preserving jobs. These included a hiring and pay freeze, temporary pay reductions for the Board and some senior managers, and the use of government support schemes in a number of countries. We also renegotiated the covenants on our banking facilities and have deferred the payment of dividends until economic and business conditions become more certain. As a result, the Group has maintained a robust financial position with good covenant headroom and low levels of gearing.

As also anticipated at the interim stage, the second half of the year saw an improved performance as Covid-19 restrictions began to ease in some markets and advertisers adjusted to the changed environment. Group revenue increased by 9% compared to the first half, driven by a return to activity by existing clients together with notable new business wins. These included some 20 former clients of Accenture following its withdrawal from media audit and management services in August 2020.

The impact of Covid-19 has accelerated the existing shift in consumers' media consumption towards digital channels and in their buying behaviour from physical retail to e-commerce. As a result, brand owners are even keener to ensure that their media investment strategies remain effective. This increases their need for informed, expert advice based on robust data and rigorous analysis. These trends should lead to renewed demand for our portfolio of services in 2021 and beyond as advertisers re-set their plans.

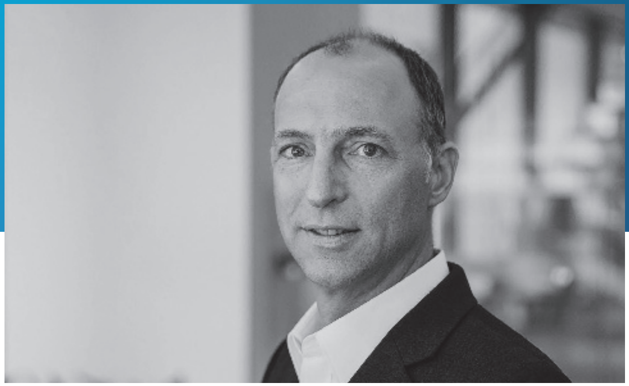
The Board acknowledges the increasing focus on Environmental, Social and Governance ('ESG') issues and the need for companies to demonstrate how they are addressing these important areas. We are at an early stage in setting out our ESG agenda and building on our existing policies to enhance the role Ebiquity can play in supporting our global clients to meet their own targets. We will continue to engage with clients and investors on ESG and sustainability issues and develop plans for becoming a more sustainable business. We will set out our position and report our activities in this respect over the course of the next year.

Looking ahead, as the global economy begins to recover from the pandemic, we are confident that Ebiquity's new strategic focus, together with its strong market position and solid financial platform, make it well-positioned to achieve its growth ambitions and deliver sustainable, long-term shareholder value.

Rob Woodward
Chair

25 March 2021

Chief Executive Officer's review



Ebiquity's purpose, which underpins our strategy, is to remain the world leader in media investment analysis.

Nick Waters
Group Chief Executive Officer

Strategic direction

Since my appointment as CEO in July 2020, we have undertaken a process to review Ebiquity's business and operations, and to develop our strategic plans with a view to returning the business to top line revenue growth and operating margin improvement.

The process was approached with the objective to simplify, clarify and focus the business. The resulting strategy is one of maintaining stability, evolution and change. It was first set out publicly at the Capital Markets Day held in November 2020.

Ebiquity's purpose, which underpins our strategy, is to remain the world leader in media investment analysis.

We harness the power of data to provide independent, fact-based advice, enabling brand owners to perfect media investment decisions and improve business outcomes. Our aim is to be a data-driven solutions company helping brand owners drive efficiency and effectiveness from their media spend, eliminating wastage and creating value.

In order to maintain momentum and ensure we deliver on our strategic targets, we will be establishing and reporting on a number of broader non-financial KPIs in future results statements as noted opposite. These measurements are tailored to our new operating model and specifically to driving digital growth and integration, cross-selling and high-value client development.

KPIs

- **Number of clients buying two or more service lines**
- **Number of clients buying one or more products from the new digital portfolio**
- **Volume of digital advertising monitored – number of impressions**
- **Volume of digital advertising monitored – US$ of spend**
- **Number of countries served with new digital products**
- **% of revenue from digital services**

Chief Executive Officer's review continued

Strategic direction continued

Ebiquity is able to provide independent, unbiased advice and solutions to brands because it has no commercial interest in any part of the media supply chain. Our independence is recognised and highly valued by our clients, which include the world's leading advertisers.

The global media advertising market is large scale with over US$500 billion traded annually and with significant complexity for brand owners. Ebiquity's focus is in the media market, advising brand marketers how to navigate the market's complexity and to improve media investment decisions for better business outcomes.

Digital channels are the growth drivers of the media investment business, now accounting for more than 50% of all advertising spend. 70% of digital advertising (excluding search) is now traded programmatically. The impact of Covid-19 has been to accelerate existing market trends with consumers increasing the amount of time and activity online for shopping, working and entertainment. However, the digital and programmatic landscape has given rise to many well documented challenges for advertisers with brand safety, viewability, fraud, wastage, lack of transparency, attribution, efficiency and effectiveness all topics of frequent industry debate. As advertisers grapple with these challenges there is a need for high quality, independent advice, based on empirical evidence.

Digital initiatives/development

Digital Decisions, which was acquired as an early stage business in January 2020, has bolstered the Group's capabilities in investment analysis of digital media. Its Source Data Monitoring ('SDM') service provides brand owners with much needed visibility into the distribution of their digital advertising investment through their global media supply chains, down to individual websites. It is demonstrating significant value to users, regularly identifying how up to 30% of their digital advertising spend is being wasted and enabling them to course-correct and optimise for greater efficiency and effectiveness.

Digital Decisions has performed as expected and won contracts with existing Ebiquity clients (including Huawei, Mars and Nestlé) – demonstrating the potential to cross-sell into our existing client base – as well as other major brands, including Heineken and Reckitt. At the end of December 2020 10 clients were live on the SDM platform, with some US$500 million of digital media spend being tracked and optimised, and we are now on-boarding clients at an increasing rate.

IPA

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.

1% revenue from core Group clients

The Company appointed a small group of client partners

Chief Executive Officer's review continued

Strategic direction continued

Digital initiatives/development continued

To help develop and drive the product roadmap for our entire global business, Ruben Schreurs, the founder CEO of Digital Decisions, has been appointed to the new role of Group Chief Product Officer.

We are focusing efforts on building out the SDM platform, having proved its scalability. We also aim to make the Digital Decisions data services model a core building block for Ebiquity's enhanced digital media measurement service. This is being developed to meet clients' requests for a more comprehensive offering covering all aspects of digital media, including paid search and social media.

As part of this strategy, Digital Decisions has now been fully integrated into the Group and re-branded as the Digital Innovation Centre, launched publicly in February 2021 with a remit to develop new data-led productised service solutions. This dedicated central unit will develop, maintain, and deliver digital solutions for Ebiquity's global clients. Building on the existing Media Data Vault architecture, the Group's new product initiatives include governance monitoring, commitments and productivity tracking, digital cost benchmarking, and digital media reviews.

Organisational structure

Ebiquity has demonstrated its ability to grow revenue when putting strategic focus on a core group of clients. To drive further development of this successful approach, Mark Gay, one of our senior client partners, has been appointed to the new role of Chief Client Officer. Under his remit and with enhanced Client Partner teams covering a larger proportion of our major clients across the network, we aim to grow further the number of higher value clients buying more than one of our services. This initiative includes the recent appointment of a former Accenture senior partner to focus on major European brand owners.

We have simplified our organisational structure to be able to provide integrated solutions and consultancy advice as well as developing higher value client relationships. The Group is transitioning from a matrix structure of practices and geographies to one that is mainly organised and managed on a geographic P&L basis. Our aim is to offer our main service lines to clients across the country, regional and global business structures.

We have recently appointed two new regional managing directors, with Leela Nair moving up from Southeast Asia to lead the Asia Pacific region and Paul Williamson joining the Group as MD, North America following senior business development, trading and investment, and digital leadership roles at Dentsu Aegis and Publicis Groupe.

As announced at the interim stage, Federica Bowman has taken over the leadership of FirmDecisions, our market leading contract compliance practice, having successfully directed its digital media services. Although FirmDecisions was impacted this year by Covid-19 disruptions to its traditional physical audit model, it has worked with agencies to enable remote audits to be conducted. We therefore expect a return to growth in the near term.

We are a data-driven solutions company helping brand owners drive efficiency and effectiveness from their media spend, eliminating wastage and creating value.

We provide analysis and solutions through five service lines:

- Media management
- Media performance
- Marketing effectiveness
- Technology advisory
- Contract compliance

Chief Executive Officer's review continued

Strategic direction continued

Organisational structure continued

A new role of Business Operations Director has also been established to develop and execute plans to achieve greater operational efficiency in order to enhance margins. Its objectives include further automation and standardisation of our service delivery processes supported by the expansion of the Scaled Delivery Centre established in 2019, which is taking on a broader remit as a Media Operations Centre.

To support the Group Chief Executive Officer in executing our strategy and delivering our plans, an Executive Leadership Team has been established comprising the Group's Chief Financial & Operating, People, Client and Product Officers along with the four regional managing directors and the CEO of FirmDecisions.

Ebiquity has a strong track record of publishing high-quality analysis and commentary on specific aspects of the global media industry. We maintained our position as a thought leader during 2020, publishing white papers on 'The Rise and Rise of Influencer Marketing', 'Digital Media Performance: the Power of Context', and 'Deconstructing ROI: A New Framework for Driving Marketing Effectiveness in the Age of Media Fragmentation'. We also published guides designed to respond specifically to the demands of a world impacted by Covid-19. These included: 'The Ebiquity Guide to Virtual Pitching', 'Advertising Through a Recession' and '2021: Emerging Perspectives in a Post Pandemic World'.

With a clear focus on the provision of services in the media sector, a refreshed product offering for the digital market, and a simplified organisational structure, we believe Ebiquity is well placed to capitalise on its strengths.

Performance in the year

Ebiquity Group's business performance was materially impacted in 2020 by the global Covid-19 pandemic.

Group revenue in the year to 31 December 2020 fell by 18% to £55.9 million or 15% on a like-for-like basis, excluding the US analytics business, Stratigent, which was wound down in September 2019. The revenue decline was clearly due in large part to the impact of the Covid-19 pandemic on our clients' businesses and on their demand for media-related services. There was some recovery in the second half of the year as business conditions improved, with revenue up 9% against the first half.

The UK and Western European economies were among the worst affected by the pandemic. Consequent government measures to restrict movement and activities of their populations were among the most severe in the world. The UK media market was down 39% in Q2 according to the World Advertising Research Centre. The Group is heavily weighted to these geographies, with some 75% of revenue derived from the UK and Continental Europe and was therefore relatively more exposed to the downturn in these regions.

Many clients reacted in the first half by cancelling or postponing advertising campaigns and the work commissioned from Ebiquity. This effect was felt most strongly in the automotive, travel, leisure, and entertainment sectors. Automotive is Ebiquity's second largest vertical by revenue and so contributed materially to the revenue decline. Fast Moving Consumer Goods ('FMCG') represents the Group's largest vertical by revenue and – with supermarkets declared essential retail by governments around the world – was among the least affected categories. This provided some cushion for Group revenue against declines in other sectors.

As the pandemic developed, the Group made cost savings leading to a reduction of 7% in underlying operating expenses from the prior year. We prioritised the protection of jobs and made use of government payroll support schemes in Australia, China, France, UK and USA. We also suspended the annual pay review and the Board and senior executives took pay reductions for a period. These measures contributed to total savings in staff costs of 10% compared to 2019, although year-end staff numbers of 522 were just 1% below those at the 2019 year end.

Despite the challenges of the year, there were some bright spots. Accenture's exit from the media assurance business enabled the Group to win new business among high-quality brand owners. These will deliver annualised revenues of £5 million, some of which will be fully recognised in 2021. Some of this revenue is from existing clients but much is from clients new to Ebiquity, such as American Express, Daimler and Reckitt.

The approach of establishing a team of client partners to focus on developing relationships and revenue among selected high value clients, also continued to prove its worth. Despite the challenging environment, we achieved 1% revenue growth from this core group of clients, which include two from the automotive sector.

Chief Executive Officer's review continued

Revenue by segment

	Revenue			
	FY20 £m	FY19 £m	Variance £m	Variance %
Media	**46.0**	54.0	(8.0)	(15%)
Analytics and Tech	**9.9**	14.1	(4.2)	(30%)
Group	**55.9**	68.1	(12.2)	(18%)

Media

Revenue in the Media segment, which comprises media performance, media management and contract compliance services, fell by 15% year-on-year. However, as anticipated at the interim stage, revenue grew by 10% in the second half compared to the first as client activity returned to some normality following the initial Covid-19 pandemic period when many clients had reduced their media-related expenditure. There was also a revenue benefit in the new business won from former Accenture clients following its exit from media performance and management services in August 2020. These new contracts included several global engagements as well as local work in France, Germany, Spain, UK and USA.

Revenue in the UK & Ireland, our largest Media region, fell by 13%, although the group serving large global clients experienced higher levels of activity in the second half and its revenue fell by only 6%. European revenue reduced by 15%, with Germany falling by 20% while some markets such as Russia and Spain increased or held their revenue static. In the USA, which like Germany has a large proportion of automotive clients, revenue fell by 23%. Asia Pacific revenue decreased by 11% overall, although Singapore increased, due to new business wins.

Our media performance services assist advertisers to monitor and evaluate their agencies' media buying performance. We harness 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 area include Ferrero, L'Oréal, General Motors, Jaguar Land Rover, Vodafone and VW Group.

Media management services include advising clients in the selection of media agencies and setting of media buying objectives as well as in the organisation of media functions. We conduct many agency selections at global level and within individual markets. However, the number of agency reviews was much lower than usual in 2020 as the Covid-19 pandemic led to advertisers deferring decisions while their business and media plans were uncertain. Agency selection activity is expected to increase in 2021 as advertisers re-evaluate their longer-term media objectives. This is already being reflected in the number of new media management engagements secured in the first quarter of 2021.

During the year, we developed further the functionality and use of the key MediaSuite tools used to support further process and efficiency improvements. 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 and is now being integrated with the recently acquired Digital Decisions technology applications.

Our shared services media delivery centre in Spain, which became operational in 2019, doubled the amount of work it undertakes for the network from the prior year, helping further to reduce media delivery costs.

Our contract compliance service (trading as 'FirmDecisions') was impacted by the Covid-19 restrictions to on-site access to agencies which delayed a number of audits and its revenue fell by 52% compared to 2019. Although the team rapidly redesigned its approach to enable remote audits to be conducted, it took time to obtain full agency agreement to electronic provision of information. Its clients in the period included FCA Group, Mondelez and Nike. The new CEO's focus has been to streamline and automate the audit approach and achieve greater scale efficiencies and speed of delivery across the global network. These are important factors in maintaining FirmDecisions' position as the global leader in its field with increased competition being faced, notably from new entrants.

Chief Executive Officer's review continued

Analytics and Tech

Analytics and Tech total revenue of £9.9 million (2019: £14.1 million) fell by 30% in reported terms but by 21% on a like-for-like basis, excluding Stratigent whose operation ceased in September 2019. Advanced Analytics, the largest element, fell by 10%, AdTech by 29% and Digital Balance by 33%.

Our Advanced Analytics practice helps brands to plan and optimise their investment in media by applying advanced analytical techniques to attribute and forecast the impact of marketing investments on business outcomes (eg sales) and to optimise these investments.

With a client base oriented to retail, travel and automotive, its revenue was impacted by cancellations and deferrals in the first half. However, its offering is well suited to helping brands to re-plan their media investment strategy to reflect changed conditions and it recovered to an extent in the second half in response to these client needs.

Our AdTech practice 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-house alternatives and the selection of advertising technology partners.

It has a number of continuous projects for several global clients, although delayed purchase approvals by one of these impacted its revenue in this period.

The MarTech practice now comprises a single unit, Digital Balance, in Australia, following the closure of Stratigent in the USA in September 2019. During the year, Digital Balance has been more closely integrated with the media practice to increase cross-selling of its services. However, although it won projects for global clients based in France and Germany, demand from its core Australian client base was affected by the pandemic.

Operating profit by segment

	Underlying operating profit				Operating profit margin	
			Variance			
	FY20 £m	FY19 £m	£m	%	**FY20 %**	FY19 %
Media	**6.8**	11.2	(4.4)	(39%)	**15%**	21%
Analytics and Tech	**(0.7)**	1.0	(1.7)	—	**(7%)**	7%
Unallocated costs	**(6.4)**	(6.6)	0.2	3%	**—**	—
Group	**(0.3)**	5.6	(5.9)	—	**(1%)**	9%

The reduction in operating profitability compared to 2019 largely reflected the revenue performance, despite reductions of £3.8 million achieved in operating expenses. The Media practice remained profitable although its margins fell from 21% to 15%. Analytics and Tech moved into a loss of £0.7 million, due largely to the fall in revenue, although it was also impacted by an expansion of the staff base in 2019 which had been made in anticipation of expected revenue growth in 2020.

Chief Executive Officer's review continued

ESG

At Ebiquity, we understand the importance of a clear approach to Environmental, Social and Governance ('ESG') matters. We are at an early stage in developing our policies and practices and now plan to establish appropriate baseline metrics and objectives against which we will report in future. We will continue to engage with investors and other stakeholders on ESG issues and ensure that the Board and management team review ways for Ebiquity to progress further towards becoming a more sustainable business.

Outlook

Although 2020 was an exceptionally difficult year for many businesses, including Ebiquity, the outlook for 2021 is more positive, and it is expected to be a year of recovery, albeit not immediately to the activity levels of 2019. There are early signs of economic activity, including advertising expenditure, returning to more normalised levels during 2021, although this depends on the success of vaccine programmes and other measures in continuing to reduce the global impact of Covid-19.

In addition to cautious optimism about market conditions, the Group aims to build on the progress seen in the second half of 2020. It expects to benefit from the new business won over the last year and from re-commissioning of some client projects deferred or cancelled in 2020. These factors have already led to an encouraging contract pipeline in the first quarter.

Covid-19 has had a pronounced effect on consumer behaviour, changing their media consumption patterns and accelerating the growth in online activity. These dynamics are expected to encourage brand owners to review their channel and media investment strategies to ensure they are effective and deliver return on investment. Ebiquity's data-driven, product solutions strategy means it is well-positioned to take advantage of these dynamics in response to demand for media investment analysis.

Notwithstanding this broader market uncertainty, the Group's re-defined strategic focus together with its strong market position and solid financial platform, make it well-positioned to deliver revenue growth and a return to profitability in the year ahead.

Nick Waters
Group Chief Executive Officer

25 March 2021

Market opportunity

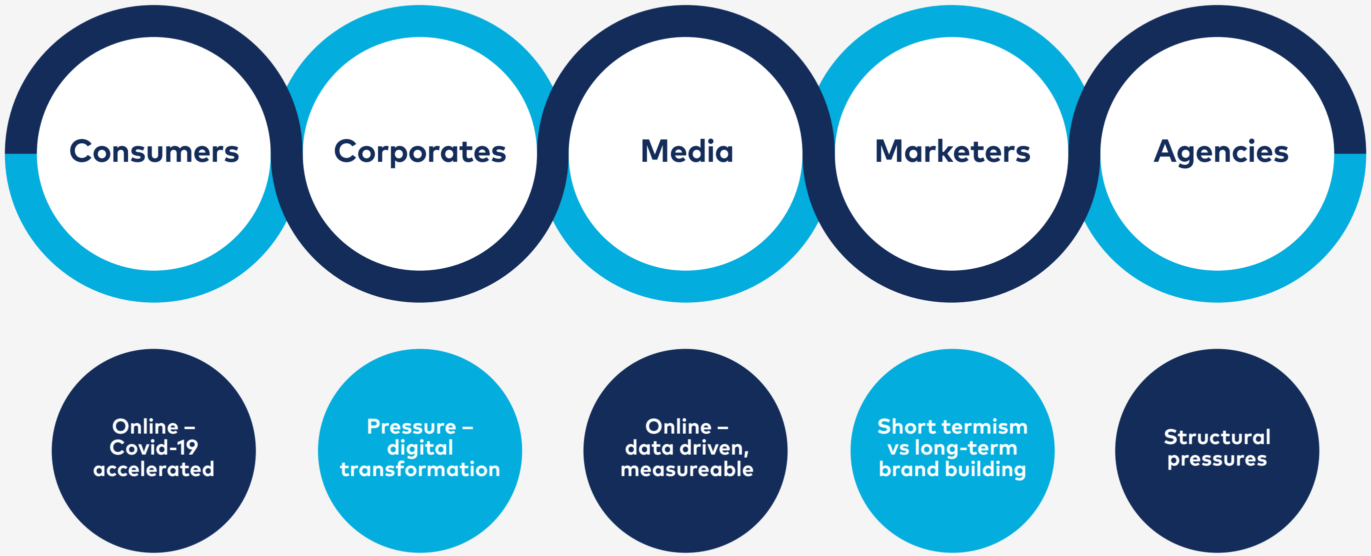
The global media advertising market is large, with more than US$500 billion traded annually[1], of which ~54% is digital media[2].

Ebiquity's primary target market is the world's top 100 advertisers, which account for ~US$115 billion of total spend[3], of which over US$50 billion is digital investment.

The market is not only scaled but fragmented and complex for brand owners to navigate. There are challenges with transparency in elements of the supply side, not to mention well-documented evidence of considerable fraud and wastage through the digital supply chain, together with issues of viewability and brand safety.

There is an over-abundance of agencies, technology providers, and intermediaries all seeking to take a slice of advertisers' budgets before their investment ever reaches publishers. LUMAscape has identified that there are now as many as 8,000 intermediaries between advertisers and publishers[4].

Advertising at a crossroads



1. Source: Statista, https://bit.ly/3cgpW6L
2. Source: eMarketer https://bit.ly/3sl1S8D
3. Source: Global Advertising Ranking Report from COMvergence, 2019 Report https://bit.ly/3syXiU
4. Source LUMAscape https://bit.ly/3rhP2qz

Market opportunity continued

This complexity, fragmentation, and lack of visibility through the supply chain – combined with an increased tendency of brand owners to invest in short-term activation over long-term brand building – has led to a steady decline in marketing effectiveness in recent years.

This has been evident in both our own studies and those conducted by others, including Les Binet and Peter Field for the Institute of Practitioners in Advertising ('IPA')[1].

1. Source: IPA http://bit.ly/2ouoKqt

Ebiquity well-placed to meet market needs

Business model

Ebiquity's purpose is to help brand owners navigate this complexity to improve business performance.

Our assets

The Group has six key assets from which to build a stronger business:

The Ebiquity brand

In a market with a trust deficit, the Ebiquity brand is respected by both the client and agency communities for the quality of its work and the integrity of its people. It is recognised as such by external market commentators. Mark Ritson – Professor of Marketing and columnist at Marketing Week – puts it succinctly: "Ebiquity has come to stand for something we rarely encounter in media these days: the truth."

Clients

70 of the world's top 100 advertisers trust the Ebiquity Group to advise them. This gives the Company unparalleled knowledge of the media investment decisions of the world's largest brands, the markets in which they invest, and the performance of the channels within and across which they invest. We have the broadest and deepest visibility in the market and therefore are best positioned to advise the world's major brand owners. We have the opportunity to extend the commercial benefit of these relationships by selling more products and services to those who already benefit from at least one of our offerings.

Data

The combination of clients and markets gives the Company access to large quantities of media data. The Group analyses ~US$55 billion of media investments each year. In 2020, the Company processed, monitored, and optimised hundreds of billions of digital media impressions from 50 countries using our Source Data Monitoring platform. The more data, the greater visibility across the market, the better able we are to advise clients.

Geographic distribution

Ebiquity is present in 20 markets globally, representing ~80% of the world's media investments. This means that we are best placed to advise multinational brand owners.

Independence

Ebiquity is one of very few participants in the media market with no vested commercial interests in any part of the supply chain. This ensures advertisers can depend on our advice being fully objective. Independent, impartial, fact-based advice is a rare and highly prized commodity in the media market.

Our people

The Company has more than 520 media practitioners and consultants. We have the largest pool of dedicated media professionals outside the agency groups. There is no other player with the same depth and breadth of specialist expertise.

Business model continued

We harness the power of data to provide independent, fact-based advice, enabling brand owners to perfect media investment decisions for better business outcomes.

Key differentiators

The assets detailed give rise to several key differentiators versus our competitors.

Ebiquity is the market leader in media performance measurement, operating in more markets, with a wider range of clients, and deeper data pools.

The Company is the market leader in agency selection process, managing over 100 assignments each year.

The Group's FirmDecisions business is the market leader in contract compliance, auditing ~US$40 billion worth of contract value annually.

The Source Data Monitoring product managed by Digital Decisions ingests and manages more digital data globally than any other independently owned product.

The world-class marketing effectiveness team uses advanced analytics to translate the quantities of media investment analysis into empirical evidence for business outcomes. No other media assurance company has this capability.

Ebiquity is the clear market leader in the provision of media investment analysis services.

Strategic focus

Our strategy has three focus areas:

1 Clients

2 Product

3 Operational efficiency

Strategy

Having established clarity of purpose for the business, our assets, and key differentiators, the strategy has three focus areas:

1 Clients

Although the Group has ~500 clients in total, most buy a single product from the Company. This may be an annual media benchmarking project or a contract compliance audit. These relationships can be categorised as transactional.

However, the Group has a core group of higher-value clients that can be categorised as strategic relationships. There is a third universe of middle-value clients which have the potential for material revenue growth.

The objective is to increase the value of the strategic relationships, and to migrate more clients up the value curve by selling more products and services in more markets, with an initial focus on expanding the universe of strategic client relationships.

2 Product

With digital now the dominant segment of media investment, we are focusing our strategy on new product solutions for the digital market.

We are developing a suite of products that can help advertisers minimise and ultimately eliminate wastage, to reinvest back into the business or return to the bottom line. In doing so, Ebiquity will migrate from being a people-based consultancy to a data-driven solutions company.

3 Operational efficiency

The Group aims to improve the operating margin by achieving greater operational efficiencies.

The Company invested in developing an off-shore Scaled Delivery Centre ('SDC') in mid-2018. In 2020, the Centre provided 29,000 hours of support to the on-shore business, an increase of 113% over 2019. We will continue to invest in this area, and the SDC will transition into a Media Operations Centre to further scale support of the on-shore business.

