

EBIQUITY PLC

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Ebiquity plc ("Ebiquity" or the "Company"), a leading independent marketing and media consultancy, today announces its preliminary results for the 12 months ended 31 December 2019. Ebiquity works with 70 of the world's top 100 advertisers served from 18 offices and by 550 staff.

Headline Results¹

	2019	2018	Change
	£m	£m	£m
Revenue	68.7	69.4	(0.6)
Underlying Operating Profit ²	6.2	6.3	(0.2)
Underlying Profit before Tax ²	5.3	5.2	0.1
Underlying Earnings per Share ²	3.6p	3.7p	(0.1)p
Statutory Operating Profit	(4.2)	(1.4)	(2.8)
Statutory Profit before Tax	(5.1)	(2.5)	(2.6)
Statutory Earnings per Share	(8.8)p	(6.4)p	(2.4)p

Post year-end events: COVID-19 & new CEO

- Business operations and service delivery maintained at normal level during COVID-19 disruption with staff working remotely across global network
- Adverse global economic and media trends are impacting revenue from some clients and sectors
- Cost reduction measures being taken to protect business including use of government support schemes in several countries
- Financial position at 30 April 2020 remains strong: net debt of £6 m; cash balances of £13 m and undrawn bank facilities of £5m
- Successful banking covenant modification from July 2020 to May 2021 (to a simple liquidity test).
- Dividend payment deferred
- Nick Waters, former Executive Chairman, UK & Ireland, Dentsu Aegis Network appointed Group Chief Executive Officer, with effect from 1 July 2020

2019 highlights

- Underlying profit before tax increased to £5.3m (2018: £5.2m) due to reduced interest charge as a result of £20m repayment of the loan facility
- Strong balance sheet: Net debt at 31 December 2019 reduced significantly to £5.6m (31 December 2018: £27.5m) following completion of AdIntel sale in January 2019
- Improved operating cash flow conversion of 144% (2018: 138%)
- Significant client wins include Amazon, Facebook, Nike, Verizon Wireless and Volvo
- Impairment charge of £5.8m taken in relation to Stratigent, the loss-making US MarTech business, following decision to wind-down its operation

Divisional highlights

Media: Media Management, Media Performance and Contract Compliance

- Revenue of £54.6m, increased by 1%
- Contract Compliance revenue increased by 13%
- Media Performance & Management revenue declined by 1%
- Shared service media delivery centre in Spain expanding and delivering operational efficiencies

Analytics and Tech: Advanced Analytics, MarTech and AdTech

- Revenue declined 7% to £14.1m; excluding Stratigent increased by 11%
- Operating profit reduced by 31% to £1.0m
- Advanced Analytics practice expanded into France and USA
- AdTech advisory practice increased revenue by 105%

Note 1: all figures in the table refer to continuing operations following the disposal of the Advertising Intelligence business to Nielsen Media Research which completed on 2 January 2019.

Note 2: 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.

Alan Newman, Interim CEO of Ebiquity said:

“Ebiquity made good progress in 2019 and our results met the Board’s profit expectations, with our high potential consulting practices growing strongly. Since the COVID-19 disruption began we have maintained a high quality service to clients throughout and are proud of all our staff who have responded with admirable resilience and commitment to the challenges during this difficult time.

The Company continues to have a strong liquidity position supported by recent cash conservation measures. Trading in the first quarter of 2020 was as expected. However, the reduction in economic activity and marketing spend caused by COVID-19 has affected our business as some clients and sectors have reduced their service needs while others remain resilient. Our business in 2020 remains difficult to predict with confidence and we continue to withhold guidance.

We will continue to monitor economic conditions closely and adopt a prudent approach to our cost base as we and our clients adapt to, and emerge from the global crisis. We believe that the rapidly changing environment and increasing complexity in advertising markets will reinforce clients’ demand for transparency and data-driven advice on maximising the returns from their media spend.

Despite the uncertain outlook, we remain confident that our market leadership and a management team strengthened by the newly appointed CEO, Nick Waters, will enable the Group to develop the business successfully through the remainder of this year and beyond.