The Company has developed a suite of automation tools to ingest and analyse data more efficiently. We will refine these tools for further process improvement, increasing standardisation and harmonisation of ways of working to enable greater automation.

Our work in action

Helping advertisers manage media through the pandemic.

Mark Gay
Chief Client Officer

In the wake of a media market severely impacted by Covid-19, in 2020 many advertisers faced practical challenges related to media planning and buying. Every advertiser was disrupted, each one differently, depending on their sector and geographical footprint.

For many brands, many aspects of their media became suddenly irrelevant or outdated, from agency scopes of work to the structure of the agency teams built to service their requirements, from remuneration structures to contractual pricing guarantees.

Some sectors went dark almost overnight, including travel and tourism, entertainment, and much of automotive. Some needed to repurpose propositions to reflect the new realities of the home-bound consumer experience. Others took on new responsibilities to tell customers how they were helping keep us safe. For many this meant entirely new or greatly modified media requirements, in terms of volume of media required and channel selection.

Advertiser-agency relationships predicated on stability and long-term structural inflation in media pricing saw the rulebook ripped up. Our experience was that most agencies supported their advertiser clients well, but these clients still needed guidance, advice, and reassurance to ensure they weren't left behind and exposed in a chaotic, rapidly evolving marketplace.

Specific challenges included:

- **The need to renegotiate scopes of work and fees**, while at the same time seeking to maintain collaborative future working relationships
- **The need to extend existing contracts**. For many advertisers, running agency pitches in the first quarter or two of the pandemic was neither attractive nor viable
- **Fixed price media commitments designed to protect against media inflation** were no longer fit-for-purpose in a market experiencing rapid and deep deflation
- **Savings commitments which did not factor in the possibility of deflation**, leading to bonus obligations created simply because of market trading conditions
- **The diverse nature of media markets** means that pricing in some responds quickly to supply and demand pressures, while others are more protected from market forces

The challenges and value opportunities of different media markets was inconsistent. Advertisers needed specific local expertise to understand what action they should take to mitigate damage specific to their particular situation.

Our work in action continued

Ebiquity clients benefited from our flexible, professional, and objective advice.

Ebiquity approach

Because of the close relationships we develop with our clients, we quickly identified the impact of Covid-19 and different national lockdowns to address the specific challenges they faced. Often this meant dropping established deliverables and refocusing support to meet the immediate, acute need. One size very definitely did not fit all.

The types of work we delivered in 2020 (and continue to deliver in 2021) include:

- **Scope of work evaluations** – helping central client teams understand exactly what obligations existed across multiple, locally defined scopes of work, to allow for rapid and meaningful agency negotiations
- **Risk evaluations of media pricing and remuneration structures** to identify where advertisers may be exposed – and where they may stand to benefit – from unexpected changes to media market conditions
- **Benchmarking of agency delivery during the pandemic**, to give advertisers a clear view of what good looked like in this unprecedented marketplace
- **Rapid re-optimisation of media budgets** across channels, as consumer behaviour (and so media efficacy by channel) quickly changed
- **Strategic and tactical support** when advertisers decided to respond to the pandemic with radical action, such as accelerated in-housing programmes
- **Insight on local market and sector trends**, supplied by Ebiquity's in-market specialist media teams, detailing how the pandemic affects each media marketplace

Business impact

Ebiquity clients benefited from our flexible, professional, and objective advice as they each looked to mitigate the circumstances relating to their specific – and confidential – contractual relationships with their media agency partners. Advertisers across all sectors, with spends totalling more than US$50 billion globally, took advantage of our advice to help navigate the complexities of the media process in 2020.

Typical benefits realised included:

- **Restructuring agency scopes of work** to reflect new requirements, future-proofed for activation during and after the pandemic, developed collaboratively with agencies
- **Comprehensive understanding of risk profiles**
- **Re-negotiation of media buying commitments** to reflect the market realities of 2020
- **Global brand owners fully informed of specific local market challenges**, allowing client organisations to address market-by-market challenges with cohesive strategy
- **Better media investment decisions**, enabled through the provision of clear management information, relevant benchmarks, and expert counsel

The rapid and agile support provided by Ebiquity's media performance experts in the world's leading advertising markets during the extreme turbulence of 2020 makes us well-placed to help our clients further as market conditions ease and consumer behaviour opens up, as anticipated, during 2021.

Product strategy

We have completed our integration, with the Digital Decisions business transitioned to become the Digital Innovation Centre of Ebiquity.

Ruben Schreurs
Chief Product Officer

We are world leaders in media investment analysis, and have a clear plan to operate as a scalable, data-driven solutions company.

Ebiquity is a unique business holding unmatched relationships with most of the top 100 global advertisers. As an independent operator at the centre of the industry, we have the capability and responsibility to drive efficiency, effectiveness, and principle-driven growth for our clients. This is exactly the reason why Digital Decisions sold to Ebiquity in early 2020, to integrate our businesses and define the next generation of media investment analysis.

In 2020, we have more than quadrupled revenues of Digital Decisions, with much of this growth being a direct result of our integration. There is an incredible client demand, yet a complete lack of effective competition in the solutions industry we are creating and defining. At a Group level we will accelerate growth with a radical focus on efficiency and client value.

We have completed our integration, with the Digital Decisions business transitioned to become the Digital Innovation Centre of Ebiquity. This signifies the global rollout of our robust Media Data Vault infrastructure, which allows us to extract from source, process, and monitor all digital media investment data of our clients across the world on a structural basis. We are now deploying globally consistent and scalable solutions across our network that benefit from our data management capabilities.

With digital and performance media investments increasing, it is imperative that the traditional audit practices are revisited. The independence, robustness, and coverage of Ebiquity – coupled with Digital Decisions – ensures all digital investments are held accountable, transparent, direct from source, and more importantly actionable. This is a perfect combination. It ensures our audits are a lot more joined-up and able to address a larger portion of the investments. The integration and launch of Ebiquity´s Digital Innovation Centre is already in operation and we look forward to working with one integrated Ebiquity moving forward.

Vinod Subramanian
Global Marketing Procurement Director at Huawei

Product strategy continued

We are rolling out our new digital media solutions suite, which is designed in a modular way to allow for tailoring at scale, based on client needs and the nuances across the different markets in which we operate in. We provide solutions around monitoring, governance, commitments and productivity tracking, digital media deep-dive reviews, and forensic specialist solutions to support clients aiming to tackle expedited digital transformation-related issues.

We consistently identify significant inefficiencies and wastage, realising cost savings of 15-30% for our global advertiser clients. This amounts to an immediate opportunity across the top 100 global advertisers of US$7.5-15 billion in savings that can be reinvested to drive better business outcomes. Our strict focus on returns and value drivers makes our solutions essential for brands that take their media investments seriously.

All of our solutions are built on top of the same Media Data Vault infrastructure, allowing our delivery model to be largely centralised. This drives scalability, profitability, and efficiency across the Group. To date, we have processed and monitored €0.5 billion of digital media investments across more than 50 markets, all managed from our central Digital Innovation Centre mission control office in the Netherlands. We expect our coverage to surpass €5 billion in spend across 25 of the largest global advertisers in 2021.

On top of our data management infrastructure, we have a robust client delivery interface called the Report Server. This allows us to provide live access to data, results, and value to our clients in a best-in-class, secure dashboard environment. Our solutions are built to scale, meaning new clients can be on-boarded and work can be delivered faster, with more structure, and more securely.

Ebiquity is defining new standards for media investment analysis. We are in the early phase of rapid, scalable, sustainable growth as we create and aim to lead this new market.

Realising cost savings of 15-30%

identifying significant inefficiencies for our global advertiser clients

Processed and monitored €0.5bn

of digital media investments across more than 50 markets

Operating model

The Company will now be organised and managed on a geographic basis.

In recent years, the Group has been organised in a vertical practice structure with Media, Analytics, and Technology practices, each with their own P&L.

Although we will continue to offer our five proven service lines, we will, in future, be focusing the structure of the business by region, in order to develop higher value, more strategic relationships.

Each country and regional manager will have responsibility for the P&L in their area and for cross-selling the portfolio of Group services.

The Group offers five service lines:

01 Media management

Advising brand owners on the transformation, selection, and management of media agencies; on competitive buying objectives, agency compensation, and performance models; and on the organisation of media functions.

02 Media performance

Monitoring, measuring, and evaluating media investment performance for greater transparency, governance, efficiency, and accountability.

03 Marketing effectiveness

Using advanced analytics techniques to attribute and forecast the impact of media and marketing investments on business outcomes, and to optimise these investments.

04 Technology advisory

Helping brands identify, design, and implement their ideal operating model and associated data and technology ecosystem, across both paid and owned communication channels.

05 Contract compliance

Ensuring agencies deliver services to brand owners as contractually agreed. Note: our contract compliance business is branded FirmDecisions.

In the pages that follow, the global leaders of the five service lines outline the opportunity for Ebiquity in each.

Operating model continued

Geography

As we transition to a regional model from 2021 we will be able to focus more effectively on growing the business in geographies where we see greater opportunities.

The Group currently generates 75% of its revenue from the UK & Ireland and Continental Europe. The media auditing niche is long-established and mature in these markets, and there is considerable competitive activity.

The USA and Asia Pacific are the world's largest and second largest advertising markets, but contribute just 13% and 11% of Group revenue respectively. Despite the scale of the US market, there is less history of media investment review services there compared with Western Europe. However, questions around transparency and effectiveness continue to grow and the Group sees growth opportunity with the right product and service proposition.

Similarly, the penetration of media investment review services is much lower in Asia Pacific than in Europe. Western-headquartered multinational advertisers operating in Asia understand the benefits of commissioning media investment review work, but this is a new field for the increasing number of large, domestic advertisers and Asian-based multinationals. There is a market awareness and education job to do, but the growth opportunity can be significant.

The Company aims to accelerate growth in both the USA and Asia Pacific and to increase share of revenue from these markets.

Management

A new organisational structure has been designed to facilitate the strategy and a revised management team has been appointed to lead execution.

Paul Williamson has been recruited to lead the North American business, and Leela Nair promoted to lead Asia Pacific.

Mark Gay and Ruben Schreurs have been appointed to the roles of Chief Client Officer and Chief Product Officer respectively. Federica Bowman has been promoted to lead the contract compliance division, FirmDecisions.

These managers join Laetitia Zinetti (Continental Europe), Nick Pugh (UK & Ireland), Emma Baillie (Chief People Officer), Alan Newman (Chief Financial & Operating Officer), and Nick Waters (Group Chief Executive Officer) to form the Executive Leadership Team.

Nick Waters
Group Chief Executive Officer
London

Laetitia Zinetti
Managing Director Continental Europe, Paris

Leela Nair
Managing Director Asia Pacific
Singapore

Nick Pugh
Managing Director UK & Ireland
London

Paul Williamson
Managing Director North America
New York

Federica Bowman
CEO FirmDecisions
London

Ruben Schreurs
Chief Product Officer
Utrecht

Mark Gay
Group Chief Client Officer
London

Emma Baillie
Group Chief People Officer
London

Alan Newman
Chief Financial & Operating Officer
London

Media management

Laetitia Zinetti
Managing Director, Continental Europe

As well as causing widespread disruption and economic challenges for companies and consumers alike, the pandemic has accelerated both the uptake of e-commerce and digital media consumption. The global media market is evolving quickly and adjusting to these new norms as they are set.

There are many areas for advertisers to consider as they look to ensure they have the right set-up for their media investments. Many are reviewing the way their internal operating model is adapting to the evolving media landscape and the new context being shaped by Covid-19. As a result, many are also rethinking their roster of agencies.

Motivations for conducting agency reviews are also evolving. Between 2015 and 2020, pitches were dominated by advertisers' concerns about transparency. Today, however, the focus is much more about how agencies can help advertisers achieve their business and marketing objectives in the face of so much uncertainty.

This has led advertisers to seek out:

- deeper insight into shifting media and consumer trends that they can leverage to enhance awareness, engagement, and return on investment; and,
- partners who are able to embrace more flexible ways of working so that they can rapidly adapt media plans in response to these shifting trends.

With budgets tighter and under ever-closer scrutiny, commercial terms are more critical than ever. In negotiations, advertisers are looking to reduce expenditure across all aspects of marketing investment and yet increase ROI.

Traditional agencies are currently harder hit than pure-play digital agencies. Holding companies are merging and consolidating agency entities in an attempt to sustain competitive advantage, while also improving their data, tech, and creative capabilities.

With advertisers cutting media investment and overall compensation, many agencies are struggling to allocate the right quality and seniority of talent to their clients.

More than ever, brands need clear understanding of the value and role agencies provide. More than ever, they need independent advice to help them define and meet their needs.

Media management continued

The opportunity for Ebiquity

2020 was undoubtedly hugely challenging for pitch management. Agency pitches ground to a standstill for much of Q2, with most of the world in lockdown and adapting to working from home. Nevertheless, COMvergence has reported that US$20 billion in media spend was reviewed globally in 2020, about 30% down on 2019.

More pitches in 2021

Early indications are that there will be significantly more pitches this year. Those who paused pitch processes last year are looking for a quick resolution. As a result, there is now a growing backlog of compensation reviews and contracts in need of three or five-yearly assessments. Many advertisers are looking to review agency capabilities and ensure they're fit-for-purpose in the post-Covid-19 marketplace. Advertisers need expert advice to help them navigate these reviews.

Increased complexity

Reviews are also becoming more complex thanks to advertisers' evolving expectations, the number of stakeholders involved, the number of markets, and the sheer range of different service areas that need to be assessed. New topics are emerging, including:

- **Overall media operating model**, including increasing opportunities for in-housing
- **Outcome-based remuneration schemes**, including for digital media investments
- **Talent reviews** among a wide variety of channel specialists, data and technology, communications, and creative teams
- **Data and technology capabilities**, especially with more brands becoming active in e-commerce in response to accelerated consumer uptake

Advertisers need expert advice to help them address these issues properly. And with more capabilities to assess in more and different ways – all of them delivered virtually, at least for now – advertisers need experts to help them choose the right outcome for them from live tests, hackathon sessions, and innovation days. Choosing the right agency partner has never been more demanding or more varied.

As tech, data, and media continue to converge – and as consumer habits continue to change rapidly in response to the current climate – success is no longer defined by single capabilities. Increasingly, advertisers are choosing their agency partners based on how they can combine all of these elements to work most effectively as an integrated whole.

Ebiquity manages over a hundred agency pitches each year. We add value to the agency selection process by helping advertisers refine and optimise the agency selection process.

We are well-placed to help advertisers assess and appoint the right agency partners. Our expertise in analytics, media, and tech – combined with our local-market footprint – means we can address all concerns advertisers may have. Uniquely, we have both global understanding of the media marketplace and dedicated local understanding.

Ebiquity's strength in the market is also further enhanced by our strong relationships with agencies. Our role is to work with agencies to ensure that our mutual clients can deliver against their business objectives. We engage with agencies continuously to better understand their positioning, capabilities, and how they deliver for brands.

2021 promises to be a busy year.

Media performance

Dietmar Kruse
Global Client Partner

The situation in 2020

While media has traditionally been one of the fastest-moving, rapidly evolving industries, 2020 ran at an even quicker pace, with severe disruption to the sector.

The pandemic and subsequent lockdowns have led to significant changes in media usage across the world and media channels. While linear TV had declined for many years thanks to digital usage taking an ever-larger share of eyeballs, it staged a comeback in 2020. During the first lockdown, linear TV usage grew by high double-digit rates in many markets as people stayed at home and watched more news. Also, digital TV viewing increased strongly, with the biggest increase in streaming/subscription video-on-demand/OTT viewing, including Netflix, Amazon Prime, and the newly launched Disney+ service.

While media usage soared, advertising budgets plunged. Advertisers quickly took measures to protect profits and cut marketing spend. After 10 years of continuous growth, 2020 will be the first year when media budgets have contracted. Best estimates from eMarketer suggest an overall decline of 4.5% in 2020. In those sectors most severely and directly affected by Covid-19 including travel, cinema, and events – marketers cut budgets completely. In others – notably automotive, with consumers nervous about investing in big-ticket items – there was an initial pause, and budgets failed to reach the levels of previous years when confidence returned a little in the second half. In general, we saw a trend towards investment in sales-focused, short-term, performance media.

Trends for 2021

In 2021, we anticipate that the following trends will have a significant impact on our media performance business.

1. Move from traditional to digital media continues

While linear TV viewing increased in 2020, this is not expected to continue in 2021. By contrast, the increased numbers of subscriptions to streaming platforms during successive lockdowns will accelerate linear TV's reach decline and see budgets move online. Also, within digital channels there will be major movements – such as from display to video, from small and medium-sized players to the walled-garden giants of Facebook, Google and YouTube.

These changes will raise fundamental questions from advertisers as to how they should adapt their media strategies. It will bring increased need for consultancy, especially in digital, for Ebiquity's media experts.

Media performance continued

Trends for 2021 continued

2. Strong fluctuation in media pricing

The sharp rise of media usage in 2020 together with slowing demand led to hefty deflation of media prices in many markets. This lowered the baseline for 2021 and will lead to high media inflation this year, as the market readjusts. Inflation estimation is an important aspect of Ebiquity's scope in media performance tracking projects. More fluctuation in pricing will increase demand for our services in this space.

3. 2021 – the year of the pitch

As Laetitia has detailed above, in 2020 many pitches were deferred because of the initial uncertainty of life under lockdown. As a result, 2021 will be catch-up year, and many big advertisers have already announced that they are planning to pitch in 2021. As a follow-up project to pitches, advertisers often commission media tracking projects to measure the impact of newly appointed agencies on media performance. This will provide a significant opportunity for Ebiquity.

4. E-commerce will be the big winner in 2021

Online shopping received a major boost during 2020's lockdowns. More shoppers have become used to and comfortable with shopping online, across the generations, and show no signs of going back. Many retailers and platforms have created, or are currently updating, their e-commerce solutions, including YouTube and also TikTok partnering with Shopify. Some advertisers ran successful tests in this space during 2020. E-commerce advisory will become a major source of business for Ebiquity in 2021 and beyond.

Marketing effectiveness

Mike Campbell
Global President, marketing effectiveness

There are important changes taking place in the advertising industry that accelerated in 2020 thanks to Covid-19 and its impact on consumer purchasing behaviour.

Two trends of note are the rapid increases in (i) digital advertising, and (ii) sales-focused (or 'performance') media, both at the expense of brand-focused media, particularly TV. These two trends have advanced in lock-step, as sales-focused performance media is synonymous with digital media. The performance teams in both agencies and advertisers are almost always the digital teams tasked with harvesting demand.

This represents a significant move towards short-termism in advertising. It is the product of several factors, including many companies' desire to be seen to be more active in digital media, following the rapid consumer adoption of e-commerce.

These developments have been exacerbated by widespread use of attribution models that are not fit-for-purpose, models that allocate all online sales to digital and in this way overstate its impact.

We often observe pressure from consultants not always acting in advertisers' best interests, keen to accelerate the adoption of digital performance channels. This has happened alongside misleading messaging from agencies over the past decade claiming that TV is dead or dying. This has led to brands questioning the impact of TV, the historical driver of brand communications and a channel uniquely able to address mass audiences at scale.

Figure 1, on the right, shows how different media affect consumers at different stages of the marketing funnel. It also shows the primary measures of impact used to track the customer journey, from awareness to interest, consideration, conversion, and on to loyalty. Best practice shows that this needs to start with media including TV and out-of-home that deliver high levels of reach most efficiently.

Figure 1. Impact and measurement of media at different stages of the marketing funnel

Relevant media	Stage in the funnel	Primary measurement	
TV, OOH, cinema	Awareness	Audience measurement	**Offline:** TVRs, OTS **Online:** ad impressions/views
Print, radio, online video, social media	Interest		**Offline:** Brand attitude surveys **Online:** Clicks, leads, traffic to owned media
Online display, native advertising	Consideration		**Offline:** Econometric models, point of sale data **Online:** Tracked purchases, customer acquisitions
Search, social media, email, classfields, direct mail	Conversion		
Messaging apps, email, brand pages, customer service channels	Loyalty	Attribution measurement	**Offline:** Customer surveys **Online:** Customer data

Marketing effectiveness continued

It is now agreed by many in the industry that the major swing away from brand campaigns that drive awareness at scale has been a mistake. It has had a negative impact on the advertising effectiveness. Figure 2 shows how brands' obsession with performance campaigns – campaigns that rely too heavily on narrowly targeted digital media – has led to a marked decline in return on investment ('ROI') from advertising over the past decade.

Figure 2. The falling impact of advertising investment (source: IPA Databank)

Key business effects tied to marketing spend

Ebiquity is at the forefront of this crucial debate in the industry. Our Advanced Analytics team has been measuring the impact of brand versus performance campaigns and the ROI of the key media channels for the past 20 years. We use a technique known as Marketing Mix Modelling which accurately allocates sales to different media campaigns and channels.

Ebiquity modelling benchmarks across thousands of campaigns clearly show that high-reach TV advertising is the media channel most efficient at delivering ROI at scale. Our research conclusively demonstrates that many advertisers would be better served if they reduced their investments in digital performance channels and reallocated this spend to TV. The impact on our clients' media efficiency is often an overall improvement of 20% or more in media ROI, accompanied by significantly higher levels of profit.

The media industry is often portrayed as one where multi-million dollar investment decisions are not underpinned by marketing science or well-validated analytics. This clearly is in stark contrast to the cost/benefit analyses that typically justify investment in capital projects.

As the complexity of the media landscape increases and the need for greater accountability is heightened during the inevitable post-Covid-19 challenges, there will be increasing demand for robust media analytics in the years ahead. This evidence-based approach will further challenge the prevailing focus on harvesting demand using digital touchpoints. In its place, we will see a shift in emphasis and brands investing more in building demand at scale and taking a longer-term view.

Ebiquity's marketing effectiveness team is in a strong position to capitalise on this trend. This is true of existing clients who already invest in Marketing Mix Modelling as well as those who are coming to see the benefits of getting the balance right between long-term brand building and short-term sales activation.

Technology advisory

Matt Girling

Head of Europe, technology advisory

Ebiquity's technology advisory team helps global brands design, develop, and implement their ideal operating models and associated data and technology ecosystems, across both paid and owned communication channels.

Advertisers are making these decisions at a time of unprecedented change and uncertainty:

- **The lasting impact of Covid-19**, with brands looking to accelerate digital transformation plans, with particular emphasis on e-commerce and delivering 'virtual' brand experiences
- **The changing role of media agencies**, raising the question of whether brands merely need to upskill and expand their in-house capabilities to enable better control and governance, or whether they need to begin buying media themselves
- **The impact of increasing regulation** on the use of consumer data in marketing, including GDPR in Europe and the CCPA in the US. At the same time, web browsers are restricting use of third-party cookies, making it harder for brands to track consumer identities across digital media
- **The ongoing operational challenges** that inhibit technology and data's delivery of meaningful and measurable ROI

We support brands in three main areas.

1. Transforming their operating model

We identify existing challenges and develop bespoke model solutions to address these challenges across all media. This includes the people, processes, and technology needed to deliver effective change, be it in-house or with a media agency partner.

2. Use and control of marketing data

Our experts help advertisers in all areas related to marketing data, from strategic assessments of the status quo to navigating the changing and complex new environment.

3. Operational excellence

We help brands improve all aspects of digital marketing operations, from creative work-flows to devising effective governance and accountability.

This work is delivered by impartial, senior experts who have many years of hands-on experience in the ad tech and martech space. Current live client assignments include: working with a global brand on in-housing, including traditional media; data governance for a multi-market advertiser; and, supporting a multi-brand advertiser which is considering how best to harmonise and centralise operations across markets.

With effective use of media data and technology increasingly driving success in advertising, Ebiquity's technology advisory team is well-placed to help brands in these increasingly important areas.

Contract compliance

Federica Bowman
Global CEO, FirmDecisions

2020 was characterised by consumers radically changing their media habits, tightening their purse strings, and accelerating their adoption of digital technologies. This is particularly true of e-commerce.

All this change had inevitable impacts on the agency sector. For those that weren't already going through the process, agency holding companies took the opportunity to reassess their operating structures. Agencies have shed staff in significant numbers in the last nine months, with efficiencies in part compensating for reductions in revenue[1].

Fundamental changes to the agency landscape present a number of challenges for brand owners. First, how do they ensure that the budget they do have is being invested wisely by their partners and in a way that maximises ROI? And second, how does the service they get from their partners meet expectations and – more importantly – contractual obligations?

As advertisers regroup after a tumultuous 2020, we're beginning to see more focus on ensuring good governance in the marketing space. With so many changes now evident in the external consumer landscape and internal agency operations, many advertisers are actively assessing what happened last year. Before committing budgets to rebuild and regrow in 2021, they're actively asking how their money was spent in 2020 and whether investments were made in accordance with their partner agreements. History has shown us that, in recessionary periods, there is always a focus on balancing the books, and this is a task FirmDecisions was built to perform.

Our experience and expertise in ensuring contractual obligations are met are more relevant than ever in today's atmosphere of budget tightening and increased accountability. The Russian proverb "trust, but verify" is particularly relevant for the specialist field of marketing contract compliance which FirmDecisions pioneered more than 20 years ago.

Our global team of 55 specialists helps our advertiser clients to validate their marketing agency partners' adherence to their contractual terms. We highlight areas for improvement in agency financial stewardship, processes, and management. With an established presence in 14 major markets – and more than 700 years' worth of combined marketing sector experience – our team is made up of former agency and client-side experts who have an intimate understanding of how agencies manage client finances.

1. Sources: Ad Age (http://bit.ly/3qX2pfD) and The Drum (http://bit.ly/2Yj3r9I)

Contract compliance continued

Our recent and ongoing investment in senior ex-agency CEOs and CFOs continues to enhance our knowledge of current agency practices and evolving trading dynamics. This enables us to ensure that our clients are always better informed, enabling them to develop more balanced and trusting relationships with their marketing partners.

The FirmDecisions team has significant financial experience in all aspects of marketing services. Our lead role in co-authoring the 2016 Media Transparency report[1] for the US Association of National Advertisers means we have successfully driven the transparency agenda for the past four years. As a result, more than four in five of our assignments in 2020 were focused on media contract compliance.

FirmDecisions evaluated a total of US$40 billion marketing spend across media and non-media services. In a global market sector worth US$1.7 trillion in 2019[2], media's share of this represented ~US$500 billion[3]), highlighting the opportunity that exists to educate our clients – and many more advertisers besides – in better contract governance for non-media related service providers.