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Chairman's Statement

COVID-19

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

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

Ebiquity plays a key role in providing clarity and transparency to advertisers on their media spend but that means our business is influenced by the macro trends in the advertising markets. The unprecedented economic disruption caused by the reaction to COVID-19 has led to significant reductions in current and forecast global advertising spend which is affecting our business in the current year. This impact varies considerably both between and within sectors and geographies. Some clients, especially in the automotive sector, in which Ebiquity has a strong presence, and in travel, leisure and non-food retail, have reduced their service requirements although many others have remained resilient. Clients are also adjusting their plans frequently both upwards as well as downwards as their business outlook evolves.

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

Business Review

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

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

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

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

Good progress was made during the year towards realigning the cost structure of the business with the revenue base without the AdIntel business. The Group's total underlying costs reduced by 1% to £62.6 million, from £63.0 million and there was a reduction of 3% in the total year-end staff numbers. This was achieved despite the Group having to bear continuing costs of the transitional agreement to deliver support services to Nielsen post the AdIntel sale. The Board and management team are pursuing opportunities to deliver further efficiency gains across the business while also maintaining investments to support growth in high potential service areas, such as advanced analytics.

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

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

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

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

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

Rob Woodward
Chairman

Executive Review

Strategic Direction

With the digital revolution and resulting explosion of marketing channels, the demand from brands for independent media and marketing consulting services continues to grow. Ebiquity is in a unique position to be their leading provider and adviser enabling them to monitor, evaluate and maximise returns from their media spend.

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

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

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

- Designing the media model, including internal and external structures
- Managing and selecting partners, including media and creative agencies and digital advertising services
- Defining objectives, including partner goals and commitments
- Evaluating outcomes
- Optimising plans
- Reviewing compliance with contractual obligations

Our primary differentiators are:

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

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

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

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

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

We recognise that achieving higher revenue growth requires strong relationships with current and potential clients and a clear understanding of their needs so as to tailor our services. A significant challenge is that only a small minority of the Group's clients buy more than one of our services. At the beginning of 2019, we created a team of dedicated (UK based) client account leaders to manage relationships with our key global clients. This initiative, supported by detailed account plans, led to revenue from the clients managed by this team growing by 18% during the year. Much of this increase was generated by introducing Analytics, Adtech and Media Management services into these clients in addition to the traditional Media Performance services. We plan to expand this programme to cover more clients and our non-UK offices as well as to improve targeting and planning for all client accounts.

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

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

Performance in the Year

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

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

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

Practice Growth Rates	%
<u>Media</u>	
Media Performance & Management	(1%)
Contract Compliance	13%
Total Media	1%
<u>Analytics & Tech</u>	
Advanced Analytics	5%
Ad Tech	105%
MarTech	(39%)
Total Analytics & Tech	(7%)

Media

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

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

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

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

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

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

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

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

Analytics and Tech

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

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

During the year, Advanced Analytics continued to expand its client base winning significant global projects, including with Volkswagen and a global telecoms group, and won its first project in the USA for an automotive group. This practice is managed globally from the UK where the largest part of its team of data scientists and analytics specialists is located, supported by a growing delivery capability based in Spain. Its operations

expanded to France during the year with the appointment of a well-regarded senior analytics specialist, who will contribute both to sales and delivery of projects. This has already led to winning a major project for a leading European airline. However, as previously reported, revenue in the year was impacted in the first half by an unexpected, substantial reduction in demand from a UK retail client. As anticipated, the practice recovered well in the second half. One challenge is that our analytics practice is competing for data analysis skills that are in high demand by large companies in sectors such as digital platforms and financial services. To address this, we have established a graduate trainee scheme to help develop our own talent pool.

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

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

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

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

Operating Profit by Segment

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

Group Operating Profit of £6.2 million was slightly lower than in 2018 with a reduction of £0.6 million in that of the main operating segments, offset by a £0.5 million reduction in unallocated central costs. This partly

reflects more costs being borne directly by the operating segments. The reduction in Media profits was largely due to the international media group and the USA. Analytics and Tech's fall in operating profit was mainly due to the losses arising in Stratigent and Digital Balance, both of which achieved small profits in 2018.

Outlook

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

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

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

Financial Review

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

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

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

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

Highlighted items

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

Highlighted items during the year included the following:

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

Taxation

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

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

Earnings per share

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

Dividend

Our Group is in a healthy financial position following the AdIntel sale and extension of bank borrowing facilities to 2023. However, in view of the uncertainty created by the COVID-19 outbreak and its impact on

the global economy, the Board considers it prudent to conserve the Group's cash resources during this time. It will therefore not be proposing the payment of a dividend in respect of 2019 at the forthcoming AGM, and will defer any dividend recommendation until economic and business conditions are more certain.