For many businesses, Covid-19 has highlighted the need for accelerated innovation and digital transformation, and this is no different in contract compliance. As agencies and advertisers switched to working from home overnight, so our audits have had to be reinvented for this new environment. This was extremely challenging, but by working in partnership with our clients and their agency partners – many of them companies owned by the major holding companies around the world – we have developed new and efficient, remote ways of working.

FirmDecisions is investing in operational changes to find efficiencies of scale through process management and automation. Our internal changes are designed primarily to ensure better client management, to help strengthen and deepen our relationships. This enables us to free up our time to add more value for our clients as their need and appetite for objective and impartial advice grows.

US$40bn marketing spend

FirmDecisions evaluated a total of US$40bn marketing spend across media and non-media services.

1. Source: ANA, http://bit.ly/2MycIZd
2. Source: Forbes, https://bit.ly/3iVLUxC
3. Source: Statista, http://bit.ly/2HpRYw3

Case study

Accelerating Reckitt's digital excellence journey

22%

value opportunity, 12% reinvested

Client objectives

As part of its programme of digital transformation, Reckitt Benckiser – recently rebranded as Reckitt – was looking to increase effectiveness and eliminate waste across its digital investment. The company wanted to develop a new and consistent framework for tracking digital media investment in biddable channels. In this way, media teams could demonstrate savings to finance colleagues in each market.

Ebiquity's approach

Ebiquity's Digital Innovation Centre worked with Reckitt's central team, local markets, and agency partners to enhance and implement a set of global Productivity Principles designed to incentivise more effective trading. Powered by automated data extracted directly from source, Reckitt's new robust governance framework generates timely, actionable insights across all markets and brands. It provides consistency and a complete overview of digital efficiency and effectiveness across markets.

Business impact

Our next-generation Source Data Monitoring solution now governs all of Reckitt's biddable digital media spend, consistently driving improvements and minimising wastage. In 2020, we identified a value opportunity of 22% of digital spend through this governance programme. Through our change management programme, Reckitt reinvested up to 12% of this opportunity in better-performing placements in the second half of 2020.

Case study

Driving digital marketing excellence from the centre for Audi

Audi

Client objectives

At a global level, Audi has put in place initiatives designed to deliver best-in-class digital marketing operations. The company's focus for 2020 was to understand if and how local markets had aligned behind these plans. In particular, the global team wanted to know how well markets were using ad tech to secure superior efficiency and quality audiences.

Ebiquity approach

Our technical and operational expertise in ad tech allows us to combine traditional interviews with live platform demonstrations. We customised and deployed our tried-and-tested market engagement programme across 14 markets, enabling us to:

- Dive deep into the full tech stack to assess whether it was set up and working in accordance with the central governance guidelines
- Check if and how the audience quality standards and goals were being maintained

Business impact

We helped determine Audi's strategic and operational capabilities at a market level. Our approach highlighted areas for improvement and surfaced emerging issues that required central support and focus for the year ahead. Thanks to our independence and experience, Audi continues to nurture an always-learning, always-evolving dialogue with its markets.

> Ebiquity's expertise was and is of great help to zoom in on areas that we did not previously deep dive into and obtain insights in a granularity that allows for improvements, right from set-up through to optimisation and reporting. It feeds back into and is an integral part of our international Audi Drive programme and creates awareness for topics that were historically considered black boxes, especially at headquarters level.

Christine von Hoerde
Brand Communication & Content Marketing, Audi

Case study

Improving marketing efficiency at BT

BT

16%

increase in marketing effectiveness

Client objectives

BT's marketing team asked Ebiquity to create a consistent, best-in-class measurement framework to evaluate marketing performance across its group of companies – BT, BT Enterprise, EE, and Plusnet – in the short, medium, and long term. They wanted to be able to make informed budget allocation decisions across brands, campaigns, and media channels.

Ebiquity approach

Working closely with the client's insight, marketing, and commercial teams, Ebiquity has provided BT with a holistic view of marketing performance. The approach combines both Marketing Mix Modelling and Brand Equity Modelling.

Business impact

Our Advanced Analytics team has enabled BT Group to balance investment across brands, identify media opportunities, and improve overall marketing returns without sacrificing long-term performance. This evidence-based approach in marketing decision-making led to a 16% increase in marketing effectiveness for one brand and enhanced profit across the portfolio.

> We are very pleased with the traction and the credibility that Ebiquity has developed with the senior teams at BT. In a short space of time, Ebiquity has delivered insights that have made significant improvements to our media planning.

BT Group
Global Head of Media

People

We recognise that people are the key to our success.

Emma Baillie
Group Chief People Officer

We recognise that people are the key to our success. The Group continues to invest energy and creativity in developing a culture designed to attract and retain the right people to deliver our strategic objectives, supported by evolving our policies and practices.

Culture

With a new CEO and strategy in 2020, we turned our attention to the culture of Ebiquity. We wanted to understand if we had the right values and behaviours in place to achieve our goals, as well as attract and retain the best talent.

To better assess our current culture, we conducted a first Culture Audit in partnership with Brands with Values. Brands with Values has developed a survey tool based on the work of social psychologist Shalom Schwartz, creator of the Theory of Basic Human Values.

The survey analysed our employees' personal values, their experience of the culture at Ebiquity, and the values they think we need both to achieve our strategy and to become an employer of choice. The results have been shared with the organisation and an action plan developed.

As a result of running the survey, we have created a global Culture Champion team to deliver a series of interactive workshops in 2021. The workshops will engage our people in both the creation of a new vision statement and a refreshed set of Company values.

Diversity and Inclusion

As part of our culture journey, Ebiquity's Group Chief People Officer, Emma Baillie, was appointed as the Executive Sponsor for the Diversity and Inclusion agenda. New employee groups formed themselves during the year, representing minority groups in the workforce. Members of these groups have been engaging with Emma and Group Chief Executive Officer, Nick Waters, to create an approach to increase the diversity of those Ebiquity can both attract and retain.

As a result of this dialogue, we have introduced monitoring of shortlists for key management roles, new approaches to sourcing, and partnerships with local charities.

With the Group's revised Executive Leadership Team, there is now a healthier gender balance of senior management with 40/60 female to male split.

People continued

Development

With the shift to online working, we had to reconsider our training agenda for the year. Despite the challenge of the whole company working from home as a result of the pandemic, we were able to enhance our Consulting Skills toolkit with a data visualisation course run via a micro-learning app, as well as Zoom-based 'Narrative by Numbers' training. The training supports our ability to analyse and present data in a succinct and impactful way, enabling our consultants to tell clear and actionable stories to our clients.

Wellbeing

The national lockdowns for most of 2020 highlighted the importance of having strong commitment to the wellbeing of our people. Enforced and prolonged working from home presented all of us with new challenges. Ebiquity responded by providing equipment, information, and support to enable the shift, including workstation set up, managing remotely, and mental health tips and support.

During the year, we provided further support initiatives. These included: coaching for parents sessions, group online meditation and yoga classes, a 'mental health and working from home' support group, a 'maintaining positive mental health' support group, and various online social events run through our Social Committee.

Community

The Ebiquity Group continued its partnership with the charity World Child Cancer in 2020. In January 2020, our London office organised a Grand Raffle Prize Draw, with prizes donated by clients and suppliers. The event raised more than £4,000 for the charity.

40/60 senior management female to male split

healthier gender balance

Environment

As a global company, we are fully aware of our responsibilities in reducing consumption of the Earth's natural resources and in the safe disposal and reduction of the waste we produce.

Ebiquity recognises the threat that climate change and environmental harm pose to the planet and to people. As a global company, we are fully aware of our responsibilities in reducing consumption of the Earth's natural resources and in the safe disposal and reduction of the waste we produce.

The consulting and advisory work that Ebiquity undertakes may have limited direct negative impacts on the environment, but we are mindful of our responsibilities in this area. That's why we aim to foster a culture that educates and encourages everyone to be aware of how the actions they take and the decisions they make can have an impact on the environment.

Ebiquity is able to meet and – where possible – surpass government guidelines on sustainability by having in place policies, training, and comprehensive maintenance contracts, which we continuously review. What's more, by taking this approach we are able to achieve financial, societal, and ethical benefits.

Our global offices are developing the most appropriate ways to promote more sustainable practices that fit their local environment. However, the goals below are common to all.

Cleaning, waste, and recycling

We aim for 'Zero to Landfill' across the Company. By working only with ISO 14001-accredited companies and following the Waste Electrical and Electronic Equipment ('WEEE') recycling directive, we are able to meet environmental standards. We apply these principles to the materials used during our cleaning processes, the waste removed from our offices, and the recycling undertaken. Computer hardware no longer fit-for-purpose is cleaned, all data erased, and the items donated to companies who in turn pass it on to communities unable to afford their own equipment.

Utilities

Where possible, we choose energy from green/renewable source suppliers. All our offices have their own measures in place to reduce the amount of water, electricity, and gas used. Approaches range from using timers and motion sensors to turn off lights and air conditioning systems, to having aerators fitted to taps to reduce water usage by up to 50%.

At the end of 2019, our head office in London relocated to a newly refurbished space. This office has a 'Very Good' rating for Building Research Establishment Environmental Assessment Method ('BREEAM') and also a level 'B' Energy Performance Certificate ('EPC') rating. To coincide with the move, staff adopted an agile method of working to aid collaboration between departments and give staff freedom to work where they choose. By taking this approach, we were able to reduce the amount of space needed by the business, meaning that the resources needed to heat and run the office dropped significantly.

Maintenance

We have robust maintenance contracts in place to ensure that mechanical and electrical equipment works to its efficient, full potential. Often this means that our equipment not only meets but – where practical – exceeds its life expectancy.

Environment continued

Education

Ebiquity encourages all staff to appreciate the importance of sustainable living both in and out of the office. The sustainability team investigates, suggests, and promotes green initiatives that can not only be used at work but also by our colleagues at home. The team presents ideas, updates, and suggestions for best practices in sustainability at our regular Town Hall meetings. We also talk about our recycling and environmental policy as part of our induction for new staff joining Ebiquity. Changes to this policy are communicated to all stakeholders once implemented.

Review

It's always important to keep policies up to date, particularly in an area as fast-moving as environmental protection. As part of the regular review process, we continuously look for new ways to make Ebiquity an even more sustainable business. The sustainability team sources and discusses new ideas to assess whether they are workable for us. If they are, we introduce them to as many offices as is practicable.

Progress

2020 was a challenging year for everyone, but that didn't stop the sustainability team from meeting regularly to discuss, plan, and roll out new initiatives to help Ebiquity promote and improve its environmental credentials. We are looking to accelerate this approach in 2021/22, and our plans include:

- to grow the sustainability team to include as many of our international offices as possible, enabling us to share ideas and learn from each other;
- to work with our landlords to measure the amount of waste we produce, the amount of waste we recycle, the amount of paper we use, the amount of energy we use, and the amount of carbon we produce. With those baselines in place, we will aim to reduce and improve these numbers year-on-year;
- to introduce specific recycling initiatives for coffee cups, batteries, food waste, and food packaging;
- to reduce and, where possible, eliminate single-use plastic items across all offices. This ranges from items of stationery and cleaning materials to packaging;
- to introduce a circular economy within each office, where we reuse as much equipment as we can, equipment that would otherwise go to waste;
- to continue to promote the use of and benefits of using videoconferencing instead of travelling to see clients for meetings;
- to set up a carbon offsetting scheme for those trips that cannot be avoided;
- to publish our Streamlined Energy and Carbon Reporting ('SECR') report for 2020 by late Spring. We will action all possible improvements to improve our energy efficiency; and
- to find like-minded partners and establish unconventional but strategic alliances to shape social sustainability progress on an industry level.

Streamlined Energy and Carbon Reporting ('SECR')

Under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon) Regulations 2018, we are mandated to disclose our UK energy use and associated greenhouse gas ('GHG') emissions. As a minimum, we are required to report the GHG emissions from fuel combustion, purchased energy and transport vehicles. Additionally, the use of an intensity ratio and an outline of implemented efficiency measures are required under the Streamlined Energy and Carbon Reporting ('SECR') regulations.

To ensure a high level of transparency is achieved, robust and recognised reporting methods are implemented. The reporting methodology involves usage of the 2020 Defra (Department for Environment, Food and Rural Affairs) emissions factors to calculate and assess our UK operational emissions.

Our calculations are for the following scopes:

- **Building-related energy** – purchased electricity consumption (scope 2).

Company information

Ebiquity plc is a public limited company, incorporated in the UK, situated at Chapter House, 16 Brunswick Place, London, England, N1 6DZ. Subsidiary companies Ebiquity Associates Limited, FirmDecisions Limited and Ebiquity Russia Limited are also situated at the same site and therefore account for the same annual GHG emissions and energy usage.

Reporting period

The reporting period that this submission covers is 1 January 2020 to 31 December 2020.

Calculation methodology

Emissions calculated are in accordance with the 'GHG Protocol Corporate Accounting and Reporting Standard' and in line with Defra's 'Environmental reporting guidelines: including Streamlined Energy and Carbon Reporting Requirements'. The Defra 2020 emission conversion factors were used to quantify the emissions associated with Ebiquity plc's operations for the specified reporting period.

Organisational boundary

We have used the operational control approach.

Operational scopes

This report includes our scope 2 emissions related to purchased electricity. In the reporting period, Ebiquity plc has no scope 1 or scope 3 (Business Travel in Expensed Vehicles) emissions across its UK operations.

Streamlined Energy and Carbon Reporting ('SECR') continued

Results

Energy and GHG emissions data for reporting period 1 January 2020 – 31 December 2020

	UK & Offshore		
Reporting category	Energy consumption (kWh)	Location-based methodology (tCO_2e)	Total
Purchased electricity (scope 2)	203,434.94	47.43	47.43
Scope 2 (tCO_2e)			**47.43**
Total emissions (tCO_2e)			**47.43**
Total carbon offsets (tCO_2e)			**48.00**
Intensity ratio (tCO_2e /sqm)			**0.028**
Intensity ratio (tCO_2e /number of UK employees)			**0.203**
Total underlying energy consumption (kWh)			**203,434.94**

Streamlined Energy and Carbon Reporting ('SECR') continued

Intensity ratio

The chosen intensity ratios are tCO_2e per total square metres and tCO_2e per full time equivalent UK staff numbers. The intensity ratio tCO_2e per total square metres was chosen as it is the recommended metric for mainly office-based organisations. An appropriate activity metric, tCO_2e per full time equivalent UK staff has also been provided.

Energy efficiency measures

Ebiquity plc's UK operations moved to Chapter House, 16 Brunswick Place, London in 2019. The building is newly refurbished with works being completed in 2019. The building is well equipped with timers, sensors and energy-efficient lighting in order to reduce equipment-related electricity usage. This building has an EPC energy rating of 'B' (most efficient being 'A+') and has achieved a BREEAM rating of 'very good'. This will help reduce the Company's long-term carbon footprint and energy consumption. Ebiquity plc is committed to managing its carbon footprint by employing robust maintenance contracts to ensure that the onsite equipment is well kept, optimising lifespan and efficiency. Additionally, the electricity consumed by Ebiquity plc is from 100% REGO-backed renewable sources.

Ebiquity plc has identified irregularities in the measurement of periodic energy consumption. Data extrapolation and benchmarking techniques have been applied in order to estimate consumption where first hand data was not applicable. As a corrective measure for irregular notations of submeter readings, a robust meter reading solution is being actively reviewed and this will be implemented for the next reporting period.

Consumption figures included in this report correspond to electricity consumption of Ebiquity plc's UK-based operations only. However, as a sustainability initiative, Ebiquity plc is committed to widen the breadth of its reporting boundary in future years and report the global annual energy consumption and associated scope emissions. Due to the Covid-19 pandemic, operations at Ebiquity plc's facilities have remained limited, resulting in lower annual energy consumption and related emissions. In the future, it is projected that higher energy consumption and emission figures will be recorded under normal circumstances.

Carbon offsetting

Ebiquity plc's UK head office consumed 203,434.94 kWh of 100% REGO-backed renewable electricity between 1 January 2020 and 31 December 2020. SECR requires organisations to use a location-based grid average emission factor to report the emissions from electricity, including renewable energy supplied from a third party. This has resulted in related annual GHG emissions to be recorded at 47.43 tCO_2e.

As part of Ebiquity plc's commitment to enhance its environmental performance, voluntary carbon credits have been purchased to the amount of 48 tonnes CO_2e, which covers the annual UK GHG emissions for the term period. Furthermore, Ebiquity plc is committed to expanding the scope of carbon reduction and offsetting across its global operations in the future years.

The purchased credits are Verified Carbon Units ('VCUs'). The VCUs are affiliated to a Clean Development Mechanism ('CDM') originated programme.

The chosen carbon offsetting project is 'Pakarab Fertilizer Co-generation Power Project'. This project is based in Multan, Punjab Province of Pakistan and involves replacing an existing captive condensation power plant with a new and improved co-generation plant. The new plant covers the power and steam demand of the fertiliser complex completely. The rationale behind choosing this project includes the significant improvement of local environmental conditions. Outside of the direct project boundaries, the project includes activities such as construction of community schools and the development of a children's park. This project contributes to the significant improvement of conditions for the region.

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.

The Board has considered which are the Company's key stakeholders and details of engagement with them are set out in the table below. The People and Environment sections on the preceding pages contain more details of some of the ESG initiatives around the Group. The Board takes a keen interest in these activities and our full ESG strategy is being developed under the guidance of two sponsors from the Executive Leadership Team

Stakeholders	How we engage	Outcomes
Shareholders	We held a virtual Capital Markets Day ('CMD') in November 2020 to share details of our new strategy as well as updating shareholders on our business and people. In addition to the CEO, the presenters included regional directors and the newly appointed Chief Product Officer, Ruben Schreurs.	About 50 investors attended the CMD. There was a Q&A session after the presentations, allowing plenty of opportunity for engagement between shareholders and the Company. A recording of the event can be viewed from **www.ebiquity.com/about/investors**.
	We adapted our shareholder communications as a result of the Covid-19 pandemic. Following the publication of our full and half year results, the CEO and CFOO held the usual analyst and shareholder briefings virtually. Our AGM in 2020 was held by videoconference and shareholders were able to submit their questions to the Board.	Moving the shareholder meetings online worked well and allowed shareholders time with the Directors. So, despite the restrictions of the pandemic, we were still able to engage effectively with our investors.

Section 172 statement continued

Stakeholders	How we engage	Outcomes
Clients	Ebiquity strives to deliver relevant and professional services to its clients. During 2020 we held several client events, including one focused on best practice in the end-to-end management of influencer marketing which highlighted some of our work in this area.	The events attracted a good client audience and we followed this one up with research and a guidance note on the subject, which is of growing importance to advertisers.
	We held sessions of our Ebiquity Media Management Procurement Forum which considered topics such as planning for commercial negotiations with agencies post-pandemic, virtual pitching techniques, and the impact of the pandemic on contract compliance audits. Our Client Council met three times during the year, which is when international clients come together to discuss and debate key issues relating to our business and to provide input into our agenda and business strategy.	Our client events, having migrated into the virtual space, have blossomed and have actually become more global and inclusive, geography no longer being a barrier to participation.
	We have also formed a Client and Revenue Board to give strategic focus to a core group of major multinational client companies which will be managed by a Global Client Solutions Centre.	Ebiquity continues to focus on high quality client servicing and meeting the demands of the changing industry.
Employees	As well as the initiatives mentioned in the preceding section, we hold webinars which all employees can join to hear an update from the CEO. These are held at different times of the day to ensure employees from all regions and time zones can easily attend.	These calls allow anyone in the Group to ask the CEO questions 'live' and this also provides an insight for the executive team into the areas of interest and concern to our people.
	Many of our 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. We also use the Town Halls to talk about new starters, leavers, any good news, and promotions.	These meetings have been one of the key ways to communicate with our teams during the pandemic when we have not been able to occupy our offices and meet as normal.
	We undertook a number of initiatives to engage with our employees while they worked from home during the pandemic, particularly focusing on their well being. These are described in the preceding section.	These have helped our employees to work from home effectively and to deal with the range of new issues they have encountered while doing so.
	We are keen to progress diversity and inclusion within the organisation and 40% of the members of our Executive Leadership Team are now female. Our CPO, Emma Baillie, has been appointed as our Diversity and Inclusion sponsor.	Our employees have set up LGBTQIAP+ and BAME groups, with the Company's support. It is the intention that these groups provide feedback and make suggestions about how we can be more inclusive.

Section 172 statement continued

Stakeholders	How we engage	Outcomes
Community and the environment	Our charity partner is World Child Cancer and we organised a raffle with donations from our suppliers. The Company matched the takings from the raffle to raise additional funds for this charity.	For 2021, it is planned for the Group to hold a 'Volunteer Day' when all staff around the world will take a day off to contribute to a local charity or not-for-profit organisation of their local team's choosing.
	We recognise that Ebiquity has a part to play in the maintenance of a sustainable environment and an environmental policy is in place. More information can be found in the Environment section on the preceding pages.	This year, for the first time, we have published an SECR report.
Suppliers and partners	We aim to pay our suppliers within a reasonable period of their invoices being received and approved. We recognise that this is of even greater importance in the current climate. 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.	The average time taken by Ebiquity Associates Limited to pay its suppliers during the first half of 2020 was 16 days and during the second half of 2020 it was 21 days.
	We continue to operate in accordance with relevant legislation on ethics, anti-bribery and modern slavery and have appropriate policies in place.	We require our suppliers and partners to adhere to the legislation and to follow our policies where relevant.
Trade bodies	The pandemic has seen our formal strategic partnerships with advertiser trade bodies globally, transition into the virtual space. We have worked hard to maintain our profile by delivering virtual content to the advertiser members, including: › webinars on the impact of the pandemic on the media landscape, on agency network structures, and on consumer behaviour; and › guidance on digital benchmarks and managing the digital media ecosystem to deliver greater transparency and trust, virtual pitching, contract compliance auditing, and influencer marketing effectiveness. We also set up a regular Recovery and Growth forum for CMOs with ISBA.	These partnerships demonstrate the breadth of our portfolio of services, enhance our brand reputation, influence the client community and help them stay informed about key industry initiatives. As we share insights and trends gleaned from our global activities, we are able to provide access for advertisers to our deep sector expertise, which ultimately drives leads for the business.

Financial review

Alan Newman
Chief Financial & Operating Officer

Group revenues for the year ended 31 December 2020 fell by £12.2 million or 18% to £55.9 million, from £68.1 million in 2019.

Reflecting the lower activity, project-related costs (which comprise external partner and production costs) fell by £2.4 million (27%) from £8.8 million to £6.4 million and the net revenue margin rose from 87% to 88%. Operating expenses were also reduced, by £3.8 million, (7%) to £50.0 million from £53.7 million. This only partially offset the revenue reduction and the Group recorded an underlying operating loss of £0.3 million in the year, compared to an underlying operating profit of £5.6 million and operating margin of 9% in 2019.

Net finance costs rose slightly from £0.9 million to £1.0 million, due to the increase in net debt. This and the operating loss led to an underlying loss before tax in the year of £1.3 million, compared to a profit of £4.7 million in 2019.

The statutory operating loss of £2.9 million (calculated after highlighted items) improved from the loss of £4.8 million in 2019, due largely to a significantly lower level of net highlighted costs, which fell from £10.3 million to £2.5 million (as detailed below). This also led to a reduction in the statutory loss before tax to £3.9 million, compared to £5.7 million in 2019.

Highlighted items

Highlighted items during the year included the following:

- £1.9 million credit relating to share-based payments mainly arising from the lapse of options over 4.2 million shares originally awarded in May 2010;
- £1.1 million charge for amortisation of purchased intangibles (2019: £1.2 million);
- £0.8 million charge due to the impairment of goodwill in Digital Balance, the MarTech business based in Australia;
- £1.5 million charge relating to severance and re-organisation costs following restructuring of management and staff roles in Australia, France, Germany, UK, and USA as part of actions taken to improve business performance;
- £0.8 million relating to currency revaluation of deferred consideration payments for Ireland and Italy; and
- £0.2 million relating to professional costs incurred on acquisitions and bank facility negotiations.

Prior year adjustment

During the year, a misstatement was discovered in the balance sheet of Firm Decisions' US subsidiary as at 31 December 2019. This followed an internal review of balance sheet items by the Group Finance team as part of enhanced internal control procedures put in place by the Chief Financial & Operating Officer during the last year. The causes of this error were specific to the unit involved and related to the misstatement of accrued income and revenue balances for which process and system improvements have been made to avoid any recurrence. In accordance with IAS 8, the financial statements for 2019 have been re-stated to reflect this adjustment. The impact was a reduction of £600,000 in 2019 Group revenue, a reduction of £148,000 in retained earnings brought forward as at 1 January 2019 and a reduction of £748,000 in accrued income as at 31 December 2019.

Financial review continued

Taxation

There was an underlying tax charge in the year of £0.03 million compared to £1.9 million in 2019. This reduced charge reflected the loss before tax incurred in the year.

There was a total tax credit including on highlighted items of £0.2 million compared to a charge of £1.5 million in 2019.

Earnings per share

The loss after tax led to an underlying loss per share of 1.9p, compared to earnings of 2.8p in 2019. There was a statutory diluted loss per share of 4.81p, an improvement of 4.74p, compared to the statutory diluted loss per share of 9.55p in 2019.

Dividend

Although the Group is in a healthy financial position and has bank borrowing facilities in place until 2023, the Board considers it prudent to conserve the Group's cash resources given the Group's performance in 2020 and the uncertainty created by the Covid-19 pandemic. It will therefore not be proposing the payment of a dividend in respect of 2020 at the forthcoming AGM and will defer any dividend recommendation until economic and business conditions are more certain.

Cash conversion

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Reported cash from operations	**5,827**	5,657
Underlying cash from operations	**7,300**	8,870
Underlying operating profit/loss	**(334)**	6,167
Cash conversion	**–**	144%

Underlying cash from operations represents the cash flows from operations excluding the impact of highlighted items. The underlying net cash inflow from operations was £7.3 million during 2020 (2019: £8.9 million). This cash inflow reflecting continued tight management of working capital despite the challenging business environment.

Equity

During the year to 31 December 2020, 2,467,628 shares were issued. 2,437,628 of these were as partial settlement of the Italian minority buyout and a further 30,000 upon the exercise of employee share options. As a result, the total share capital increased to 82,583,254 shares (31 December 2019: 80,115,626).

Financial review continued

Net debt and banking facilities

	31 December 2020 £'000	31 December 2019 £'000
Net cash	**11,121**	8,236
Bank debt	**(19,000)**	(14,000)
Loan fee prepayments	**120**	168
Net bank debt	**(7,759)**	(5,596)
US PPP loan[1]	**(750)**	–
Net debt as in statement of financial position	**(8,509)**	(5,596)

1. This represents a loan received in May 2020 under the US Payroll Protection Programme. The qualifying conditions required for loan forgiveness have been met but at the year end the providing bank had not opened the forgiveness application process. If the application is successful, this loan will be credited to the income statement in 2021 as a grant.

All bank borrowings are held jointly with Barclays and NatWest. On 20 September 2019, the Group entered into a new revolving credit facility ('RCF') agreement of £24.0 million with broadly similar terms to the previous one. The facility has a maturity period of four years, expiring in September 2023, with an option for the Company to extend for one further year. The committed RCF at 31 December 2020 totalled £24.0 million, of which £19.0 million was drawn (2019: RCF of £24.0 million, of which £14.0 million was drawn). During the year, the Group drew down £5.0 million to cover working capital requirements that it anticipated might have arisen due to the Covid-19 pandemic. In the prior year, the drawn RCF of £14.0 million was included as a current liability since the facility was set to expire within one year.

The Group continued to trade throughout the year, within the limits of its banking facilities and associated covenants. The covenants applying on a quarterly basis until June 2020 were 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 were agreed with the lenders in May 2020 which applied from July 2020 to 30 November 2021. These require the Group to maintain minimum liquidity of at least £5 million at the end of every month during that period. Minimum liquidity is defined as the aggregate amount of cash together with any available undrawn amount under the facility.

Liquidity as at 31 December 2020 totalled £15.4 million. In March 2021, a further covenant amendment was agreed with the lenders. With effect from September 2021, the minimum liquidity covenant will increase to £7 million and will be in place until June 2022. In addition, with effect from September 2021 an interest cover covenant will be reintroduced at > 4.0 and an adjusted leverage covenant will be reintroduced, initially at < 4.0, increasing to < 4.25 in December 2021 and to < 4.5 in March 2022, then reducing to < 3.5 in June 2022. The original covenants which were in force until June 2020 will apply again from September 2022 onwards.

Statement of financial position and net assets

A summary of the Group's balance sheet as at 31 December 2020 and 31 December 2019 is set out below:

	31 December 2020 £'000	31 December 2019 £'000
Goodwill and intangible assets	**34,698**	35,172
Right-of-use assets	**6,237**	8,339
Other non-current assets	**3,387**	3,549
Net working capital	**8,504**	12,179
Other current liabilities	**(1,953)**	(4,724)
Lease liability	**(8,158)**	(9,590)
Other non-current liabilities	**(1,503)**	(1,423)
Deferred consideration	**(1,957)**	(14)
Net debt	**(8,509)**	(5,596)
Net assets	**30,746**	37,892

Net assets as at 31 December 2020 decreased by £7.1 million to £30.7 million (2019: £37.9 million).

Debtor days have remained consistent year-on-year at 58 days (2019: 62 days) due to continued strong cash collection, in particular, at the end of the year.

Financial review continued

Corporate development activities

On 8 January 2020, the Group completed the purchase of Digital Decisions B.V. ('Digital Decisions'). The initial cash consideration paid was €700,000 (£597,000) with further contingent consideration payable in a mix of cash and Ebiquity plc shares. The first deferred contingent payment is based on profit performance in the year to 31 December 2020 and the second payment is based on the average profit performance for the two years ended 31 December 2022. Payment of the deferred contingent consideration is conditional upon the vendor remaining in Ebiquity's employment and is therefore deemed to be post-date remuneration in accordance with IFRS 3 (revised). No payment was earned in respect of the year ended 31 December 2020, since although Digital Decisions' revenue increased significantly, its profit did not reach the required threshold. Due to the integration of the Digital Decisions service with the Group's overall digital media products, the basis of the revenue included in the performance calculation for the two years ended 31 December 2022 was amended in January 2021 to include the contribution from all digital media products developed by the Digital Innovation Centre. The multiple applied in calculating the contingent consideration has been reduced from eight times to six times the average of the relevant profits generated in 2021 and 2022.

On 3 February 2020, the Company agreed to acquire 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 completed on 28 May 2020, following the approval of the Group's audited accounts. The total consideration of £3.1 million was based on an average of Ebiquity Italy's profit before tax and management charges for the years ending 31 December 2018 and 2019. The consideration is being paid in a combination of cash and Ebiquity plc shares. At completion, 25% of the total consideration was settled by the issue of 2,437,628 Ebiquity plc shares and 5% in cash. The remaining cash payments totalling £2.3 million were made between August 2020 and March 2021.

On 24 December 2020, the Group acquired a further 24.95% of the share capital of its subsidiaries Ebiquity Russia Limited and Ebiquity Russia OOO from Vladimir Rass, the former CEO, for a total payment of US$517,000 (£405,000). The Group now holds 75.05% of the share capital of each of these companies.

Alan Newman
Chief Financial & Operating Officer

25 March 2021

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 a risk management framework as set out below:

The outcome of the risk management process is a bottom up/top down risk register which is considered by the Audit & Risk Committee. This includes details of the risk, the potential impact on the Group, mitigating actions that are required and progress against these actions. Significant findings from the Audit & Risk Committee are reported to the Board, including any that arise from the risk management process.

Whistleblowing procedures are in place for individuals to report suspected breaches of laws or regulations or other malpractice. The Group also has in place an anti-bribery code of conduct which applies to all companies within the Group.

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

Our risk management framework

Board of Directors

- Leadership of risk management
- Sets strategic objectives, risk appetite and considers risk tolerance
- Monitors performance
- Accountable for the effectiveness of the Group's internal control and risk management processes

Audit & Risk Committee

- Delegated responsibility from the Board to oversee risk management and internal controls, including the effectiveness of risk management processes
- Reviews risk register

Executive Leadership Team

- Communicates and disseminates risk policies across the Group
- Supports businesses in assessing risk
- Encourages open communication on risk matters
- Appoints Risk Management Champions to co-ordinate risk management in each business area

Risk Management Committee

- Defines risk management roles at operational and project levels
- Uses approach to risk as an explicit part of decision-making and management of external relationships
- Continuously identifies risks and mitigations and updates risk register
- Embeds risk management culture in each business area

Risks continued

Risk	Mitigating actions	Change in risk	Link to strategy
Covid-19 The Covid-19 pandemic is continuing to affect our clients' businesses and the way we work. The duration of this disruption remains uncertain.	The Company took cost reduction measures to protect the business and preserve cash. During 2020, this included a temporary 20% pay reduction taken by the senior management team and the Board, a deferral of annual pay reviews and a temporary freeze on recruitment. Government support schemes were used where they were available. Financial forecasting has been taking place more frequently to keep up with the ever-changing situation. Working from home has been implemented across all regions and investment in technology to make this work seamlessly has continued. Appropriate health and safety measures have been put in place when offices have been reopened.	⇔	1
Strategy A new strategy has been announced and this now needs to be implemented in a timely and cost-efficient manner.	A new organisational structure has been put in place with new roles such as Chief Product Officer and Chief Client Officer filled. A new Product and Innovation Board will be responsible for ensuring Ebiquity's products remain up to date and are what clients need. The newly formed Client and Revenue Board will be responsible for developing and delivering strategic growth plans for multinational clients.	↑	1 2 3
Product Our products need to keep pace with changing market needs so that they remain relevant and attractive to our clients.	A new role of Chief Product Officer has been created with a Product and Innovation Board to keep existing products under review and develop new ones.	⇔	2

Key:
1 Clients 2 Products 3 Operational efficiency

Risks continued

Risk	Mitigating actions	Change in risk	Link to strategy
Staff retention and recruitment Our 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 fulfilling work but also competitive remuneration packages and to make the workplace a great place to be. Policies and processes are in place to allow career progression and development. The Remuneration Committee considers retention and motivation when considering the remuneration framework for executives. A change to the organisation structure has helped clarify roles and responsibilities.	↔	1 2 3
Cybersecurity The Company continues to be aware of the increased threat of third parties seeking to attack the Group's IT systems, causing the loss or corruption of data.	There is continued 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. Staff undergo regular training to help them understand the threats and what they can do to protect the organisation's IT infrastructure.	↔	1 2 3
Client loss There will always be a certain amount of client turnover. Clients may reduce their business with us, or move it elsewhere, due to events beyond our control, including issues such as macroeconomic uncertainty, re-directing expenditure elsewhere, or a reduction in budgeted expenditure. The loss of a major client unexpectedly, however, could have a material impact on resourcing and revenue.	The appointment of a Chief Client Officer and the establishment of a Client and Revenue Board to specifically focus on key clients demonstrates the Company's commitment to meeting client demands and its aim to broaden the portfolio of products and services available to, and taken up by, our clients. Consistently providing high quality work and getting regular feedback from clients helps maintain strong client relationships.	↔	1

Key:
1 Clients 2 Products 3 Operational efficiency

Risks continued

Risk	Mitigating actions	Change in risk	Link to strategy
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 robust policies and procedures to ensure the segregation of duties. Bribery and anti-corruption training takes place regularly and the annual external audit provides some reassurance that this sort of behaviour is not taking place.	↔	1 2 3
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 develop good and transparent working relationships with the media agencies. Nick Waters, CEO, has spent most of his career working for media agencies and so understands the challenges and issues they face and is well-positioned to continue to foster these relationships.	↔	1 2 3
Macroeconomic uncertainty, including Brexit As well as the macroeconomic uncertainty from Covid-19, there has also been some uncertainty following the end of the Brexit transition period. This uncertainty could lead to downward pressure on clients' 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 feedback from clients is sought to understand the impact, if any, these changes are having on them. We continue to keep a tight control on our costs and monitor our cash position. As new products and services are developed, this risk is mitigated by having new and exciting offerings for clients.	↑	1 2 3

Key:
1 Clients 2 Products 3 Operational efficiency

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 Chair

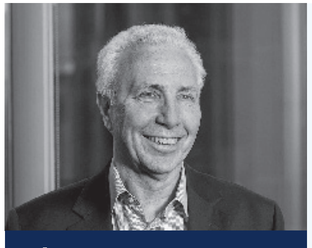
About
Rob joined the Board as a Non-Executive Director on 1 March 2018 and was appointed Chair on 9 May 2018. He is a member of the Audit & Risk Committee and the Remuneration Committee, and is Chair of the Nomination Committee.

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 Chair of the AIM-listed data services provider Blancco Technology Group plc and Chair of the Met Office.

Nick Waters
Group Chief Executive Officer

About
Nick was appointed to the Board as Group Chief Executive Officer on 1 July 2020.

Experience
Nick has more than 20 years' experience in senior executive roles at leading international media, digital and advertising businesses. Prior to Ebiquity, Nick had worked for 10 years at Dentsu Aegis Network (formerly Aegis Group), a multinational media and digital marketing group. Immediately prior to joining Ebiquity, Nick was Executive Chair, UK and Ireland, having previously been CEO for Asia Pacific for nine years. Prior to Dentsu Aegis Network, Nick held a number of senior roles at global media agency Mindshare over more than 10 years, which he joined from international advertising and marketing agency Ogilvy & Mather. At Mindshare he progressed to become CEO of EMEA having been CEO Asia Pacific and previously CEO of Southeast Asia. He has worked with some of the world's largest advertisers and best known brands including Ford Motor Co, Unilever, General Motors, Microsoft, HSBC and Pepsico.



Alan Newman
Chief Financial & Operating Officer

About
Alan was appointed to the Board on 7 January 2019. He took on the role of Interim Chief Executive Officer from 12 November 2019 until 1 July 2020, when he returned to his original role.

Experience
Alan was the CFO of YouGov plc, the AIM listed global market research and data analytics group, between 2008 and 2017. He is currently a Non-Executive Director of Future plc and Chair of Freud Museum London. 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.

Tom Alexander
Non-Executive Director

About
Tom was appointed to the Board on 21 November 2014. He is a member of the Audit & Risk Committee, Remuneration Committee, and Nomination 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.

Board of Directors continued

Julie Baddeley
Non-Executive Director

About
Julie was appointed to the Board on 21 November 2014. She is Chair of the Remuneration Committee and a member of the Nomination Committee.

Experience
Julie has served in both executive and non-executive capacities on the boards of leading companies in the FTSE 100 and FTSE 250, as well as a number of major public sector organisations. She has chaired the remuneration committees of several company boards and served as Chair of Harvey Nash plc from 2013 to 2018. She is currently Senior Independent Director of Marshall of Cambridge and Chair of Chapter Zero, a board climate forum. Julie has broad experience of businesses in professional services such as Ebiquity, and of those in the consumer industry and finance sectors, including BOC Group, Camelot, Yorkshire Building Society and Greggs. Before moving to non-executive roles, she was executive director of The Woolwich, responsible for the insurance companies and IT, having previously run a global team as a partner at Accenture.

Richard Nichols
Non-Executive Director

About
Richard was appointed to the Board on 1 November 2008. He is Chair of the Audit & Risk Committee and a member of the Nomination Committee.

Experience
Richard was CEO of Instinctif Partners, the international business communications consultancy, for 12 years from 2006 to 2018. He then held the role of Deputy Chair until September 2019. Richard is currently an adviser to various media and entrepreneurial businesses and is also Chair 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 qualified as a chartered accountant with Price Waterhouse in London.

Lorraine Young
Company Secretary

About
Lorraine joined Ebiquity as Company Secretary in January 2021.

Experience
Lorraine is a chartered governance professional and accredited mediator, who provides board advisory and related consultancy services. She is a Non-Executive Director of PHSC plc and a former Non-Executive Director of City of London Group plc, both AIM listed companies. Lorraine is a Past President and Fellow of ICSA, the Chartered Governance Institute. She has held senior governance roles at a number of FTSE 350 companies. She ran her own company secretarial and corporate governance advisory practice for 13 years, which in 2016 she merged with the cosec team at a law firm, where she was a partner. Since February 2019, Lorraine has been pursuing her own consultancy interests once more.

Corporate governance at a glance

The Board supports the QCA Code's corporate governance principles.

Governance framework

Board

Responsible for the strategic direction, investment decisions and proper management of the affairs of the Group.

The Board delegates responsibility to three principal Committees

Audit & Risk Committee

Responsible for the overall financial reporting of the Company and Group as well as risk management and internal controls.

Read more on page 60

Nomination Committee

Responsible for reviewing the composition of the Board and its committees and recommending changes.

Read more on page 61

Remuneration Committee

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.

Read more on page 60

Executive Leadership Team

Responsible for leading the business and managing the P&L, clients, people, and operations.

Read more on page 23

Products and Innovation Board

Responsible for specifying, developing and deploying, and maintaining a suite of globally distributed products.

Client and Revenue Board

Responsible for developing and delivering strategic growth plans for multinational clients.

Corporate governance at a glance continued

Focus areas this year

Strategy

- New CEO appointed
- New strategy agreed and launched at Capital Markets Day

Financial

- More frequent forecasting in light of Covid-19
- Increased attention to cash management, including review of bank covenants

Board

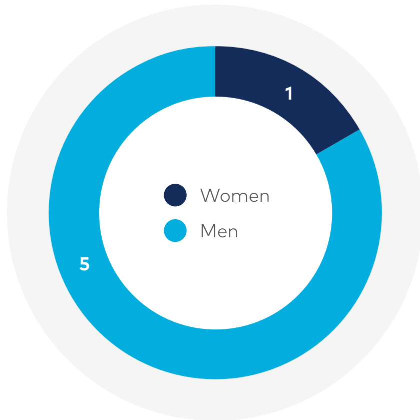
Governance

- New organisational structure put in place
- Successful switch to virtual Board and Committee meetings and AGM

People and culture

- Culture audit undertaken
- Diversity and Inclusion sponsor appointed

Gender diversity



Tenure

Attendance at Board and Committee meetings in 2020

Board member	Board	Audit & Risk Committee	Nomination Committee	Remuneration Committee
Rob Woodward	10/10	4/4	1/1	4/4
Nick Waters	5/5	—	—	—
Alan Newman	10/10	—	—	—
Tom Alexander	10/10	4/4	1/1	4/4
Julie Baddeley	10/10	—	1/1	4/4
Richard Nichols	10/10	4/4	1/1	—

Corporate governance report

As Chair I am responsible for the governance of the Group and ensuring that the Board is effective.

Rob Woodward
Chair

Chair's governance overview

I am pleased to present the corporate governance report for the year ended 31 December 2020.

As Chair I am responsible for the governance of the Group and ensuring that the Board is effective in debating, approving, and monitoring the Company's performance, direction, and strategy. I am also responsible, in consultation with the Company Secretary, for organising the business of the Board and ensuring that proper information is supplied to the Board in a timely way.

The Board is committed to delivering good corporate governance which is appropriate for the size and nature of the Group's activities. I recognise that shareholders look to the Board to promote the long-term success of the Company and that effective governance is crucial to achieve this. As Chair it is my role to provide leadership to enable the Board to do so. The corporate governance report describes the framework for corporate governance and internal controls that the Directors have in place.

The Board has applied the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code') since July 2018 under Rule 26 of the AIM Rules. The Board continues to support the QCA Code's corporate governance principles and believes they provide a mechanism that is sufficiently robust but still flexible, which is appropriate and suitable for our business. The Board believes it complies with all the principles of the QCA Code. A copy of the QCA Code is available from **www.theqca.com**.

Since Nick Waters joined as Group Chief Executive Officer in July 2020, he has worked with the Board and the management team to undertake a fundamental review of the business. This process was approached with the objective to simplify, clarify, and focus the business. The resulting strategy, as set out in this annual report, is one of continuity, evolution, and change. Sound corporate governance will help to ensure the strategy is executed in a way that is positive for all stakeholders.

Rob Woodward
Chair

25 March 2021

Corporate governance report continued

Board of Directors

Role of the Board

The Board is responsible for the strategic direction of the Group and the appropriate management of its resources. 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 its shareholders as a whole. In doing so, the Directors have regard to the interests of employees and the need to foster business relationships with suppliers, customers, and other stakeholders, in addition to other relevant considerations. Further information on how the Directors fulfil their responsibilities and how the Board engages with the Company's key stakeholders can be found in the section 172 report on page 43. A statement of the Directors' responsibilities in relation to the annual report and financial statements is set out on page 77.

Composition of the Board and roles of the Directors

Nick Waters joined the Board as Group Chief Executive Officer on 1 July 2020. Alan Newman had been Interim Chief Executive Officer and Chief Financial Officer since 12 November 2019 when Michael Karg resigned from the Board. From 1 July 2020, Alan reverted to his previous position as Chief Financial & Operating Officer.

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

The Chair's principal role is to lead the Board in determining the Group's future direction and strategy and monitoring the achievement of its agreed goals and objectives. The Chair 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 leadership team in the day-to-day running of the Group's business. He is responsible for primary shareholder communications and ongoing relationships with investors and the Chair is also actively involved in maintaining communications with investors. The Chief Executive Officer and the Chief Financial & Operating Officer regularly meet with investors and analysts to discuss the performance of the business and its strategy. In addition, once a year, the Chair and Company Secretary invite investors to meet them to discuss corporate governance matters.

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 this year's AGM, Tom Alexander and Julie Baddeley will offer themselves for re-election by shareholders. Having been appointed to the Board since the last AGM, Nick Waters will be subject to election by shareholders at the AGM as well.

The Board is satisfied that the contributions of all of the Directors who are standing for election and re-election, continue to be effective and they demonstrate sufficient time commitment to their roles. The Board also believes that both Tom Alexander and Julie Baddeley are independent in character and judgement. The Board acknowledges that Richard Nichols reached 12 years' tenure as a Non-Executive Director in November 2020. After evaluation, the Board has determined that Richard remains independent in character and judgement in his role as Non-Executive Director.

Biographical details of the Directors, including the committees on which they serve, are on pages 54 and 55.

The Board's responsibilities

The principal matters considered by the Board include:

- the Company's strategy, performance and outlook;
- approving the annual budget and quarterly reforecasts;
- the Group's risk management and internal controls;
- the Group's financial results for the full and half year;
- 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 on 10 occasions. Due to the impact of Covid-19, many of the Board meetings that would ordinarily have been held in person were held by video conference.

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 after Board meetings. There are a number of standing agenda items reviewed by the Board at each regular Board meeting, including updates from the Chair, CEO, CFOO and Company Secretary.

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

Corporate governance report continued

Board of Directors

Chair	**Rob Woodward** Non-Executive Chair		
Executive Directors	**Nick Waters** Chief Executive Officer	**Alan Newman** Chief Financial & Operating Officer	
Non-Executive Directors	**Tom Alexander** Non-Executive Director	**Julie Baddeley** Non-Executive Director	**Richard Nichols** Non-Executive Director

Board committees

Audit & Risk Committee	Nomination Committee	Remuneration Committee
2020 membership	**2020 membership**	**2020 membership**
Richard Nichols (Chair)	Rob Woodward (Chair)	Julie Baddeley (Chair)
Tom Alexander	Tom Alexander	Tom Alexander
Rob Woodward	Julie Baddeley	Rob Woodward
	Richard Nichols	

Advisers to the Board and its committees

All Directors have access to the advice of the 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 50 to 53.

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

Audit & Risk Committee

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

The purpose of the Audit & Risk Committee is to ensure good financial practices are in place throughout the Group, to monitor that controls are in force to ensure the integrity of financial information, to review the interim and annual financial statements, to assess the adequacy and effectiveness of the Company's risk management systems, and to provide a line of communication between the Board and the external auditors. The Committee has access to the external auditors as well as those responsible for preparing financial information within the Group.

Remuneration Committee

The Remuneration Committee currently comprises Julie Baddeley (Chair), Tom Alexander, and Rob Woodward. The Executive Directors attend the meetings at the invitation of the Committee Chair but are not 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.

Corporate governance report continued

Board committees continued

Nomination Committee

The Nomination Committee currently comprises Rob Woodward (Chair), Tom Alexander, Julie Baddeley, and Richard Nichols. It meets as necessary and has responsibility for nominating candidates to the Board for appointment as directors, bearing in mind the benefits of diversity and a broad representation of skills across the Board.

Board evaluation

The Chair, in conjunction with the Company Secretary, takes on the role of organising an annual Board evaluation. The Company Secretary also co-ordinates an evaluation of the Chair's performance. Feedback is obtained and shared and actions agreed 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 to the Company Secretary who collates the scores and provides commentary with suggested recommendations for actions to be taken. The Board discusses the outcome of the review and agrees any future actions arising from it.

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 regularly reviewed and updated as necessary. 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. In November 2020, a Capital Markets Day was held, giving shareholders the opportunity to meet key members of the Group's management team, understand the outcome of the strategic review and learn more about the business.

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 & Operating Officer and the Chair regularly meet with institutional shareholders and the Board is kept informed of their views and any feedback. These meetings have continued by videoconference during the Covid-19 pandemic, when it has not been possible to meet in person. Although the 2020 AGM also had to be held by videoconference, shareholders had the opportunity to attend the meeting and to ask questions. Shareholders were also able to appoint the Chair of the meeting as their proxy to cast their votes on the business before the meeting.

Whistleblowing 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 a code of conduct, including its anti-bribery policy, which extends to all of its business dealings and transactions everywhere that it operates.

Corporate governance report continued

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

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 15 to 17.
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 relationships with shareholders. The Chief Executive Officer and the Chief Financial & Operating Officer are responsible for shareholder liaison and present to the major shareholders and analysts after the publication of both the full and half-year 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 Chair and the Company Secretary also meet with major shareholders as required. Other 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** The Company's key stakeholders (in addition to shareholders) are employees, clients, suppliers and trade bodies. Details of the Company's stakeholder engagement can be found in the section 172 statement on pages 43 to 45.
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 50 to 53.
Principle 5	**Maintain the Board as a well-functioning, balanced team led by the Chair** The Board comprises an independent Non-Executive Chair, three independent Non-Executive Directors and two full-time Executive Directors. All Non-Executive Directors have 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 and any other shareholder meetings. The Chair commits to four days per month carrying out his role. Further details about the number of Board and committee meetings held during the year and attendance at those meetings are set out on page 57.
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 and media expertise and senior management skills. Biographies for each of the Directors are set out on pages 54 and 55. 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 Company Secretary and are able to take external independent advice where required.

Corporate governance report continued

Principle 7	**Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement** The Chair, in conjunction with the Company Secretary, organises an annual Board evaluation. 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 2020, all Directors completed a questionnaire on the structure and the performance of the Board and its committees. This was sent 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 has commissioned a diversity report and has a number of diversity working groups to ensure it functions as a diverse and inclusive organisation. The regular 'all staff' webinars encourage open and honest discussions.
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 as a whole. The roles of the Directors are set out on page 59. 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 pages 60 and 61. 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 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 contains details of all votes cast by shareholders at its Annual General Meeting and this is also announced 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

Introduction

I am pleased to present the report of the Audit & Risk Committee (the 'Committee') for the year ended 31 December 2020. 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.

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. His biography is set out on page 55.

The Committee met four times during the year. The attendance of its members is set out in the table on page 57. Meetings of the Committee are also normally attended by the Group Chief Executive Officer, the Chief Financial & Operating 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 relevant financial and operational knowledge.

The Committee also meets with the external auditors without the Executive Directors and other senior management present to ensure it maintains an independent view and the Committee also meets alone when required.

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 their independence and objectivity, the effectiveness of the external audit process and the appointment, reappointment and removal of the external auditors;

Audit & Risk Committee report continued

Role and responsibilities of the Audit & Risk Committee continued

- 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 50 to 53.

Activities during the year

The key matters that 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 undertakes annually an impairment test of the carrying value of any cash-generating unit and also assesses at each half year whether there are any indicators of impairment. In its test, the Committee reviews 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;
- **prior year adjustment:** during the year, a misstatement was discovered in the balance sheet of subsidiary Firm Decisions ASJP LLC as at 31 December 2019. This followed an internal review of balance sheet items by the Group finance team as part of enhanced internal control procedures put in place by the Chief Financial Officer during the last year. The causes of this error were specific to the unit involved and related to the misstatement of accrued income and revenue balances for which process and system improvements have been made to avoid any recurrence. The Committee also agreed to formalise the programme of internal accounting and controls reviews which will report to the Committee Chair. In accordance with IAS 8, the financial statements for 2019 and 2018 have been re-stated to reflect this adjustment;
- **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 report this impact remained difficult to predict.

  The Group meets its day-to-day working capital requirements through its cash reserves and borrowings, described in note 19 to the financial statements. As at 31 December 2020, the Group had cash balances of £11,121,000 and undrawn bank facilities available of £5,000,000, was cash generative and within its banking covenants.

  The lenders, Barclays and NatWest Bank, have agreed to covenant waivers and modifications where required in order to negate the risk of any future covenant breaches.

  The existing covenants remained in place for the 12 months to March 2020 and June 2020 and were achieved. In response to the disruption caused by the Covid-19 pandemic, modified covenants were agreed with the lenders in May 2020 which applied from July 2020 to 30 November 2021. In March 2021, a further covenant amendment was agreed with the lenders.

  In assessing the going concern status of the Group and Company, the Directors have considered a range of scenarios, taking account of reasonably possible changes in trading performance and the Group's cash flows, liquidity and bank facilities. These includes a base case and scenarios to form a severe but plausible downside case.

  The base case assumes growth in revenue and EBITDA when compared to the outturn of FY20 and that trading will recover to 2019 levels by 31 December 2022. The severe but plausible case assumes a downside adjustment to revenue of 7%, offset by mitigating factors within the control of the Directors.

Audit & Risk Committee report continued

Activities during the year continued

- **going concern:** continued

  Under both of these cases, there is headroom on covenant compliance and liquidity throughout the going concern period.

  The Directors have also considered a scenario that leads to a breach of covenants; a form of reverse stress test. Actual trading in FY21 and the proportion of secured revenue at this time, is ahead of last year and whilst there is inherent uncertainty in trading for the second half of FY21 and into FY22, trading levels would need to significantly reduce to a level that is consistent with FY20 for there to be a breach in covenants. This scenario is not deemed plausible by the Directors.

  The Directors are satisfied that based on the current trading performance of the Group and Company, the proven ability of the Group and Company to work remotely and still serve clients during the pandemic and the current vaccine roll outs, the downside assumptions considered at the half year are no longer plausible.

  As a result of these scenarios, the Directors consider that the Group and Company will have sufficient liquidity within existing bank facilities, totalling £24,000,000 to meet its obligations during the next 12 months and hence consider it appropriate to prepare the financial statements on a going concern basis.

External auditors

PwC have been the Group's auditors 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 its professional judgement, PwC are 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;
- approve the annual audit plan;
- review the audit findings and management's response; and
- evaluate the auditors' independence and objectivity.

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. During the year PwC did not carry out any non-audit services and accordingly there were no non-audit fees paid for the period.

Richard Nichols
Audit & Risk Committee Chair

25 March 2021

Remuneration Committee report

The Company, like many businesses, has been impacted by Covid-19 and remuneration for the year takes this into account.

Julie Baddeley
Remuneration Committee Chair

Introduction

I am pleased to present the report of the Remuneration Committee (the 'Committee') for the year ended 31 December 2020. 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 considered the remuneration package for our new Group Chief Executive Officer and changes to the package for our Chief Financial & Operating Officer on an interim basis while he held both roles. The Covid-19 pandemic also brought challenges and many of the senior team, including the Board, took temporary salary and fee cuts. Further details of these are given below.

There were no bonus payments in respect of 2019. For 2020, Nick Waters will receive a bonus of £100,000 which was contractually agreed at the time of his appointment. No other bonuses will be paid for 2020. The Committee has agreed the framework for a bonus plan for 2021 which is based on financial targets and personal objectives. Group operating profit for 2021 has to reach a threshold level pre-determined by the Committee before any bonus payments will be made. For the LTIP, there were no awards in 2020. Now the new strategy and executive team are in place, we expect to make awards immediately following the announcement of the full-year results for 2020, with an absolute EPS target measured over three years. The CEO will receive an award of 150% of base salary and the CFOO will receive an award of 50% of base salary.

Julie Baddeley
Remuneration Committee Chair

25 March 2021

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 in the following tables.

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 dependants 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.

Remuneration Committee report continued

Executive Directors continued

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 3% of base salary in line with pension arrangements for the wider workforce.
Performance measures	Not applicable.

Annual performance bonus

Key features	Discretionary annual cash bonus depending on achievement of Group financial targets and personal 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.

Remuneration Committee report continued

Executive Directors continued

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 were based on the achievement of adjusted EPS and TSR performance conditions, as further detailed below. There were no awards in 2020. Awards made in 2021 will be based on the achievement of an absolute EPS performance condition.

Non-Executive Directors

Fees

Key features	Fees for the NEDs are determined by the Executive Directors to reflect the time commitment and responsibility (including being a member of, or chairing, the Board 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.

Remuneration Committee report continued

Directors' remuneration in the year ended 31 December 2020

	Salary/fees £'000	Taxable benefits £'000	Bonus £'000	**Year ended 31 December 2020 Total £'000**	Year ended 31 December 2019 Total £'000
Executive					
Nick Waters[1]	158	4	100	**262**	—
Alan Newman[2]	263	18	—	**281**	241
Michael Karg[3]	—	—	—	**—**	362
Kevin McNair[4]	—	—	—	**—**	63
Morag Blazey[5]	—	—	—	**—**	—
Non-Executive[6]					
Rob Woodward	81	—	—	**81**	85
Tom Alexander	33	—	—	**33**	35
Julie Baddeley	33	—	—	**33**	35
Richard Nichols	33	—	—	**33**	35
	601	22	100	**723**	856

1. Nick Waters joined the Company as Chief Executive Officer on 1 July 2020. His salary was set at £350,000 per annum. He took a 20% salary cut from July to September 2020.
2. 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 he spent in this role. He took a 20% salary cut from April to June 2020. On 1 July 2020, he became Chief Financial & Operating Officer with a salary of £225,000 per annum.
3. 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 columns above.
4. Kevin McNair resigned as Interim Chief Financial Officer on 7 January 2019. He received a payment in lieu of part of his notice period.
5. Morag Blazey ceased to be a director on 2 January 2019.
6. The Non-Executive Directors took a 20% fee cut from April 2020 to June 2020.

Pensions

No Director was a member of a Company pension scheme (2019: nil). Contributions totalling £nil (2019: £35,000) were made to Directors' private pension schemes (£nil to the highest paid Director, 2019: £35,000) during the year.

Remuneration Committee report continued

Annual bonus

For 2020, the Committee agreed not to operate a bonus plan due to the impact of the pandemic on the Group's business and results. The Group also benefited from various government support schemes during the pandemic and it was therefore not considered appropriate to make bonus payments for the year.

However, Nick Waters will receive a bonus of £100,000 in respect of 2020 which was contractually agreed at the time of his appointment.

Long-term incentives

There were no LTIP awards granted during the year as the Committee determined that it was appropriate to defer the grant of awards until the new Executive team was in place and the strategy had been fully developed.

During the year, no options previously granted to Executive Directors vested or were exercised (2019: nil).

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

Remuneration Committee report continued

Directors' interests in share plans

As at 31 December 2020, the following Director held share options over ordinary shares of 25p each under the Ebiquity 2012 Executive Share Option Plan:

Beneficiary	Number as at 31 December 2019	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 2020**	Grant date	End of performance period
Alan Newman	410,000	—	—	—	**410,000**	4/12/2019	31/12/2021

Directors' interests in the shares of Ebiquity plc

	31 December 2020		31 December 2019[1]	
	Ordinary shares	**Options**	Ordinary shares	Options
Executive				
Nick Waters	**—**	**—**	—	—
Alan Newman	**360,000**	**410,000**	160,000	410,000
Non-Executive				
Rob Woodward	**105,521**	**—**	39,980	—
Tom Alexander	**—**	**—**	—	—
Julie Baddeley	**15,000**	**—**	15,000	—
Richard Nichols	**100,000**	**—**	100,000	—

1. Or date of appointment, if later.

Termination payments to Directors

There were no termination payments to Directors during the year.

Directors' report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2020.

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 carried out through a number of subsidiaries (see note 14).

Future developments

The future developments of the Group are considered in the strategic report.

Dividends

No dividend is being proposed or paid in respect of the year ending 31 December 2020.

Research and development

The Group continues to invest in the development of products. During the period, a total of £1,226,000 was capitalised in relation to such 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 (2019: nil).

Modern Slavery Act

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

Acquisitions

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, based on performance for the year ended 31 December 2020 was £nil and the second payment will be based on the average performance for the two years ending 31 December 2022.

On 28 May 2020, the Company completed the acquisition of 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 total consideration of €3.65 million (£3.09 million approximately) was based on an average of Ebiquity Italy's profit before tax and management charges for the two years ending 31 December 2019 and is being paid in a combination of cash and Ebiquity plc shares. At completion, 25% of the total consideration was settled by the issue of 2,437,628 Ebiquity plc shares and 5% paid in cash. To date €1,277,000 (£1,135,000) has been settled in cash and €912,000 (£818,000) has been settled in shares. As at 31 December 2020 €1,427,000 (£1,303,000) remains outstanding. All contingent consideration payments are expected to be paid by March 2021.

On 24 December 2020, the Group acquired a further 24.95% of the share capital of its subsidiaries Ebiquity Russia Limited and Ebiquity Russia OOO from Vladimir Rass for a consideration of US$517,000 (£405,000). It now holds 75.05% of the share capital of each of these companies.

Directors

Details of the Directors serving during the year are as follows:

Tom Alexander

Julie Baddeley

Alan Newman

Richard Nichols

Nick Waters – appointed on 1 July 2020

Rob Woodward

The Directors' biographies are set out on pages 54 and 55. Further information about the Directors' interests in Ebiquity plc shares is provided in the Remuneration Committee report on pages 67 to 73.

Mark Sanford resigned as Company Secretary on 26 January 2021 and was replaced by Lorraine Young.

Directors' report continued

Directors' third-party 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.

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 in the People report on pages 36 and 37 and in the section 172 report on pages 43 to 45.

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 25 to the financial statements.

Substantial shareholdings

At the date of this report, the Company's issued share capital consisted of 82,583,254 ordinary shares of 25p each and a total of 78,383,254 voting rights. The Ebiquity plc 2010 Employee Benefit Trust (the 'EBT') held 4,200,000 issued ordinary shares to satisfy awards under the Company's share option plan. The trustee has agreed not to vote on the ordinary shares which it holds and therefore 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 3% or more 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 3% or more in the Company's ordinary shares.

Shareholders	No of issued shares	% of issued share capital	% of total voting rights
Artemis Investment Management	13,344,364	16.16	17.03
Canaccord Genuity Wealth Management (Inst)	13,000,000	15.74	16.59
BGF Investment Management Limited	10,501,141	12.72	13.40
JO Hambro Capital Management	9,500,000	11.50	12.12
Herald Investment Management	4,341,125	5.26	5.54
River and Mercantile Asset Management	3,120,695	3.78	3.98
Legal & General Investment Management	2,995,200	3.63	3.82

Directors' report continued

Going concern

The financial statements have been prepared on a going concern basis. The Group meets its day-to-day working capital requirements through its cash reserves and borrowings, described in note 19 to the financial statements. As at 31 December 2020, the Group had cash balances of £11,121,000 and undrawn bank facilities available of £5,000,000, was cash generative and within its banking covenants.

The lenders, Barclays and NatWest Bank have agreed to covenant waivers and modifications where required in order to negate the risk of any future covenant breaches.

The existing covenants remained in place for the 12 months to March 2020 and June 2020 and were achieved. In response to the disruption caused by the Covid-19 pandemic, modified covenants were agreed with the lenders in May 2020 which applied from July 2020 to 30 November 2021. These require the Group to maintain minimum liquidity of at least £5 million at the end of every month during that period. In March 2021, a further covenant amendment was agreed with the lenders. With effect from September 2021, the minimum liquidity covenant will increase to £7.0 million and will be in place until June 2022. In addition, with effect from September 2021 an interest cover covenant will be re-introduced at > 4.0 and an adjusted leverage covenant will also be re-introduced initially at < 4.0, increasing to < 4.25 in December 2021 and to < 4.5 in March 2022, then reducing to < 3.5 in June 2022. The original covenants which were in force until June 2020 will apply again from September 2022 onwards.

In assessing the going concern status of the Group and Company, 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. Specifically, the Directors have prepared a model to forecast covenant compliance and liquidity to 31 December 2022 that includes a base case and scenarios to form a severe but plausible downside case.

The base case assumes growth in revenue and EBITDA when compared to the outturn of FY20 and assumes that trading will recover to 2019 levels by 31 December 2022. The severe but plausible case assumes a downside adjustment to revenue of 7%, offset by mitigating factors within the control of the Directors. Under both of these cases, there is headroom on covenant compliance and liquidity throughout the going concern period.

The Directors have also considered a scenario that leads to a breach of covenants; a form of reverse stress test. Actual trading in FY21 and the proportion of secured revenue at this time, is ahead of last year and whilst there is inherent uncertainty in trading for the second half of FY21 and into FY22, trading levels would need to significantly reduce to a level that is consistent with FY20 for there to be a breach in covenants. This scenario is not deemed plausible by the Directors.

In addition, the downside assumptions that are applied to the base case are different from those modelled at the half year. The Directors are satisfied that based on the current trading performance of the Group and Company, the proven ability of the Group and Company to work remotely and still serve clients during the pandemic and the current vaccine roll outs, the prior downside assumptions are no longer plausible.

The Directors consider that the Group and Company will have sufficient liquidity within existing bank facilities, totalling £24,000,000 to meet its obligations during the next 12 months and hence consider it appropriate to prepare the financial statements on a going concern basis.

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 for their reappointment will be proposed at the Annual General Meeting.

Annual General Meeting

The Notice of the Company's Annual General Meeting accompanies this document and is also available on the Company's website at **www.ebiquity.com**.

By order of the Board

Lorraine Young
Company Secretary

25 March 2021

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 accounting standards in conformity with the requirements of the Companies Act 2006 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, 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 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 international accounting standards in conformity with the requirements of the Companies Act 2006 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's 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's 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's 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 2020 and of the group's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 December 2020; 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.

Our audit approach

Overview

Audit scope

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

Key audit matters

- Impairment of goodwill and intangible assets (group)
- Accounting for contract revenue recognition (group)
- Prior year misstatement (group)
- Going concern (group and company)
- Impact of COVID-19 (group and company)
- Impairment of investments (company)

Materiality

- Overall group materiality: £200,000 (2019: £200,000) based on 5% of 3 years weighted average of profit before tax and highlighted items.
- Overall company materiality: £820,000 (2019: £784,000) based on 1% of total assets.
- Performance materiality: £150,000 (group) and £615,000 (company).

Independent auditors' report continued

to the members of Ebiquity plc

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.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, employment law, pensions regulations and data privacy law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management estimates including the impairment of goodwill and intangibles, the posting of inappropriate journals to increase revenue or reduce expenditure, misappropriation of cash, and unusual journal descriptions. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with management and the Group's legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Challenging assumptions and judgements made by management in their significant accounting estimates, including impairment of intangible assets and investments as explained in the key audit matter below.
- Identifying and testing journal entries to address the risk of inappropriate journals referred to above.
- Reviewing the financial statement disclosures and agreeing to underlying supporting documentation.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

Independent auditors' report continued

to the members of Ebiquity plc

Report on the audit of the financial statements continued

Our audit approach continued

Key audit matters continued

This is not a complete list of all risks identified by our audit.

Prior year misstatement is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
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 £2,256k) and Media America CGU (goodwill and intangible assets of £604k) were most sensitive to changes in key assumptions. Management have recognised an impairment of the total goodwill balance (£817k) in respect of Digital Balance Australia.	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 and are satisfied that the rates used are appropriate. Discount rates were benchmarked using data provided by our valuations experts. 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 that they are reasonable. The Media America business under performed in 2020, suffering a decline in revenue because of the impact of Covid-19 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 2021 forecast, which considers the impact of Covid-19. For both CGUs, we compared the 2020 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. We have reviewed management's rationale for the impairment of Digital Balance Australia and agree with management's conclusion.

Independent auditors' report continued

to the members of Ebiquity plc

Report on the audit of the financial statements continued

Our audit approach continued

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Accounting for contract revenue recognition (group) 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.	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.

Independent auditors' report continued

to the members of Ebiquity plc

Report on the audit of the financial statements continued

Our audit approach continued

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Prior year misstatement (group) During 2020, a misstatement was identified in the accounts of the subsidiary FirmDecisions ASJP LLC as at 31 December 2019. This followed an internal review of balance sheet items undertaken by the Group finance team as part of an enhanced internal review established last year. The issue was caused by the delays in intercompany billing and where multiple territories were supporting a single project and in effect duplicate external revenue was recognised. In accordance with IAS 8, the financial statements for 2019 have been re-stated to reflect this adjustment. The impact was a reduction of £600,000 in 2019 Group revenue, a reduction of £148,000 in retained earnings brought forward as at 1 January 2019 and a reduction of £748,000 in accrued income as at 31 December 2019. Please refer to Note 1 for details.	In order to assess the prior year adjustment, the following audit procedures have been performed: ❯ Tested the contracts for the projects recognised as prior year errors; ❯ Reperforming management's calculations with reference to supporting evidence for the transactions identified; ❯ Tested the disclosure in the financial statements to verify compliance with IAS 8. To ensure that this misstatement was isolated to the specific subsidiary, in the current year accounts we performed additional audit procedures as follows: ❯ Tested accrued income/revenue on the out of scope components where the balance exceeds £0.2m (China, Ireland, UAE, Spain, Russia, FD AUS). ❯ Tested a sample of intercompany partners costs and tested that the corresponding entity had not recognised external revenue for the same project. ❯ Obtained confirmations of accounts receivable for FirmDecisions ASJP LLC and Ebiquity Inc. to confirm the existence of debtors. ❯ Performed the review of ageing of accrued income. No additional items had been identified as a result of our procedures.
Going concern (group and company) The Group's financial statements at 31 December 2020 have been prepared on a going concern basis. Refer to the basis of preparation in note 1. The impact of COVID-19 in the year has resulted in widespread global disruption affecting the Group's major markets and the countries in which the Group operates. Management have obtained amendments to banking covenants as is set out in note 1. Management have performed a detailed assessment of forecast liquidity and covenant compliance using a base case, a severe but plausible downside case and a reverse stress test to conclude whether the application of the going concern assumption remains appropriate.	For our audit response and conclusions in respect of going concern, see the 'Conclusions relating to going concern' section below.

Independent auditors' report continued

to the members of Ebiquity plc

Report on the audit of the financial statements continued

Our audit approach continued

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter

Impact of COVID-19 (group and company)
The COVID-19 pandemic, and measures taken by governments in order to contain COVID-19 has had a significant impact on a number of markets in which the Group operates, in particular, affecting many areas of the Group's business including its employees and customer base. The impact on the group's and company's financial statements is wide ranging and so our audit devoted significant time to assessing whether all impacts had been properly considered by the directors and in obtaining evidence to inform our view as to the reasonableness of the significant judgements that the directors had made. The main considerations in respect of the impact of COVID-19 on the Group's and Company's financial statements are as follows:
❯ Going concern – see specific key audit relevant matter above;
❯ Asset impairment assessments – The areas materially impacted by this estimation uncertainty are:
  ❯ Goodwill impairment assessment – see specific key audit matter above; and
  ❯ Company's investment in subsidiary undertakings impairment assessment – see specific key audit matter below; and
❯ Management's way of working, including the operation of controls, considering a large number of staff working remotely. This has resulted in an increase in risk due to the remote accessing of IT systems and a potentially heightened cyber risk.
	For our audit response to the impact of COVID-19 on the following areas, see the specific key audit matters:
	❯ Going concern;
	❯ Goodwill impairment assessment; and
	❯ Company's investment in subsidiary undertakings impairment assessment. We have assessed the appropriateness of management's disclosures in the financial statements in respect of the impact of COVID-19 and the increased uncertainty on certain accounting estimates and consider these to be appropriate. We have also performed the following additional procedures:
	  ❯ Considered the impacts of the pandemic, and specifically the increased level of remote working, on the Group's internal control environment, including fraud risk, business process control activities, IT general controls and cyber risk. We performed all of our standard walkthrough procedures via video conference. Based on the inquiries performed and the results of our audit procedures, we did not identify any evidence of a significant deterioration of the control environment;
	  ❯ Ensured that we adequately directed, supervised and reviewed the audit work undertaken by our significant and material component audit teams in a remote working environment, we increased the frequency and extent of our oversight, using video conferencing and remote working paper reviews. We were satisfied that the audit work performed by these audit teams was sufficient, appropriate and in accordance with our issued instructions; and
	  ❯ Considered all potential impacts of the pandemic on the Group's financial statements, based on our understanding of the Group's operations, to ascertain whether all items had been properly considered by the directors. We found no instances where such matters had not been considered appropriately.

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 2020.

Independent auditors' report continued

to the members of Ebiquity plc

Report on the audit of the financial statements continued

Our audit approach continued

How we tailored the audit scope

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

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

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

We also considered locations visited and those out of scope in the prior three years. The scoping calculation is based upon obtaining sufficient coverage of each financial statement line item, which varies depending on the risk assessment. The Group operates through subsidiaries in the US, Australia, China, UK, France, Germany and other European countries. There are three financially significant components being: Ebiquity plc, Ebiquity Associates Ltd and Ebiquity Germany GmbH; for the purpose of obtaining required coverage over the Group balances, we have also included in our scope Ebiquity Inc. and FirmDecisions ASJP LLC (both incorporated in USA), Ebiquity SAS (incorporated in France) and Ebiquity Italia S.r.l. (incorporated in Italy). The specified procedures had been performed in respect of Digital Decisions B.V. using the Group materiality. The scoping calculation is based upon obtaining sufficient coverage of each financial statement line item, which varies depending in 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 component has been audited by other network firm; 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 attended the clearance meetings by conference call in Germany 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:

	Financial statements – group	Financial statements – company
Overall materiality	£200,000 (2019: £200,000).	£820,000 (2019: £784,000).
How we determined it	5% of 3 years weighted average of profit before tax and highlighted items	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. In the current year, a 3-year weighted average of this benchmark has been calculated given the volatility in trading from the impact of COVID-19. Having regard to the loss incurred in the current year, materiality has been capped at the level applied in the prior year.	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 £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 use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £150,000 for the group financial statements and £615,000 for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £10,000 (group audit) (2019: £10,000) and £10,000 (company audit) (2019: £10,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Independent auditors' report continued

to the members of Ebiquity plc

Report on the audit of the financial statements continued

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Assessing the appropriateness of the Group's cash flow, liquidity and covenant forecasts in the context of the Group's 2020 financial position. We specifically evaluated the impact of the COVID-19 pandemic on management's future cash flow projections. In assessing this we considered the Group's performance in the second half of 2020 when economies around the world started to lift restrictions. We also considered external advertising spend outlook reports and economic growth forecasts from a variety of sources, as these were good indicators of forecast revenue growth;
- Understanding and assessing the appropriateness of the key assumptions used both in the base case and in the severe but plausible downside case, including assessing whether we considered the downside sensitivities to be appropriately severe;
- Corroborating key assumptions to underlying documentation and ensured this was consistent with our audit work in these areas;
- Obtaining and reviewing documents confirming the change in covenants;
- Testing the mathematical accuracy of management's cash flow models;
- Validating a sample of secured revenue items within management's forecast analysis;
- Considering the historical accuracy of management's forecasting and note while there have been significant deviations between the original 2020 budget compared to the 2020 actuals the reforecasting performed by management as a result of the COVID-19 pandemic has been predominantly accurate; and
- Reviewing the disclosures provided relating to the going concern basis of preparation

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2020 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.

Independent auditors' report continued

to the members of Ebiquity plc

Report on the audit of the financial statements continued

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, 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 obtained 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

25 March 2021

Consolidated income statement

for the year ended 31 December 2020

		Year ended 31 December 2020			Restated[1] Year ended 31 December 2019		
	Note	Before highlighted items £'000	Highlighted items (note 3) £'000	Total £'000	Before highlighted items £'000	Highlighted items (note 3) £'000	Total £'000
Revenue	2	**55,907**	**—**	**55,907**	68,133	—	68,133
Project-related costs		**(6,436)**	**—**	**(6,436)**	(8,857)	—	(8,857)
Net revenue		**49,471**	**—**	**49,471**	59,276	—	59,276
Cost of sales		**(24,784)**	**—**	**(24,784)**	(27,355)	—	(27,355)
Gross profit		**24,687**	**—**	**24,687**	31,921	—	31,921
Administrative expenses		**(25,172)**	**(2,541)**	**(27,713)**	(26,354)	(10,330)	(36,684)
Other operating income		**151**	**—**	**151**	—	—	—
Operating (loss)/profit	4	**(334)**	**(2,541)**	**(2,875)**	5,567	(10,330)	(4,763)
Finance income	6	**39**	**—**	**39**	9	—	9
Finance expenses	6	**(914)**	**—**	**(914)**	(907)	—	(907)
Foreign exchange		**(137)**	**—**	**(137)**	—	—	—
Net finance costs		**(1,012)**	**—**	**(1,012)**	(898)	—	(898)
(Loss)/profit before taxation from continuing operations		**(1,346)**	**(2,541)**	**(3,887)**	4,669	(10,330)	(5,661)
Taxation (charge)/credit – continuing operations	7	**(26)**	**176**	**150**	(1,931)	454	(1,477)
(Loss)/profit for the year – continuing operations		**(1,372)**	**(2,365)**	**(3,737)**	2,738	(9,876)	(7,138)
Net profit/(loss) from discontinued operations	8	**—**	**220**	**220**	—	(1,018)	(1,018)
(Loss)/profit for the year		**(1,372)**	**(2,145)**	**(3,517)**	2,738	(10,894)	(8,156)
Attributable to:							
Equity holders of the parent		**(1,569)**	**(2,134)**	**(3,703)**	2,275	(10,882)	(8,607)
Non-controlling interests		**197**	**(11)**	**186**	463	(12)	451
		(1,372)	**(2,145)**	**(3,517)**	2,738	(10,894)	(8,156)
Earnings per share – continuing operations							
Basic	9			**(4.81)p**			(9.55)p
Diluted	9			**(4.81)p**			(9.55)p
Earnings per share – discontinued operations							
Basic	9			**0.27p**			(1.28)p
Diluted	9			**0.27p**			(1.28)p

1. Refer to note 1 for further details.

The notes on pages 93 to 136 are an integral part of these financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2020

	Year ended 31 December 2020 £'000	Restated[1] Year ended 31 December 2019 £'000
Loss for the year	**(3,517)**	(8,156)
Other comprehensive income/(expense):		
Items that will not be reclassified subsequently to profit or loss		
Exchange differences on translation of overseas subsidiaries	**1,033**	(716)
Total other comprehensive income/(expense) for the year	**1,033**	(716)
Total comprehensive expense for the year	**(2,484)**	(8,872)
Attributable to:		
Equity holders of the parent	**(2,670)**	(9,323)
Non-controlling interests	**186**	451
	(2,484)	(8,872)

1. Refer to note 1 for further details.

The notes on pages 93 to 136 are an integral part of these financial statements.

Consolidated statement of financial position

as at 31 December 2020

	Note	31 December 2020 £'000	Restated[1] 31 December 2019 £'000	Restated[1] 31 December 2018 £'000
Non-current assets				
Goodwill	10	**28,563**	28,409	34,774
Other intangible assets	11	**6,135**	6,763	8,477
Property, plant and equipment	12	**1,962**	2,563	1,170
Right-of-use assets	13	**6,237**	8,339	–
Lease receivables	13	**280**	–	–
Deferred tax asset	21	**1,145**	986	979
Total non-current assets		**44,322**	47,060	45,400
Current assets				
Trade and other receivables	15	**24,318**	26,838	29,260
Assets held for sale		**–**	–	27,734
Lease receivables	13	**171**	–	–
Cash and cash equivalents	16	**11,121**	8,236	8,793
Total current assets		**35,610**	35,074	65,787
Total assets		**79,932**	82,134	111,187
Current liabilities				
Trade and other payables	17	**(6,096)**	(5,575)	(7,510)
Liabilities held for sale		**–**	–	(4,316)
Accruals and contract liabilities	18	**(9,890)**	(9,084)	(10,640)
Financial liabilities	19	**(1,912)**	22	(2,822)
Current tax liabilities	7	**(1,703)**	(4,152)	(1,358)
Provisions	20	**–**	(300)	(570)
Lease liabilities	13	**(2,338)**	(1,834)	–
Deferred tax liability	21	**(250)**	(272)	(323)
Total current liabilities		**(22,189)**	(21,195)	(27,539)

	Note	31 December 2020 £'000	Restated[1] 31 December 2019 £'000	Restated[1] 31 December 2018 £'000
Non-current liabilities				
Financial liabilities	19	**(19,675)**	(13,868)	(34,934)
Provisions	20	**(412)**	(387)	(67)
Lease liabilities	13	**(5,820)**	(7,756)	–
Deferred tax liability	21	**(1,090)**	(1,036)	(1,281)
Total non-current liabilities		**(26,997)**	(23,047)	(36,282)
Total liabilities		**(49,186)**	(44,242)	(63,821)
Total net assets		**30,746**	37,892	47,366
Equity				
Ordinary shares	22	**20,646**	20,029	19,778
Share premium	23	**255**	46	44
Other reserves	23	**5,461**	4,428	5,144
Retained earnings	23	**3,942**	12,210	21,408
Equity attributable to the owners of the parent		**30,304**	36,713	46,374
Non-controlling interests		**442**	1,179	992
Total equity		**30,746**	37,892	47,366

1. Refer to note 1 for further details.

The notes on pages 93 to 136 are an integral part of these financial statements.
The financial statements on pages 88 to 92 were approved and authorised for issue by the Board of Directors on 24 March 2021 and were signed on its behalf by:

Alan Newman
Director

Ebiquity plc. Registered No. 03967525

25 March 2021

Consolidated statement of changes in equity

for the year ended 31 December 2020

	Note	Ordinary shares £'000	Share premium £'000	Other reserves[2] £'000	Retained earnings £'000	Equity attributable to owners of the parent £'000	Non-controlling interests £'000	Total equity £'000
31 December 2018 (as reported)		19,778	44	5,144	21,556	46,522	992	47,514
Impact of restatement at 31 December 2018		—	—	—	(148)	(148)	—	(148)
31 December 2018 (as restated)[1]		19,778	44	5,144	21,408	46,374	992	47,366
(Loss)/profit for the year 2019 (as reported)		—	—	—	(8,007)	(8,007)	451	(7,556)
Adjustment for 2019		—	—	—	(600)	(600)	—	(600)
(Loss)/profit for the year 2019 (as restated)[1]		—	—	—	(8,607)	(8,607)	451	(8,156)
Other comprehensive expense		—	—	(716)	—	(716)	—	(716)
Total comprehensive (expense)/income for the year		—	—	(716)	(8,607)	(9,323)	451	(8,872)
Shares issued for cash	22	251	2	—	—	253	—	253
Share options charge	3	—	—	—	195	195	—	195
Acquisition of non-controlling interest		—	—	—	(252)	(252)	(83)	(335)
Dividends paid to shareholders	26	—	—	—	(534)	(534)	—	(534)
Dividends paid to non-controlling interests		—	—	—	—	—	(181)	(181)
31 December 2019 (as restated)[1]		20,029	46	4,428	12,210	36,713	1,179	37,892
(Loss)/profit for the year 2020		**—**	**—**	**—**	**(3,703)**	**(3,703)**	**186**	**(3,517)**
Other comprehensive income		**—**	**—**	**1,033**	**—**	**1,033**	**—**	**1,033**
Total comprehensive income/(expense) for the year		**—**	**—**	**1,033**	**(3,703)**	**(2,670)**	**186**	**(2,484)**
Shares issued for cash	22	**8**	**—**	**—**	**(8)**	**—**	**—**	**—**
Share options credit	3	**—**	**—**	**—**	**(1,845)**	**(1,845)**	**—**	**(1,845)**
Acquisition of non-controlling interest		**609**	**209**	**—**	**(2,712)**	**(1,894)**	**(779)**	**(2,673)**
Dividends paid to non-controlling interests		**—**	**—**	**—**	**—**	**—**	**(144)**	**(144)**
31 December 2020		**20,646**	**255**	**5,461**	**3,942**	**30,304**	**442**	**30,746**

1. Refer to note 1 for further details.
2. Includes a credit of £3,667,000 (31 December 2019: £3,667,000) in the merger reserve, a gain of £3,272,000 (31 December 2019: £2,239,000) recognised in the translation reserve, and is partially offset by a debit balance of £1,478,000 (31 December 2019: £1,478,000) in the ESOP reserve. Refer to note 23 for further details.

The notes on pages 93 to 136 are an integral part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2020

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Cash flows from operating activities			
Cash generated from operations	27	**5,827**	5,657
Finance expenses paid		**(563)**	(727)
Finance income received		**13**	9
Income taxes paid		**(2,285)**	(1,345)
Net cash generated by operating activities		**2,992**	3,594
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		**(597)**	—
Disposal of subsidiaries	8	**18**	24,845
Payments to acquire non-controlling interest	29	**(1,539)**	(335)
Payments in respect of contingent consideration	19	**–**	(648)
Purchase of property, plant and equipment	12	**(87)**	(2,024)
Purchase of intangible assets	11	**(1,230)**	(1,211)
Net cash (used in)/generated by investing activities		**(3,435)**	20,627

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Cash flows from financing activities			
Proceeds from issue of share capital (net of issue costs)		**–**	253
Proceeds from bank borrowings	19	**5,000**	—
Repayment of bank borrowings	19	**–**	(20,000)
Proceeds from government borrowings	19	**806**	—
Bank loan fees paid		**(21)**	(204)
Repayment of lease liabilities	13	**(2,130)**	(1,192)
Dilapidations payments		**(300)**	—
Dividends paid to shareholders	26	**–**	(534)
Dividends paid to non-controlling interests		**(144)**	(518)
Capital repayment of finance leases		**–**	—
Net cash flow generated by/(used in) financing activities		**3,211**	(22,195)
Net increase in cash, cash equivalents and bank overdrafts		**2,768**	2,026
Cash, cash equivalents and bank overdraft at beginning of year	16	**8,236**	6,414
Effects of exchange rate changes on cash and cash equivalents		**117**	(204)
Group cash and cash equivalents at the end of the year	16	**11,121**	8,236

The notes on pages 93 to 136 are an integral part of these financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2020

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 19 offices.

The Company is a public limited company, which is listed on the London Stock Exchange's AIM and is limited by shares. The Company 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 accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006.

Prior year restatement

During the year, a misstatement was discovered in the balance sheet of subsidiary Firm Decisions ASJP LLC as at 31 December 2019. This followed an internal review of balance sheet items by the Group finance team as part of enhanced internal control procedures put in place by the Chief Financial Officer during the last year. The causes of this error were specific to the unit involved and related to the misstatement of accrued income and revenue balances for which process and system improvements have been made to avoid any recurrence. In accordance with IAS 8, the financial statements for 2019 have been restated to reflect this adjustment. The impact was a reduction of £600,000 in 2019 Group revenue, a reduction of £148,000 in retained earnings brought forward as at 1 January 2019, and a reduction of £748,000 in accrued income as at 31 December 2019.

	2018 Reported £'000	2018 Adjustment £'000	**2018 Restated £'000**	2019 Reported £'000	2019 Adjustment £'000	**2019 Restated £'000**
Consolidated income statement						
Revenue	69,368	(56)	**69,312**	68,733	(600)	**68,133**
Consolidated statement of financial position						
Trade and other receivables	29,408	(148)	**29,260**	27,586	(748)	**26,838**
Retained earnings	21,556	(148)	**21,408**	12,958	(748)	**12,210**

Going concern

The financial statements have been prepared on a going concern basis. The Group meets its day-to-day working capital requirements through its cash reserves and borrowings, described in note 19 to the financial statements. As at 31 December 2020, the Group had cash balances of £11,121,000 and undrawn bank facilities available of £5,000,000 and was cash generative and within its banking covenants.

The lenders, Barclays and NatWest Bank, have agreed to covenant waivers and modifications where required in order to negate the risk of any future covenant breaches.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

1. Accounting policies continued

Basis of preparation continued

Going concern continued

The existing covenants remained in place for the 12 months to March 2020 and June 2020 and were achieved. In response to the disruption caused by the Covid-19 pandemic, modified covenants were agreed with the lenders in May 2020 which applied from July 2020 to 30 November 2021. These require the Group to maintain minimum liquidity of at least £5 million at the end of every month during that period. In March 2021, a further covenant amendment was agreed with the lenders. With effect from September 2021, the minimum liquidity covenant will increase to £7.0 million and will be in place until June 2022. In addition, with effect from September 2021 an interest cover covenant will be reintroduced at > 4.0 and an adjusted leverage covenant will also be reintroduced initially at < 4.0, increasing to < 4.25 in December 2021 and to < 4.5 in March 2022, then reducing to < 3.5 in June 2022. The original covenants which were in force until June 2020 will apply again from September 2022 onwards.

In assessing the going concern status of the Group and Company, 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. Specifically, the Directors have prepared a model to forecast covenant compliance and liquidity to 31 December 2022 that includes a base case and scenarios to form a severe but plausible downside case.

The base case assumes growth in revenue and EBITDA when compared to the outturn of FY20 and assumes that trading will recover to 2019 levels by 31 December 2022. The severe but plausible case assumes a downside adjustment to revenue of 7%, offset by mitigating factors within the control of the Directors. Under both of these cases, there is headroom on covenant compliance and liquidity throughout the going concern period.

The Directors have also considered a scenario that leads to a breach in covenants; a form of reverse stress test. Actual trading in FY21 and the proportion of secured revenue at this time, is ahead of last year and whilst there is inherent uncertainty in trading for the second half of FY21 and into FY22, trading levels would need to significantly reduce to a level that is consistent with FY20 for there to be a breach in covenants. This scenario is not deemed plausible by the Directors.

In addition, the downside assumptions that are applied to the base case are different from those modelled at the half year. The Directors are satisfied that based on the current trading performance of the Group and Company, the proven ability of the Group and Company to work remotely and still serve clients during the pandemic and the current vaccine roll outs, the prior downside assumptions are no longer plausible.

The Directors consider that the Group and Company will have sufficient liquidity within existing bank facilities, totalling £24,000,000 to meet its obligations during the next 12 months and hence consider it appropriate to prepare the financial statements on a going concern basis.

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

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

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

On 13 February 2018, the Group agreed to sell its Advertising Intelligence ('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, profit on disposal arising in the prior year has been presented within discontinued operations in the income statement.

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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

1. Accounting policies continued

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 is recognised in accordance with IFRS 15 'Revenue from Contracts with Customers'. Under IFRS 15 an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. This core principle is delivered in a five-step model:

- identify the contract(s) with a customer;
- identify the performance obligation(s) in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognise revenue when (or as) the entity satisfies a performance obligation.

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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

1. Accounting policies continued

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 estimatable. 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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

1. Accounting policies continued

Taxation continued

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

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

Taxation has been allocated to the discontinued operation by taking each element in turn and attributing the appropriate portion accordingly. This includes the allocation of adjustments to profit before tax to determine the profits chargeable to corporation tax and then applying the taxation charge from each jurisdiction respectively. For deferred taxation, each asset and liability was reviewed and the 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	Eight years straight-line
Fixtures, fittings, and equipment	Three to nine years straight-line
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 – capitalised development costs

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 £1,226,000 of internally generated intangible assets (2019: £1,203,000).

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 three 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 three to five years.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

1. Accounting policies continued

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.

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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

1. Accounting policies continued

Leases continued

Lease liabilities continued

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.

Where a lease is not captured by IFRS 16 'Leases', 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

Subleases

The Group acts as a lessor where premises have been sublet to an external third party. Accordingly, the right-of-use asset has been de-recognised and instead a lease receivable recognised determined with reference to the net present value of the future lease payments receivable from the tenant. Finance income is then recognised over the lease term.

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

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.

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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

1. Accounting policies continued

Share-based payments

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

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

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution.

The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity financial statements.

Provisions

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

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

Retirement benefits

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

Dividend distribution

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

Critical accounting estimates and judgements

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

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

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

1. Accounting policies continued

Critical accounting estimates and judgements continued

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 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

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to IAS 1 and IAS 8;
- Definition of a Business – amendments to IFRS 3;
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 9 and IFRS 7; and
- Revised Conceptual Framework for Financial Reporting.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

- Annual Improvements to IFRS Standards 2018-2020 Cycle effective on or after 1 January 2022.

The adoption of the standard listing above is not expected to significantly affect future periods.

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 two reportable segments: Media and Analytics & Tech:

- Media includes our media performance, media management and contract compliance services; and
- Analytics & Tech consists of our Advanced Analytics, MarTech and AdTech 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 2020

2. Segmental reporting continued

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2020 is as follows:

Year ended/As at 31 December 2020

	Media £'000	Analytics & Tech £'000	Reportable segments £'000	Unallocated £'000	Total £'000
Revenue	**46,042**	**9,865**	**55,907**	**—**	**55,907**
Operating profit/(loss) before highlighted items	**6,770**	**(692)**	**6,078**	**(6,412)**	**(334)**
Total assets	**67,659**	**9,838**	**77,497**	**2,435**	**79,932**

Unsatisfied long-term contracts

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

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied as at 31 December 2020	**866**	304

It is expected that 94% of the transaction price allocated to the unsatisfied contracts as of 31 December 2020 will be recognised during the next reporting period (31 December 2019: 97%); the remaining 6% will be recognised in the 2022 financial year (31 December 2019: 3% to be recognised in 2021).

Significant changes in contract assets and liabilities

Contract assets have decreased from £8,618,000 to £6,563,000 and contract liabilities have decreased from £4,635,000 to £4,498,000 from 31 December 2019 to 31 December 2020. The reduced contract assets is a result of the reduction in revenue year on year.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

2. Segmental reporting continued

Year ended/As at 31 December 2019

			Restated		
	Media £'000	Analytics & Tech £'000	Reportable segments £'000	Unallocated £'000	Total £'000
Revenue	53,985	14,148	68,133	—	68,133
Operating profit/(loss) before highlighted items	11,245	966	12,211	(6,644)	5,567
Total assets	68,634	11,581	80,215	1,919	82,134

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

	Year ended 31 December 2020 £'000	Restated Year ended 31 December 2019 £'000
Reportable segment operating profit before highlighted items	**6,078**	12,211
Unallocated (costs)/income[1]:		
Staff costs	**(3,480)**	(3,428)
Property costs	**(1,595)**	(1,513)
Exchange rate movements	**181**	(208)
Other administrative expenses	**(1,518)**	(1,495)
Operating (loss)/profit before highlighted items	**(334)**	5,567
Highlighted items (note 3)	**(2,541)**	(10,330)
Operating loss	**(2,875)**	(4,763)
Net finance costs[2]	**(1,012)**	(898)
Loss before tax	**(3,887)**	(5,661)

1. Unallocated (costs)/income comprise central costs that are not considered attributable to the segments.
2. Net finance costs in the current year include £137,000 relating to foreign exchange movements on intercompany loan balances. Previously this was included as an administrative expense, however it was considered appropriate to reclassify this in the current year in accordance with IAS 12.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

2. Segmental reporting continued

Year ended/As at 31 December 2019 continued

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

	31 December 2020 £'000	Restated 31 December 2019 £'000
Total assets for reportable segments	**77,497**	80,215
Unallocated amounts:		
Other intangible assets	**388**	642
Other receivables	**1,291**	868
Cash and cash equivalents	**420**	332
Deferred tax asset	**336**	77
Total assets	**79,932**	82,134

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

	Year ended/As at 31 December 2020		Restated Year ended/As at 31 December 2019	
	Revenue by location of customers £'000	Non-current assets £'000	Revenue by location of customers £'000	Non-current assets £'000
United Kingdom	**29,083**	**21,684**	33,176	27,802
Rest of Europe	**15,999**	**12,424**	18,783	7,402
North America	**4,671**	**2,721**	8,351	3,416
Rest of world	**6,154**	**6,348**	7,823	7,454
	55,907	**43,177**	68,133	46,074
Deferred tax assets	**—**	**1,145**	—	986
Total	**55,907**	**44,322**	68,133	47,060

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

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 2020			Year ended 31 December 2019		
	Cash £'000	**Non-cash £'000**	**Total £'000**	Cash £'000	Non-cash £'000	Total £'000
Administrative expenses						
Share option (credit)/charge	**(61)**	**(1,845)**	**(1,906)**	(78)	195	117
Amortisation of purchased intangibles	**–**	**1,122**	**1,122**	–	1,169	1,169
Impairment of goodwill	**–**	**817**	**817**	–	6,751	6,751
Severance and reorganisation costs	**1,194**	**315**	**1,509**	1,333	–	1,333
Acquisition, integration and strategic/(income)	**809**	**190**	**999**	998	(38)	960
Total highlighted items before tax	**1,942**	**599**	**2,541**	2,253	8,077	10,330
Taxation (credit)/charge	**(289)**	**113**	**(176)**	(536)	82	(454)
Total highlighted items after tax – continuing operations	**1,653**	**712**	**2,365**	1,717	8,159	9,876
Highlighted items – discontinued operations	**(220)**	**–**	**(220)**	2,521	(1,503)	1,018
Total highlighted items	**1,433**	**712**	**2,145**	4,238	6,656	10,894

In the current year, a non-cash IFRS 2 credit of £1,845,000 (31 December 2019: charge of £195,000) was recorded. Separate disclosure is considered relevant to isolate charges and credits which are subject to volatility as a result of non-trading factors.

Amortisation of purchased intangibles relates to acquisitions made in the current financial year of £nil and to acquisitions made in prior years of £1,122,000 (31 December 2019: £nil in the current financial year and £1,169,000 in prior years). Separate disclosure is considered relevant because amortisation of purchased intangibles has no correlation to underlying profitability of the Group.

Impairment of goodwill and intangibles of £817,000 (2019: £6,751,000) has been recognised in the year. This is in relation to the impairment of goodwill in Digital Balance Australia Pty Limited. The impairment was determined by the excess of the carrying value of goodwill and purchased intangibles over and above the calculated value-in-use.

Total severance and reorganisation costs of £1,509,000 (31 December 2019: £1,333,000) were recognised during the year, relating to severances in the UK, the US, Germany, Australia and France 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 £999,000 (31 December 2019: £960,000) were recognised during the year, predominantly relating to the adjustment to the fair value of contingent consideration by £791,000 predominantly arising in relation to the upward revision of the amounts payable in relation to the Ebiquity Marsh Limited acquisition in line with the latest actuals. £80,000 was incurred in relation to the loan covenant amendments. Costs of £72,000 have been recognised in relation to the Chicago sublease arrangement. Costs of £56,000 were also recognised in relation to the acquisitions of Digital Decisions B.V. and the minority buyout in Ebiquity Italy Media Advisor S.r.l., Ebiquity Russia Limited and Ebiquity Russia OOO which completed in the year; see note 28 for further details. Separate disclosure is considered relevant as these charges are non-recurring and not reflective of the underlying operating costs of the business.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

3. Highlighted items continued

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 overprovision of prior year tax on the profit on disposal of the AdIntel business of £220,000 due to information now known. Highlighted items on discontinued operations in the prior 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 2020, £1,314,000 of the £1,942,000 cash highlighted items had been settled (31 December 2019: £1,526,000 of the £2,254,000 cash highlighted items had been settled).

4. Operating loss after highlighted items

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

	Year ended 31 December 2020 £'000	Restated Year ended 31 December 2019 £'000
Operating lease rentals[1]		
– other	**38**	17
– land and buildings	**35**	708
Depreciation and amortisation (notes 11, 12 and 13)[2]	**4,848**	4,205
Impairment of goodwill (note 10)	**817**	5,989
Impairment of intangibles (note 11)	**—**	762
Contingent consideration revaluations (note 3)	**791**	(779)
Income on transitional services agreement	**(223)**	(1,273)
Write down of accrued income	**284**	600
(Gain)/loss on disposal of fixed assets	**(3)**	40
Research costs – expensed	**173**	93
Foreign exchange loss	**64**	205

1. Operating lease rentals have reduced by £2,104,000 in 2020 on adoption of IFRS 16 (31 December 2019: £1,437,000).
2. Depreciation in the current year includes £2,026,000 in 2020 on adoption of IFRS 16 (31 December 2019: £1,595,000).

Auditors' remuneration

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

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements	**350**	299
Fees payable to the Company's auditors and its associates for other services:		
– other audit-related assurance services	**50**	52
– other assurance services	**—**	—
– tax compliance services	**22**	21
	422	372

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 2020 Number	Year ended 31 December 2019 Number
Media	**322**	341
Analytics & Tech	**133**	117
IT development and support	**23**	22
Administration	**75**	83
Directors	**7**	7
	560	570

At 31 December 2020, the total number of employees of the Group was 550 (31 December 2019: 555).

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

5. Employee information continued

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

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Wages and salaries[1]	**31,494**	35,075
Social security costs[1]	**3,704**	4,027
Other pension costs	**1,124**	815
Share options (credit)/charge (note 24)	**(1,845)**	195
Total staff costs	**34,477**	40,112

1. The Group received the benefit of £1,000,000 in the current year relating to Government schemes in Australia, the UK, Singapore, China, France and Ireland.

Directors' remuneration

Total Directors' remuneration was £723,000, including £261,000 to the highest paid Director (31 December 2019: £856,000 including £362,000 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 2019: £nil). No retention bonuses were payable to any Directors (31 December 2019: £nil).

No Directors were a member of a Company pension scheme as at 31 December 2020 (31 December 2019: none). Contributions totalling £nil (31 December 2019: £40,000) were made to Directors' private pension schemes during the year, including £nil to the highest paid Director (31 December 2019: £40,000).

No Directors exercised share options during the year (31 December 2019: nil). The highest paid Director exercised no share options (31 December 2019: nil).

During the year, nil (31 December 2019: 410,000) 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 24 for further details).

Further details on Directors' remuneration can be found in the Remuneration Committee report on pages 67 to 73.

6. Finance income and expenses

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Finance income		
Bank interest	**13**	9
Lease receivables interest	**26**	—
Finance income	**39**	9
Finance expenses		
Bank loans and overdraft interest	**(582)**	(600)
Loan fee amortisation	**(48)**	(54)
Lease liabilities' interest	**(284)**	(253)
Finance expenses	**(914)**	(907)

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

7. Taxation charge/(credit)

	Year ended 31 December 2020			Year ended 31 December 2019		
	Before highlighted items £'000	**Highlighted items £'000**	**Total £'000**	Before highlighted items £'000	Highlighted items £'000	Total £'000
UK tax						
Current year	**(20)**	**(82)**	**(102)**	298	(383)	(85)
Adjustment in respect of prior years	**(309)**	**—**	**(309)**	494	—	494
	(329)	**(82)**	**(411)**	792	(383)	409
Foreign tax						
Current year	**686**	**(207)**	**479**	1,404	(153)	1,251
Adjustment in respect of prior years	**(78)**	**—**	**(78)**	120	—	120
	608	**(207)**	**401**	1,524	(153)	1,371
Total current tax	**279**	**(289)**	**(10)**	2,316	(536)	1,780
Deferred tax						
Origination and reversal of temporary differences (note 21)	**(186)**	**113**	**(73)**	(295)	82	(213)
Adjustment in respect of prior years	**(67)**	**—**	**(67)**	(90)	—	(90)
Total tax charge/(credit)	**26**	**(176)**	**(150)**	1,931	(454)	1,477

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

	Year ended 31 December 2020 £'000	Restated Year ended 31 December 2019 £'000
Loss before tax	**(3,887)**	(5,661)
Corporation tax at 19.00% (31 December 2019: 19.00%)	**(739)**	(1,076)
Non-deductible taxable expenses	**1,605**	1,253
Overseas tax rate differential	**117**	361
Overseas (gains)/losses not recognised	**(460)**	149
Losses utilised not previously recognised	**1**	266
Adjustment in respect of prior years	**(674)**	524
Total tax (credit)/charge	**(150)**	1,477

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

7. Taxation charge/(credit) continued

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 Budget 2021 detailed an increase in the corporation tax from 1 April 2023 to 25%, however this has not yet been substantively enacted.

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

	£'000
At 1 January 2019	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
Corporation tax payments	**(2,476)**
Corporation tax refunds	**191**
Withholding tax	**(25)**
Under-provision in relation to prior years	**(220)**
Provision for the year ended 31 December 2020[1]	**(10)**
Foreign exchange	**91**
At 31 December 2020	**1,703**

1. The provision for the current year includes an overprovision of tax relating to the prior year of £220,000 in relation to the discontinued operation (31 December 2019: a tax charge of £2,462,000 in relation to the discontinued operation on the profit on disposal).

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 prior year and the balance was paid in the current year. The results of this division have been presented within discontinued operations as appropriate.

The financial performance and cash flow information presented below for Intel reflects the overprovision of tax on the AdIntel sale in the year ended 31 December 2020, whilst the comparative information shows the profit on disposal and tax charge thereon recognised in 2019 on the sale completing on 2 January 2019. The financial performance and cash flow information presented below for Reputation reflects the contingent consideration receivable recognised in 2019.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

8. Discontinued operations continued

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

	Year ended 31 December 2020			Year ended 31 December 2019		
	AdIntel £'000	Reputation £'000	Total £'000	AdIntel £'000	Reputation £'000	Total £'000
Revenue	–	–	–	–	–	–
Cost of sales	–	–	–	–	–	–
Gross result	–	–	–	–	–	–
Administrative expenses	–	–	–	–	–	–
Impairment of asset held for sale	–	–	–	–	–	–
Operating result	–	–	–	–	–	–
Highlighted items	–	–	–	(1,408)	(36)	(1,444)
(Loss) before tax	–	–	–	(1,408)	(36)	(1,444)
Tax	(220)	–	(220)	2,455	7	2,462
Net profit/(loss) from discontinued operations	220	–	220	(1,047)	29	(1,018)

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

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Cash generated from operations – continuing operations	2,992	3,594
Cash generated from operations – discontinued operations	–	–
Total cash generated from operations	2,992	3,594
Cash used in investment activities – continuing operations	(3,453)	(4,218)
Cash generated by/(used in) investment activities – discontinued operations	18	24,845
Total cash (used in)/generated by investment activities	(3,435)	20,627
Cash generated by/(used in) financing activities – continuing operations	3,211	(22,195)
Cash generated by financing activities – discontinued operations	–	–
Total cash generated by/(used in) financing activities	3,211	(22,195)
Net increase/(decrease) in cash and cash equivalents – continuing operations	2,750	(22,819)
Net increase in cash and cash equivalents – discontinued operations	18	24,845
Net increase in cash and cash equivalents	2,768	2,026

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

8. Discontinued operations continued

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

	Year ended 31 December 2020			Year ended 31 December 2019		
	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 sold	–	–	–	23,060	–	23,060
Costs to sell – current year	–	–	–	95	–	95
Reclassification of foreign currency translation reserve	–	–	–	282	–	282
Total	–	–	–	23,437	–	23,437
Gain on sale before income tax	–	–	–	1,408	36	1,444
Income tax credit/(charge) on gain[1]	**220**	–	**220**	(2,455)	(7)	(2,462)
Gain/(loss) on sale after income tax	**220**	–	**220**	(1,047)	29	(1,018)
Costs to sell – prior year	–	–	–	(3,176)	–	(3,176)
Gain/(loss) on sale after income tax – total	**220**	–	**220**	(4,223)	29	(4,194)

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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

9. Earnings per share

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

	Year ended 31 December 2020			Restated Year ended 31 December 2019		
	Continuing £'000	**Discontinued £'000**	**Total £'000**	Continuing £'000	Discontinued £'000	Total £'000
Earnings for the purpose of basic earnings per share, being net (loss)/profit attributable to equity holders of the parent	**(3,923)**	**220**	**(3,703)**	(7,589)	(1,018)	(8,607)
Adjustments:						
Impact of highlighted items (net of tax)[1]	**2,354**	**(220)**	**2,134**	9,864	1,018	10,882
Earnings for the purpose of underlying earnings per share	**(1,569)**	**—**	**(1,569)**	2,275	—	2,275
Number of shares:						
Weighted average number of shares during the year						
– basic	**81,571,242**	**81,571,242**	**81,571,242**	79,490,174	79,490,174	79,490,174
– dilutive effect of share options	**528,254**	**528,254**	**528,254**	1,155,106	1,155,106	1,155,106
– diluted	**82,099,496**	**82,099,496**	**82,099,496**	80,645,280	80,645,280	80,645,280
Basic earnings per share	**(4.81)p**	**0.27p**	**(4.54)p**	(9.55)p	(1.28)p	(10.83)p
Diluted earnings per share	**(4.81)p**	**0.27p**	**(4.54)p**	(9.55)p	(1.28)p	(10.83)p
Underlying basic earnings per share	**(1.92)p**	**—**	**(1.92)p**	2.86p	—	2.86p
Underlying diluted earnings per share	**(1.92)p**	**—**	**(1.92)p**	2.82p	—	2.82p

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

10. Goodwill

	£'000
Cost	
At 1 January 2019	40,510
Disposals[1]	(3,129)
Foreign exchange differences	(632)
At 31 December 2019	36,749
Acquisitions[2]	**484**
Foreign exchange differences	**518**
At 31 December 2020	**37,751**
Accumulated impairment	
At 1 January 2019	(5,736)
Impairment[3]	(5,989)
Disposals[1]	3,129
Foreign exchange differences	256
At 31 December 2019	(8,340)
Impairment[4]	**(817)**
Foreign exchange differences	**(31)**
At 31 December 2020	**(9,188)**
Net book value	
At 31 December 2020	**28,563**
At 31 December 2019	28,409

1. The disposal in the prior 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.
2. Goodwill of £484,000 has been recognised on the acquisition of Digital Decisions BV in the year.
3. An impairment of £5,082,000 was recognised in the prior year 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.
4. An impairment of £817,000 has been recognised in the current year relating to the goodwill held in Digital Balance Australia Pty Limited so that the carrying value is in line with the value-in-use.

Goodwill has been allocated to the following segments:

	31 December 2020 £'000	31 December 2019 £'000
Media	**26,855**	25,905
Analytics & Tech	**1,708**	2,504
	28,563	28,409

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	**31 December 2020 £'000**	31 December 2019 £'000
Media UK and International	Media	**9,262**	9,241
Media Germany	Media	**4,327**	4,319
Media Value Group	Media/Analytics & Tech	**3,187**	3,042
FirmDecisions	Media	**2,981**	2,981
Media Australia	Media	**2,422**	2,289
China	Media	**2,256**	2,150
Effectiveness	Analytics & Tech	**1,678**	1,678
Media America	Media	**604**	604
Media France	Media	**571**	560
Digital Decisions	Media	**507**	–
Media Italy	Media	**401**	382
Russia	Media	**337**	337
Digital Balance	Analytics & Tech	**30**	826
		28,563	28,409

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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

10. Goodwill continued

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 £817,000 has been recognised in the year ended 31 December 2020 in relation to Digital Balance Australia Pty Limited, in order to write down the goodwill carrying value in line with the value-in-use.

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 2021 financial year.

For the 2022 and 2023 financial years, the forecast EBIT is as per management and market expectations. The forecast 2023 balances are taken to perpetuity in the model. The forecast for 2022 and 2023 uses certain assumptions to forecast revenue and operating costs within the Group's operating segments beyond the 2021 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 10% and 11% (31 December 2019: between 7.0% and 12.0%).

Growth rate assumptions

Cash flows beyond the three-year period are extrapolated at a rate of 2.00% (31 December 2019: 2.25%) for all CGUs with the exception of China where a rate of 2.60% has been applied, 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 % (2022/2023)	% change leading to impairment[1]	Current % (2022/2023)	% change leading to impairment[1]
Budgeted revenue growth	15%/10%	(3)% to 12%/7%	15%/15%	(2)% to 13%
Budgeted cost growth	2%/2%	+3% to 5%	2%/2%	+2% to 4%
Pre-tax discount rate	10%/10%	+3% to 13%	10%/10%	+3% to 13%

1. These changes have been applied to 2022 and 2023 projected information.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

11. Other intangible assets

	Capitalised development costs £'000	Computer software £'000	Purchased intangible assets[1] £'000	Total intangible assets £'000
Cost				
At 1 January 2019	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
Additions	**1,226**	**4**	**—**	**230**
Acquisitions[5]	**—**	**—**	**70**	**70**
Disposals	**(460)**	**(10)**	**—**	**(470)**
Foreign exchange differences	**91**	**23**	**346**	**460**
At 31 December 2020	**4,891**	**2,542**	**16,581**	**24,014**

	Capitalised development costs £'000	Computer software £'000	Purchased intangible assets[1] £'000	Total intangible assets £'000
Amortisation and impairment				
At 1 January 2019	(1,258)	(1,606)	(12,473)	(15,337)
Charge for the year[2]	(464)	(409)	(1,169)	(2,042)
Impairment[3]	(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)
Charge for the year[2]	**(685)**	**(280)**	**(1,122)**	**(2,087)**
Disposals	**460**	**10**	**—**	**470**
Foreign exchange differences	**(49)**	**(24)**	**(228)**	**(301)**
At 31 December 2020	**(1,745)**	**(2,147)**	**(13,987)**	**(17,879)**
Net book value				
At 31 December 2020[4]	**3,146**	**395**	**2,594**	**6,135**
At 31 December 2019	2,563	672	3,528	6,763

1. Purchased intangible assets consist principally of customer relationships with a typical useful life of eight to 10 years.
2. 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.
3. No impairment charge has been recognised in the current year (year ended 31 December 2019: £762,000 following management's review of the carrying value of other intangible assets).
4. Of the net book value of capitalised development costs, £1,982,000 remains in development at 31 December 2020.
5. An asset of £70,000 was recognised on the acquisition of Digital Decisions B.V. in the year.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

12. Property, plant and equipment

	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Computer equipment £'000	Leasehold land and buildings improvements £'000	Total £'000
Cost					
At 1 January 2019	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
Additions	**—**	**13**	**98**	**—**	**111**
Acquisitions[1]	**—**	**12**	**7**	**—**	**19**
Allocations	**—**	**30**	**(2)**	**(28)**	**—**
Disposals	**(17)**	**(84)**	**(115)**	**—**	**(216)**
Foreign exchange differences	**1**	**35**	**66**	**27**	**129**
At 31 December 2020	**20**	**1,022**	**1,888**	**2,046**	**4,976**
Accumulated depreciation					
At 1 January 2019	(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)

1. Certain assets were acquired as a part of the Digital Decisions acquisition in the year.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

12. Property, plant and equipment continued

	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Computer equipment £'000	Leasehold land and building improvements £'000	Total £'000
At 31 December 2019	(15)	(564)	(1,204)	(587)	(2,370)
Charge for the year	**(5)**	**(157)**	**(254)**	**(319)**	**(735)**
Acquisitions[1]	**—**	**(2)**	**(1)**	**—**	**(3)**
Allocation	**—**	**(1)**	**—**	**1**	**—**
Disposals	**5**	**36**	**151**	**—**	**192**
Foreign exchange differences	**—**	**(22)**	**(57)**	**(19)**	**(98)**
At 31 December 2020	**(15)**	**(710)**	**(1,365)**	**(924)**	**(3,014)**
Net book value					
At 31 December 2020	**5**	**312**	**523**	**1,122**	**1,962**
At 31 December 2019	21	453	630	1,460	2,563

1. Certain assets were acquired as a part of the Digital Decisions acquisition in the year.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

13. Right-of-use assets and lease liabilities

Right-of-use assets

	Buildings £'000	Equipment £'000	Vehicles £'000	Total £'000
Cost				
At 1 January 2019	—	—	—	—
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
Additions	**568**	**22**	**115**	**705**
Disposals	**(331)**	**(10)**	**(12)**	**(353)**
Allocations	**324**	**—**	**—**	**324**
Reclassification to lease receivables	**(1,113)**	**—**	**—**	**(1,113)**
Foreign exchange	**24**	**17**	**(9)**	**32**
At 31 December 2020	**9,789**	**229**	**153**	**10,171**
Accumulated depreciation				
At 1 January 2019	—	—	—	—
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)
Charge for the year	**(1,942)**	**(50)**	**(34)**	**(2,026)**
Disposals	**136**	**10**	**12**	**158**
Allocations	**(324)**	**—**	**—**	**(324)**
Reclassification to lease receivables	**558**	**—**	**—**	**558**
Impairment for the year	**(24)**	**—**	**—**	**(24)**
Foreign exchange	**—**	**(44)**	**5**	**(39)**
At 31 December 2020	**(3,805)**	**(99)**	**(30)**	**(3,934)**
Net book value				
At 31 December 2020	**5,984**	**130**	**123**	**6,237**
At 31 December 2019	8,108	185	46	8,339

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

13. Right-of-use assets and lease liabilities continued

Lease liabilities

	Buildings £'000	Equipment £'000	Vehicles £'000	Total £'000
Cost				
At 1 January 2019	—	—	—	—
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
Additions	**568**	**22**	**115**	**705**
Disposals	**(131)**	**—**	**—**	**(131)**
Cash payments in the year	**(2,192)**	**(58)**	**(19)**	**(2,269)**
Interest charge in the year	**277**	**6**	**1**	**284**
Foreign exchange	**(44)**	**35**	**(12)**	**(21)**
At 31 December 2020	**7,858**	**174**	**126**	**8,158**
Current	**2,215**	**76**	**47**	**2,338**
Non-current	**5,643**	**98**	**79**	**5,820**

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

	Minimum lease payments	
	31 December 2020 £'000	31 December 2019 £'000
Amounts due:		
Within one year	**2,556**	2,116
Between one and two years	**2,219**	2,307
Between two and three years	**1,946**	2,115
Between three and four years	**917**	1,896
Between four and five years	**609**	893
Later than five years	**454**	1,083
	8,701	10,410

Lease receivables

	31 December 2020 £'000	31 December 2019 £'000
Lease receivables	**451**	—
Current	**171**	—
Non-current	**280**	—

During the year a sublease arrangement was entered into relating to the Chicago office lease. Accordingly, the right-of-use asset was derecognised and instead a lease receivable was recognised, being the equivalent of the remaining lease receivables over the lease term. The amount due within one year is presented within current assets and the amount due after one year is presented within non-current assets. The sublease arrangement expires in September 2023.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

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
Digital Decisions B.V.[2]	100%[3]	The Netherlands	Media consultancy
Ebiquity Asia Pacific Limited	100%[3]	UK	Holding company
Ebiquity Associates Limited[2]	100%	UK	Media consultancy

Subsidiary undertaking	Proportion of nominal value of issued ordinary shares held	Country of incorporation	Nature of business
Ebiquity Germany GmbH[2]	100%[3]	Germany	Media consultancy
Ebiquity Holdings Inc.	100%	US	Holding company
Ebiquity Iberia S.L.U.[2]	100%[3]	Spain	Media consultancy
Ebiquity Inc.[2]	100%[3]	US	Media consultancy
Ebiquity India Pvt Limited[1]	100%[3]	India	Media consultancy
Ebiquity Italy Media Advisor S.r.l.[2, 4]	100%[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, 5]	75.05%[3]	UK	Media consultancy
Ebiquity Russia OOO[2, 5]	75.05%[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
FirmDecisions ASJP Germany GmbH[2]	100%[3]	Germany	Media consultancy
FirmDecisions China Limited[2]	100%[3]	China	Media consultancy
FirmDecisions DMCC[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

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

14. Subsidiaries continued

Subsidiary undertaking	Proportion of nominal value of issued ordinary shares held	Country of incorporation	Nature of business
FirmDecisions Iberia S.L.U.[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	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. Ebiquity India Pvt Limited became part of the Group in December 2020.
2. Principal trading entity.
3. Shares held by an intermediate holding company.
4. In February 2020 the Group acquired the outstanding 49% interest in Ebiquity Italy Media Advisor S.r.l. from the minority shareholder.
5. In December 2020 the Group acquired a further 24.95% interest in Ebiquity Russia Limited and Ebiquity Russia OOO from one of the minority shareholders.

15. Trade and other receivables

	31 December 2020 £'000	Restated 31 December 2019 £'000
Trade and other receivables due within one year		
Net trade receivables (note 25)	**15,594**	16,078
Other receivables	**795**	882
Prepayments	**1,366**	1,260
Contract assets	**6,563**	8,618
	24,318	26,838

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

16. Cash and cash equivalents

	31 December 2020 £'000	31 December 2019 £'000
Cash and cash equivalents	**11,121**	8,236

Cash and cash equivalents earn interest at between (0.05)% and 2.5%.

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

	31 December 2020 £'000	31 December 2019 £'000
Cash and cash equivalents	**11,121**	8,236
Bank overdrafts (note 19)	**—**	—
Cash, cash equivalents and bank overdrafts	**11,121**	8,236

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

17. Trade and other payables

	31 December 2020 £'000	31 December 2019 £'000
Trade payables	**2,047**	2,615
Other taxation and social security	**3,269**	2,116
Other payables	**780**	844
	6,096	5,575

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

18. Accruals and contract liabilities

	31 December 2020 £'000	31 December 2019 £'000
Accruals	**5,392**	4,449
Contract liabilities	**4,498**	4,635
	9,890	9,084

19. Financial liabilities

	31 December 2020 £'000	31 December 2019 £'000
Current		
Bank overdraft	**—**	—
Loan fees[1]	**(45)**	(36)
Contingent consideration	**1,957**	14
	1,912	(22)
Non-current		
Bank borrowings	**19,000**	14,000
Government borrowings	**750**	—
Loan fees[1]	**(75)**	(132)
	19,675	13,868
Total financial liabilities	**21,587**	13,846

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 September 2023.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

19. Financial liabilities continued

	Bank overdrafts £'000	Bank borrowings £'000	Government borrowings £'000	Contingent consideration £'000	Total £'000
At 1 January 2019	2,379	33,900	—	1,477	37,756
Recognised on acquisition	—	—	—	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
Recognised on revaluation	**—**	**—**	**—**	**3,086**	**3,086**
Paid	**—**	**—**	**—**	**(1,934)**	**(1,934)**
Charged to the income statement	**—**	**48**	**—**	**625**	**673**
Discounting charged to the income statement	**—**	**—**	**—**	**(44)**	**(44)**
Borrowings	**—**	**5,000**	**750**	**—**	**5,750**
Foreign exchange released to the income statement	**—**	**—**	**—**	**210**	**210**
At 31 December 2020	**—**	**18,880**	**750**	**1,957**	**21,587**

A currency analysis for the bank borrowings is shown below:

	31 December 2020 £'000	31 December 2019 £'000
Pounds sterling	**18,880**	13,832
Total bank borrowings	**18,880**	13,832

All bank borrowings are held jointly with Barclays and NatWest. The committed facility, totalling £24,000,000, comprises a revolving credit facility ('RCF') of £23,000,000 (of which £19,000,000 was drawn as at 31 December 2020 (31 December 2019: £14,000,000)) 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 £120,000 (31 December 2019: £168,000) are offset against the term loan and are being amortised over the period of the loan. £45,000 of loan arrangement fees have been included within creditors due within one year and the balancing £75,000 have 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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

19. Financial liabilities continued

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.

Government borrowings represent an amount received as a part of the US Paycheck Protection Programme. Loan forgiveness will be applied for in relation to this balance when the lenders open the application process. If this application is successful, this balance will be treated as a grant rather than a loan and will be released to the income statement. If the application is unsuccessful then this balance will continue to be treated as a loan, will incur interest at 1% and will be repayable within two years.

Contingent consideration represents additional amounts that are expected to be payable for acquisitions made by the Group and is held at fair value at the statement of financial position date. All amounts are expected to be fully paid by April 2021.

Contingent consideration has been recognised in the period in relation to the minority buyout of Ebiquity Italy Media Advisor S.r.l.. The consideration payable in relation to the minority buyout of Ebiquity Italy was contingent upon the performance for the years ending 31 December 2018 to 31 December 2019.

It has been determined that the deferred payments in relation to the acquisition of Digital Decisions B.V. ('Digital Decisions') should be treated as post-date remuneration. IFRS 3 (revised) provides guidance for situations where contingent consideration may be considered to be remuneration for post-acquisition employment. We have reviewed these guidelines and assessed the indicators in IFRS 3. Taken in aggregate, these indicate that the payments to the seller (who remains an employee) do indeed constitute post-date remuneration but should be treated as such. As a result, instead of the contingent consideration being recognised in full as at 31 December 2020 within financial liabilities, only any amount payable in relation to 2020 is to be provided for, within accruals and contract liabilities. The calculated amount owed relating to 2020 is £nil.

20. Provisions

	Onerous lease[1] £'000	Dilapidations[2] £'000	Total £'000
At 1 January 2019	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
Discounting charged to the income statement	**—**	**25**	**25**
Utilisation of provision	**—**	**(300)**	**(300)**
At 31 December 2020	**—**	**412**	**412**
Current	**—**	**—**	**—**
Non-current	**—**	**412**	**412**

1. The onerous lease provisions recognised in a 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 prior year relates to the newly occupied London office. The provision is expected to be fully utilised by June 2024.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

21. Deferred tax

	Tangible assets £'000	Intangible assets £'000	Share-based payments £'000	Tax losses £'000	Other timing differences £'000	Total £'000
At 1 January 2019	242	(1,281)	428	276	(290)	(625)
(Charge)/credit to income	162	245	(327)	171	52	303
At 31 December 2019	404	(1,036)	101	447	(238)	(322)
Credit/(charge) to income	**169**	**(42)**	**(58)**	**(3)**	**74**	**140**
Recognised on acquisition (note 28)	**—**	**(13)**	**—**	**—**	**—**	**(13)**
At 31 December 2020	**573**	**(1,091)**	**43**	**444**	**(164)**	**(195)**

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 2020 £'000	31 December 2019 £'000
Deferred tax assets – non-current	**1,145**	986
Deferred tax liabilities – current	**(250)**	(272)
Deferred tax liabilities – non-current	**(1,090)**	(1,036)
	(195)	(322)

At the year end, the Group had tax losses of £2,117,000 (31 December 2019: £2,062,000) available for offset against future profits. A deferred tax asset of £444,000 (31 December 2019: £447,000) has been recognised in respect of such losses.

The Group has unrecognised tax losses of £2,420,000 (31 December 2019: £784,000) and unrecognised deferred tax assets of £511,000 (31 December 2019: £156,000) 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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

22. Ordinary shares

	Number of shares	Nominal value £'000
At 1 January 2019 – 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
Shares issued	**2,437,628**	**609**
Share options exercised	**30,000**	**8**
At 31 December 2020 – ordinary shares of 25p	**82,583,254**	**20,646**

Ordinary shares carry voting rights and are entitled to share in the profits of the Company (dividends). At the year end, 1,970,375 shares were held by the ESOP (31 December 2019: 2,410,458). The Company does not have a limited amount of authorised capital.

23. Reserves

Share premium

The share premium reserve of £255,000 (31 December 2019: £46,000) 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 2019: £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 year.

ESOP reserve

The ESOP reserve of £1,478,000 debit (31 December 2019: £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 £3,272,000 (31 December 2019: £2,239,000) arises on the translation into sterling of the net assets of the Group's foreign operations, offset by any changes in fair value of financial instruments used to hedge this exposure. At this time there are no hedges in place.

Retained earnings

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

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

24. Share-based payments

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

Options outstanding at 31 December 2020:

Name of share option scheme and grant date	Life of option	Exercise period	Exercise price (pence)	Weighted average exercise price (pence)	Number
Executive Share Option Plan – 11 August 2011	10 years	August 2012-August 2021	25.0-71.5	47.2	69,100
Executive Share Option Plan – 27 September 2012	10 years	September 2013-September 2022	97.5	97.5	110,001
Executive Share Option Plan – 23 May 2013	10 years	April 2016-May 2023	25.0	25.0	67,766
Executive Share Option Plan – 17 January 2014	10 years	April 2016-January 2024	25.0	25.0	82,418
Executive Share Option Plan – 15 May 2014	10 years	April 2017-May 2024	25.0	25.0	94,781
Executive Share Option Plan – 1 October 2015	10 years	April 2018-October 2025	25.0	25.0	505,000
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	280,000
Executive Share Option Plan – 13 February 2018	10 years	April 2021-February 2028	25.0	25.0	1,383,000
Executive Share Option Plan – 24 May 2018	10 years	December 2020-May 2028	nil-25.0	16.9	525,000
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	270,000
Executive Share Option Plan – 4 December 2019	10 years	April 2022-December 2029	nil	nil	1,104,167
					5,006,233

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. These options lapsed in May 2020 since the share price remained below the exercise price.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

24. Share-based payments continued

Executive Share Option Plan ('ESOP')

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

Options 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 Advertising Intelligence business and therefore possessing price sensitive information. In 2018 options were granted in respect of the years ending 31 December 2016, 2017 and 2018. The options awarded in respect of the years ended 31 December 2016 and 31 December 2017 vest based on a sliding scale of compound growth of adjusted diluted EPS over a five-year period of between 4% and 10%.

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.

No share options (2019: 1,812,500) have been granted to employees under the ESOP in the year ended 31 December 2020.

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 2020, 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 2020.

Movements in outstanding ordinary share options:

	Year ended 31 December 2020		Year ended 31 December 2019	
	Number of share options	**Weighted average exercise price (pence)**	Number of share options	Weighted average exercise price (pence)
Outstanding at beginning of year	**10,889,463**	**28.8**	11,333,071	28.6
Granted during the year	**–**	**–**	1,812,500	–
Exercised during the year	**(30,000)**	**–**	(1,002,436)	0.25
Lapsed during the year	**(5,853,230)**	**–**	(1,253,672)	–
Performance criteria not expected to be met	**–**	**–**	–	–
Outstanding at the end of the year	**5,006,233**	**17.7**	10,889,463	28.8
Exercisable at the end of the year	**1,619,065**	**23.5**	5,976,963	33.2

During the year, no share options were granted (2019: share options were granted with a weighted average fair value of 41.1p). These fair values were calculated using the Black-Scholes model with the following inputs:

	Year ended 31 December 2020	Year ended 31 December 2019
Weighted average share price	**–**	41.1p
Exercise price	**–**	nil
Expected volatility[1]	**–**	38.80%
Vesting period	**–**	2 to 2.5 years
Risk-free interest rates	**–**	0.57% to 0.61%

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

24. Share-based payments continued

Unapproved Company Share Option Plan ('UCSOP') continued

Options exercised in the year resulted in 30,000 shares (2019: 1,002,436 shares) being issued at nil cost per share. (2019: weighted average cost of 25p). The weighted average share price on the dates of exercise for options exercised during the year was 25.0p (2019: 51.0p).

The options outstanding at the end of the year have a weighted average remaining contractual life of 1.3 years (31 December 2019: 2.2 years), with a range of exercise prices between nil and 25p.

The total charge in respect of share option schemes recognised in the consolidated income statement during the year amounted to a credit of £1,845,000 (2019: a charge of £195,000).

25. Capital and financial risk management

General objectives, policies and processes

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

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 2020 £'000	Restated 31 December 2019 £'000
Financial assets:		
Cash and cash equivalents	**11,121**	8,236
Financial liabilities held at amortised cost:		
Bank overdraft	**—**	—
Bank borrowings	**(18,880)**	(13,832)
Government borrowings	**(750)**	—
Net debt	**(8,509)**	(5,596)
Equity	**(30,746)**	(37,892)
Capital	**(39,255)**	(43,488)

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 years 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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

25. Capital and financial risk management continued

Credit risk continued

Trade receivables continued

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

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

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

Financial assets past due but not impaired

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

	Total £'000	Past due + 30 days £'000	Past due + 60 days £'000
At 31 December 2020	**3,631**	**2,225**	**1,406**
At 31 December 2019	3,848	1,827	2,021

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

	31 December 2020			31 December 2019		
	Gross value £'000	**Provision £'000**	**Carrying value £'000**	Gross value £'000	Provision £'000	Carrying value £'000
Trade receivables	**15,895**	**(301)**	**15,594**	16,153	(75)	16,078

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:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Opening balance	**75**	73
Increase in provision	**266**	83
Written off against provision	**(1)**	(41)
Recovered amount reversed	**(37)**	(40)
Recovered amount reversed	**(2)**	—
Closing balance	**301**	75

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

25. Capital and financial risk management continued

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 £72,000 (2019: £67,000).

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 2020		Restated 31 December 2019	
	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	**111**	**2,069**	99	2,379
10% strengthening of euro	**172**	**1,281**	339	1,143
10% strengthening of Australian dollar	**(12)**	**631**	10	653

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

The currency profile of the financial assets at 31 December 2020 is as follows:

	Cash and cash equivalents		Net trade receivables	
	31 December 2020 £'000	31 December 2019 £'000	**31 December 2020 £'000**	31 December 2019 £'000
Pounds sterling	**1,999**	1,731	**4,518**	4,621
US dollar	**1,752**	1,588	**4,060**	3,360
Euro	**4,570**	3,227	**5,990**	6,527
Australian dollar	**1,223**	555	**395**	683
Russian rouble	**280**	243	**198**	343
Singapore dollar	**174**	233	**47**	(35)
Chinese renminbi	**950**	555	**119**	423
Indian rupee	**40**	—	**60**	20
New Zealand dollar	**8**	—	**9**	117
South African rand	**—**	—	**—**	19
United Arab Emirate dirham	**125**	104	**103**	—
Chilean peso	**—**	—	**5**	—
Swiss franc	**—**	—	**90**	—
	11,121	8,236	**15,594**	16,078

Other price risks

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

25. Capital and financial risk management continued

Liquidity risk

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

The liquidity risk of each Group company is managed centrally by the Group. All surplus cash in the UK is held centrally to maximise the returns on deposits through economies of scale. The type of cash instrument used, and its maturity date will depend on the Group's forecast cash requirements. Throughout the year, the Group maintained a revolving credit facility with Barclays and NatWest (see note 19) to manage any short-term cash requirements. At 31 December 2020, £4,000,000 (31 December 2019: £9,000,000) 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.

The Group implemented cost management measures in response to maintain liquidity and protect the business while also preserving jobs. These included a hiring and pay freeze, temporary salary reductions for the Board and some senior managers, and the use of government support schemes in Australia, China, France, UK and USA. The Group also renegotiated the covenants on our banking facilities and deferred the payment of dividends until economic and business conditions become more certain.

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 2020 £'000	31 December 2019 £'000
Current financial assets		
Amortised cost:		
Trade and other receivables[1] (note 15)	**16,389**	16,960
Lease receivables (note 13)	**171**	—
Cash and cash equivalents (note 16)	**11,121**	8,236
	27,681	25,196

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

Financial liabilities

	31 December 2020 £'000	31 December 2019 £'000
Current financial liabilities		
Other financial liabilities at amortised cost:		
Trade and other payables[1]	**2,827**	3,459
Accruals	**5,392**	4,449
Bank overdrafts	**—**	—
Loans and borrowings	**(45)**	(36)
Lease liabilities[2]	**2,338**	1,834
Liabilities at fair value through profit and loss:		
Contingent consideration	**1,957**	14
	12,469	9,720
Non-current financial liabilities		
Other financial liabilities at amortised cost:		
Bank loans and borrowings	**18,925**	13,868
Government borrowings	**750**	—
Lease liabilities[2]	**5,820**	7,756
Liabilities at fair value through profit and loss:		
Contingent consideration	**—**	—
	25,495	21,624
Total financial liabilities	**37,964**	31,344

1. Trade and other payables includes trade payables and other payables and excludes other taxation and social security and contract liabilities.
2. Lease liabilities are those recognised in accordance with IFRS 16.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

25. Capital and financial risk management continued

Financial liabilities continued

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 2020			
Trade and other payables	**2,827**	**—**	**2,827**
Accruals	**5,392**	**—**	**5,392**
Bank loans and overdrafts	**515**	**19,905**	**20,420**
Government borrowings	**—**	**750**	**750**
Lease liabilities[1]	**2,548**	**6,109**	**8,657**
Contingent consideration	**1,957**	**—**	**1,957**
Undiscounted cash flows	**13,239**	**26,763**	**40,002**
Less: finance charges allocated to future periods	**(770)**	**(1,269)**	**(2,039)**
Present value	**12,469**	**25,495**	**37,964**
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
Government borrowings	—	—	—
Lease liabilities[1]	2,111	8,293	10,404
Contingent consideration	14	—	14
Undiscounted cash flows	10,574	24,055	34,629
Less: finance charges allocated to future periods	(854)	(2,431)	(3,285)
Present value	9,720	21,624	31,344

1. Lease liabilities are those recognised in accordance with IFRS 16.

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 2020				
Financial liabilities				
Contingent consideration	**—**	**—**	**1,957**	**1,957**
	—	**—**	**1,957**	**1,957**
At 31 December 2019				
Financial liabilities				
Contingent consideration	—	—	14	14
	—	—	14	14

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

The fair value of the contingent consideration of £1,957,000 (31 December 2019: £14,000) was estimated by applying the income approach. The fair value estimates are based on a discount rate of 2.3% forecast EBIT of Ebiquity Italy Media Advisor S.r.l. and Ebiquity Marsh Limited. This is a Level 3 fair value measurement. The key assumption in calculating the contingent consideration payable is the discount rate.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

26. Dividends

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Dividend in respect of the prior year	–	534
Total dividend paid	**–**	534

No dividends were paid during the current financial year (2019: £534,000). Dividends were paid to non-controlling interests as shown in the consolidated statement of changes in equity.

27. Cash generated from operations

	Year ended 31 December 2020 £'000	Restated Year ended 31 December 2019 £'000
(Loss) before taxation	**(3,887)**	(5,661)
Adjustments for:		
Depreciation (notes 12 and 13)	**2,761**	2,163
Amortisation (note 11)	**2,087**	2,042
Loan fees written off	**–**	58
(Gain)/loss on disposal	**(3)**	5
Impairment of right-of-use assets (note 13)	**24**	641
Impairment of goodwill (note 10)	**817**	5,989
Impairment of intangibles (note 11)	**–**	761
Unrealised foreign exchange loss	**35**	47
Share option (credits)/charges (note 3)	**(1,845)**	195
Finance income (note 6)	**(39)**	(9)
Finance expenses (note 6)	**915**	907
Contingent consideration revaluations (note 3)	**791**	(779)
	1,656	6,359
Decrease in trade and other receivables	**2,457**	2,136
Increase/(decrease) in trade and other payables	**1,714**	(2,838)
Movement in provisions	**–**	–
Cash generated from operations	**5,827**	5,657

28. 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).

Digital Decisions B.V.

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 in the year to 31 December 2020 and the second will be based on the average performance for the two years ended 31 December 2022.

Due to the integration of the Digital Decisions service with the Group's overall digital media products, the basis of the revenue included in the performance calculation for the two years ended 31 December 2022 was amended to include the contribution from all digital media products developed by the Digital Innovation Centre. The multiple applied in calculating the contingent consideration was reduced from 8 times to 6 times the average of the relevant profits generated in 2021 and 2022.

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

	£'000
Cash	**597**

As discussed in note 19, the deferred payments constitute post-date remuneration and therefore will be accrued in accordance to the period they relate. The amount owing for the first deferred payment in relation to the performance for the year ending 31 December 2020 has been determined as £nil, therefore no accrual is required as at 31 December 2020.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

28. Acquisitions continued

Digital Decisions B.V. continued

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

	Carrying value £'000	Fair value adjustment £'000[1]	Fair value £'000
Brands	–	70	70
Property, plant and equipment	16	–	16
Trade and other receivables	127	–	127
Cash and cash equivalents	10	–	10
Trade and other payables	(97)	–	(97)
Deferred tax liabilities	–	(13)	(13)
Net assets acquired	**56**	**57**	**113**
Goodwill arising on acquisition[2]			484
Purchase consideration recognised on acquisition			**597**

1. The fair value adjustments relate to the finalisation of the allocation of the purchase consideration accounting for intangible assets (brands) and deferred tax liabilities.
2. The goodwill recognised of £484,000 is attributable to the assembled workforce, expected synergies and other intangible assets, which do not qualify for separate recognition. None of the goodwill arising from the acquisition is expected to be tax deductible.

Digital Decisions contributed £429,000 to revenue and a loss of £56,000 to loss before tax for the period between the date of acquisition and the year ended 31 December 2020. Acquisition-related costs of £37,000 were incurred during the year ended 31 December 2020 and have been recognised within highlighted items. Refer to note 3 for further details.

Ebiquity Italy Media Advisor S.r.l.

On 3 February 2020, the Group agreed to acquire the remaining 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 completed on 28 May 2020, following the approval of the Group's audited financial statements. The total consideration of €3,648,000 (£3,086,000) was based on an average of Ebiquity Italy's profit before tax and management charges for the years ending 31 December 2018 and 2019.

The consideration is being paid in a combination of cash and Ebiquity plc shares. At completion, 25% of the total consideration was settled by the issue of 2,437,628 Ebiquity plc shares and 5% in cash. As at 31 December 2020 €1,427,000 (£1,303,000) remains outstanding. All contingent consideration payments were paid by 1 March 2021.

Ebiquity Russia Limited/Ebiquity Russia OOO

On 24 December 2020, the Group acquired a further 24.95% in its subsidiary undertakings, Ebiquity Russia Limited and Ebiquity Russia OOO (collectively, 'Ebiquity Russia'), from its minority shareholder Vladimir Rass. The total consideration of US$517,000 (£405,000) is based on a multiple of Ebiquity Russia's profit before tax and management charges for the year ending 31 December 2020 and was paid in full on completion on 24 December 2020. The Group now holds 75.05% of the share capital of each of these companies.

Notes to the consolidated financial statements continued

for the year ended 31 December 2020

29. Disposals

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 2020, all contractual requirements with remaining clients have been fulfilled.

30. 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.

31. 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 (2019: £2,000) for a membership subscription were charged to the Company by the Quoted Companies Alliance, a company of which Alan Newman was a director until 29 October 2020.

32. Events after the reporting period

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

Company statement of financial position

as at 31 December 2020

	Note	31 December 2020 £'000	31 December 2019 £'000
Fixed assets			
Intangible assets	7	**2,794**	2,309
Right-of-use assets	8	**3,054**	4,025
Investments in subsidiaries	9	**48,807**	49,082
Deferred tax asset	10	**201**	91
Total fixed assets		**54,856**	55,507
Current assets			
Trade and other receivables	11	**27,312**	22,712
Cash at bank and in hand		**53**	263
Total current assets		**27,365**	22,975
Creditors: amounts falling due within one year	12	**(28,091)**	(44,856)
Net current liabilities		**(726)**	(21,881)
Total assets less current liabilities		**54,130**	33,626
Creditors: amounts falling due after more than one year	13	**(22,069)**	(18,473)
Net assets		**32,061**	15,153
Equity			
Called up share capital	14	**20,646**	20,029
Share premium account	15	**255**	46
Other reserves	15	**(733)**	(733)
Retained earnings	15	**11,893**	(4,189)
Total shareholders' funds		**32,061**	15,153

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 profit for the year of £17,936,000 (2019: loss for the year of £6,864,000).

The notes on pages 139 to 149 are an integral part of the financial statements of the Company. The financial statements on pages 137 and 138 were approved and authorised for issue by the Board of Directors on 24 March 2021 and were signed on its behalf by:

Alan Newman
Director

Ebiquity plc. Registered No. 03967525

25 March 2021

Company statement of changes in equity

for the year ended 31 December 2020

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2019		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	14	251	2	—	—	253
Share-based payments charge		—	—	—	33	33
Capital contribution relating to share-based payments		—	—	—	162	162
Dividends to shareholders	14	—	—	—	(534)	(534)
At 31 December 2019		20,029	46	(733)	(4,189)	15,153
Profit for the year		**—**	**—**	**—**	**17,936**	**17,936**
Other comprehensive result for the year		**—**	**—**	**—**	**—**	**—**
Total comprehensive income for the year		**—**	**—**	**—**	**17,936**	**17,936**
Proceeds from shares issued	14	**617**	**209**	**—**	**(8)**	**818**
Share-based payments credit		**—**	**—**	**—**	**(1,570)**	**(1,570)**
Capital contribution relating to share-based payments		**—**	**—**	**—**	**(276)**	**(276)**
Dividends to shareholders	14	**—**	**—**	**—**	**—**	**—**
At 31 December 2020		**20,646**	**255**	**(733)**	**11,893**	**32,061**

The notes on pages 139 to 149 are an integral part of the financial statements of the Company.

Notes to the Company financial statements

for the year ended 31 December 2020

1. General information

Ebiquity plc (the 'Company') acts as a holding company and is incorporated and domiciled in the UK. The Company is a public limited company and is limited by shares. 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 2020 whilst the comparatives represent the results for the year ended 31 December 2019.

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

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared on a going concern basis. The Company meets its day-to-day working capital requirements through its cash reserves and borrowings, described in note 19 to the consolidated financial statements. As at 31 December 2020, the Company has undrawn bank facilities available of £5,000,000.

The lenders, Barclays and NatWest Bank, have agreed to covenant waivers and modifications where required in order to negate the risk of any future covenant breaches.

The existing covenants remained in place for the 12 months to March 2020 and June 2020 and were achieved. In response to the disruption caused by the Covid-19 pandemic, modified covenants were agreed with the lenders in May 2020 which applied from July 2020 to 30 November 2021. These require the Group to maintain minimum liquidity of at least £5 million at the end of every month during that period. In March 2021, a further covenant amendment was agreed with the lenders. With effect from September 2021, the minimum liquidity covenant will increase to £7.0 million and will be in place until June 2022. In addition, with effect from September 2021 an interest cover covenant will be reintroduced at > 4.0 and an adjusted leverage covenant will also be reintroduced initially at < 4.0, increasing to < 4.25 in December 2021 and to < 4.5 in March 2022, then reducing to < 3.5 in June 2022. The original covenants which were in force until June 2020 will apply again from September 2022 onwards.

In assessing the going concern status of the Group and Company, 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. Specifically, the Directors have prepared a model to forecast covenant compliance and liquidity to 31 December 2022 that includes a base case and scenario to form a severe but plausible downside case.

The base case assumes growth in Group revenue and EBITDA when compared to the outturn of FY20 and assumes that trading will recover to 2019 levels by 31 December 2022. The severe but plausible case assumes a downside adjustment to Group revenue of 7%, offset by mitigating factors within the control of the Directors. Under both of these cases, there is headroom on covenant compliance and liquidity throughout the going concern period.

The Directors have also considered a scenario that leads to a breach in covenants, a form of reverse stress test. Actual trading in FY21 and the proportion of secured revenue at this time, is ahead of last year and whilst there is inherent uncertainty in trading for the second half of FY21 and into FY22, trading levels would need to significantly reduce to a level that is consistent with FY20 for there to be a breach in covenants. This scenario is not deemed plausible by the Directors.

In addition, the downside assumptions that are applied to the base case are different from those modelled at the half year. The Directors are satisfied that based on the current trading performance of the Group and Company, the proven ability of the Group and Company to work remotely and still serve clients during the pandemic and the current vaccine roll outs, the prior downside assumptions are no longer plausible.

The Directors consider that the Group and Company will have sufficient liquidity within existing bank facilities, totalling £24,000,000 to meet its obligations during the next 12 months and hence consider it appropriate to prepare the financial statements on a going concern basis.

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

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);

Notes to the Company financial statements continued

for the year ended 31 December 2020

2. Basis of preparation continued

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, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

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.

Notes to the Company financial statements continued

for the year ended 31 December 2020

2. Basis of preparation continued

Dividend distribution

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

Intangible assets

Computer software

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

Internally generated intangible assets – development expenditure

Internally generated intangible assets relate to bespoke computer software and technology developed by the Group's internal software development team. During the year, the Company generated £1,053,000 of internally generated intangible assets (2019: £747,000).

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.

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.

Notes to the Company financial statements continued

for the year ended 31 December 2020

2. Basis of preparation continued

Leases continued

Lease liabilities continued

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.

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.

Notes to the Company financial statements continued

for the year ended 31 December 2020

2. Basis of preparation continued

Financial instruments continued

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.

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 profit for the year of £17,936,000 (2019: loss for the year of £6,864,000).

Notes to the Company financial statements continued

for the year ended 31 December 2020

4. Operating profit

Auditors' remuneration

Fees for the audit of the Company were £3,000 (2019: £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. Employee information

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

	Year ended 31 December 2020 Number	Year ended 31 December 2019 Number
IT development and support	**16**	16
Administration	**19**	20
Directors	**6**	7
	40	43

At 31 December 2020, the total number of employees of the Company was 41 (31 December 2019: 42).

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

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Wages and salaries	**2,567**	3,575
Social security costs	**413**	334
Other pension costs	**88**	135
Share options (credit)/charge	**(1,570)**	33
Total staff costs	**1,499**	4,077

6. Tax on profit/(loss)

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
The tax charge is made up as follows:		
Current tax	**19**	19
Deferred tax		
Origination and reversal of timing differences	**(110)**	(91)
Taxation	**—**	—
Total tax credit	**(91)**	(72)

The tax assessment for the year differs (2019: differs) to the standard rate of corporation tax in the UK of 19.00% (31 December 2019: 19.00%).

The differences are explained below:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Profit/(loss) before taxation	**17,844**	(6,936)
Profit/(loss) at the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	**3,390**	(1,318)
Effects of:		
(Income) not taxable/expenses not deductible	**(3,972)**	269
Additions to intangibles	**20**	(127)
Relieved to other Group companies	**562**	1,176
Adjustments to tax credit in respect of prior years	**19**	15
Withholding tax suffered	**—**	4
Deferred tax	**(110)**	(91)
Tax credit for the year	**(91)**	(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 2020

7. Intangible assets

	Research and development £'000	Computer software £'000	Total £'000
Cost			
At 1 January 2020	2,252	1,576	3,828
Additions	**1,053**	**–**	**1,053**
At 31 December 2020	**3,305**	**1,576**	**4,881**
Amortisation			
At 1 January 2020	(586)	(933)	(1,519)
Charge for the year	**(313)**	**(255)**	**(568)**
At 31 December 2020	**(899)**	**(1,188)**	**(2,087)**
Net book value			
At 31 December 2020	**2,406**	**388**	**2,794**
At 31 December 2019	1,666	643	2,309

8. Right-of-use assets and lease liabilities

Right-of-use assets

	Buildings £'000	Total £'000
Cost		
At 1 January 2019	–	–
Assets recognised on adoption of IFRS 16 on 1 January 2019	–	–
Additions	5,001	5,001
At 31 December 2019	5,001	5,001
Disposals	**(65)**	**(65)**
At 31 December 2020	**4,936**	**4,936**
Accumulated depreciation		
At 1 January 2019	–	–
Charge for the year	(472)	(472)
Impairment for the year	(504)	(504)
At 1 January 2020	(976)	(976)
Charge for the year	**(1,007)**	**(1,007)**
Impairment for the year	**101**	**101**
At 31 December 2020	**(1,882)**	**(1,882)**
Net book value		
At 31 December 2020	**3,054**	**3,054**
At 31 December 2019	4,025	4,025

Notes to the Company financial statements continued

for the year ended 31 December 2020

8. Right-of-use assets and lease liabilities continued

Lease liabilities

	Buildings £'000	Total £'000
Cost		
At 1 January 2019	—	—
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
Cash payments in the year	**(966)**	**(966)**
Interest charge in the year	**130**	**130**
At 31 December 2020	**3,884**	**3,884**
Current	**1,152**	**1,152**
Non-current	**2,732**	**2,732**

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

	Minimum lease payments	
	31 December 2020 £'000	31 December 2019 £'000
Amounts due:		
Within one year	**1,259**	955
Between one and two years	**1,259**	1,264
Between two and three years	**1,259**	1,264
Between three and four years	**315**	1,264
Between four and five years	**—**	319
Later than five years	**—**	—
	4,092	5,066

9. Investments in subsidiaries

	£'000
Cost and net book value	
At 1 January 2019	75,501
Additions	165
Impairment	(7,754)
Disposals	(18,830)
At 31 December 2019	49,082
Disposals	**(275)**
At 31 December 2020	**48,807**

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

The Directors believe that the carrying value of the 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 allocation of £276,000 of the share option credit, being the portion attributable to staff employed by subsidiaries of the Company.

Notes to the Company financial statements continued

for the year ended 31 December 2020

10. Deferred tax asset

	Tangible assets £'000	Total £'000
At 1 January 2019	–	–
Credit to income	91	91
At 31 December 2019	91	91
Credit to income	**110**	**110**
At 31 December 2020	**201**	**201**

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

	31 December 2020 £'000	31 December 2019 £'000
Deferred tax assets – non-current	**201**	91
Deferred tax liabilities – current	**–**	–
Deferred tax liabilities – non-current	**–**	–
	201	91

Deferred tax relates to the timing differences arising on adoption of IFRS 16. A deferred tax asset has arisen since the depreciation of the right-of-use asset exceeds the lease cash payments made.

There are no unrecognised deferred tax assets.

11. Trade and other receivables

	31 December 2020 £'000	31 December 2019 £'000
Trade receivables	**–**	170
Amounts owed by Group undertakings	**26,205**	21,861
Other receivables	**319**	230
Other taxation and social security	**122**	–
Prepayments	**666**	451
	27,312	22,712

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

12. Creditors: amounts falling due within one year

	31 December 2020 £'000	31 December 2019 £'000
Bank loans and overdrafts	**(45)**	(36)
Trade creditors	**823**	787
Amounts owed to Group undertakings	**24,217**	41,817
Corporation tax	**–**	15
Lease liabilities (note 8)	**1,152**	502
Other taxation and social security	**–**	281
Accruals	**1,944**	1,490
	28,091	44,856

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.

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

	31 December 2020 £'000	31 December 2019 £'000
Bank loans – between two and five years	**18,925**	13,868
Provisions	**412**	387
Lease liabilities (note 8)	**2,732**	4,218
	22,069	18,473

All bank borrowings are held jointly with Barclays and NatWest. The new committed facility, totalling £24,000,000, comprises a revolving credit facility ('RCF') of £23,000,000 (of which £19,000,000 was drawn down at 31 December 2020 (31 December 2019: £14,000,000)) 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.

Notes to the Company financial statements continued

for the year ended 31 December 2020

13. Creditors: amounts falling due after more than one year continued

Loan arrangement fees of £120,000 (31 December 2019: £168,000) are offset against the term loan, and are being amortised over the period of the loan. £45,000 of loan arrangement fees have been included within creditors due within one year and the balancing £75,000 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. The provision is expected to be fully utilised by December 2024.

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

14. Called up share capital

	Number of shares	Nominal value £'000
Allotted, called up and fully paid		
At 1 January 2019 – 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
Shares issued	**2,437,628**	**609**
Share options exercised	**30,000**	**8**
At 31 December 2020 – ordinary shares of 25p	**82,583,254**	**20,646**

Ordinary shares carry voting rights which are entitled to share in the profits of the Company. No dividend was paid in the current year (2019: 0.71p per share, a total of £534,000), to shareholders.

15. 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 2019: £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 2019: 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 2019: 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 £11,893,000 (31 December 2019: £nil).

Notes to the Company financial statements continued

for the year ended 31 December 2020

16. Share-based payments

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

17. Commitments

Capital commitments contracted but not provided for by the Company amount to £nil (31 December 2019: £nil).

18. 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.

19. 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 31 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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Shareholders can sign up to receive emails when the Company makes regulatory announcements. Details are on the investor section of the Company's website **www.ebiquity.com**

Glossary

AdIntel	Advertising Intelligence
AIM	Alternative Investment Market
Board	the Board of Directors of Ebiquity plc
CEO	Chief Executive Officer
CFOO	Chief Financial & Operating 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
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
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

Alternative performance measures

In these results we refer to 'underlying' and 'statutory' results, as well as other non-GAAP alternative performance measures.

Alternative performance measures ('APMs') used by the Group are:

- net revenue;
- like-for-like revenue growth;
- underlying operating profit;
- underlying operating margin;
- underlying profit before tax;
- underlying earnings per share; and
- underlying operating cash flow conversion.

Net revenue is the result when project-related costs, comprising external production costs, are deducted from revenue.

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

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

Highlighted items comprise non-cash charges and non-recurring items which are highlighted in the consolidated income statement as their 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 and completed acquisitions and disposals, adjustments to the estimates of contingent consideration on acquired entities, asset impairment charges, management restructuring and other significant one-off items. Costs associated with acquisition identification and early stage discussions with acquisition targets are reported in underlying administrative expenses.

Further details of highlighted items are set out within the financial statements and the notes to the financial statements.

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