Equity

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

Cash conversion

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

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

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

Net debt and banking facilities

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

1. Bank debt in the statement of financial position includes £0.2 million (2018: £0.1 million) of loan arrangement fees that have been paid and which are amortised over the remaining life of the facility. The bank debt and net debt figures above exclude these costs.

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

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

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

Statement of financial position and net assets

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

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

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

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

Post-balance sheet events

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 payment will be based on the average performance in the year to 31 December 2021 and the year to 31 December 2022.

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

Alan Newman

Interim Chief Executive Officer / Chief Financial and Operating Officer

Alternative Performance Measures

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

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

- Net revenue
- Like-for-like revenue growth
- Underlying operating profit
- Underlying operating margin
- Underlying profit before tax
- Underlying earnings per share
- 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 detail of highlighted items are set out within the financial statements and the notes to the financial statements.

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2019

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

		Ordinary shares £'000	Share premium £'000	Other reserves ¹ £'000	Retained earnings £'000	Equity attributable to owners of the parent £'000	Non- controlling interests £'000	Total equity £'000
	Note							
31 December 2017		19,549	21	4,877	27,495	51,942	1,040	52,982
(Loss)/profit for the year		—	—	—	(5,806)	(5,806)	472	(5,334)
Other comprehensive income		—	—	267	—	267	—	267
Total comprehensive income/(expense) for the year		—	—	267	(5,806)	(5,539)	472	(5,067)
Shares issued for cash		229	23	—	—	252	—	252
Share options charge	3	—	—	—	394	394	—	394
Dividends paid to shareholders	12	—	—	—	(527)	(527)	—	(527)
Dividends paid to non-controlling interests		—	—	—	—	—	(520)	(520)
31 December 2018		19,778	44	5,144	21,556	46,522	992	47,514
(Loss)/profit for the year		—	—	—	(8,007)	(8,007)	451	(7,556)
Other comprehensive expense		—	—	(716)	—	(716)	—	(716)
Total comprehensive (expense)/income for the year		—	—	(716)	(8,007)	(8,723)	451	(8,272)
Shares issued for cash		251	2	—	—	253	—	253
Share options charge	3	—	—	—	195	195	—	195
Acquisition of minority interest		—	—	—	(252)	(252)	(83)	(335)
Dividends paid to shareholders	12	—	—	—	(534)	(534)	—	(534)
Dividends paid to non-controlling interests		—	—	—	—	—	(181)	(181)
31 December 2019		20,029	46	4,428	12,958	37,461	1,179	38,640

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

1. Accounting policies

General information

Ebiquity plc (the 'Company') and its subsidiaries (together, the 'Group') exists to help brands optimise return on investment from their marketing spend, working with many of the world's leading advertisers to improve marketing outcomes and enhance business performance. The Group has 18 offices.

The Company is a public limited company, which is listed on the London Stock Exchange's AIM and is incorporated and domiciled in the UK. The address of its registered office is Chapter House, 16 Brunswick Place, London N1 6DZ.

Basis of preparation

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

The consolidated financial statements have been prepared on a going concern basis. The Group meets its day-to-day working capital requirements through its cash reserves and borrowings, described in note 11. As at 31 December 2019, the Group had cash balances of £8,236,000 and undrawn bank facilities available of £10,000,000, and was cash generative and within its banking covenants.

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

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

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

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

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

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

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, the profit on disposal arising in the current year and the results in the comparative year of this segment have been presented within discontinued operations in the income statement. The assets and liabilities of the AdIntel business were reported as held for sale in the statement of financial position in the comparative year.

Basis of consolidation

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

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

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

Revenue recognition

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

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

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

Critical accounting estimates and judgements

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

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

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

Carrying value of goodwill and other intangible assets

Impairment testing requires management to estimate the value-in-use of the cash-generating units to which goodwill and other intangible assets have been allocated. The value-in-use calculation requires estimation of future cash flows expected to arise from the cash-generating unit and the application of a suitable discount rate in order to calculate present value. The sensitivity around the selection of particular assumptions including growth forecasts and the pre-tax discount rate used in management's cash flow projections could significantly affect the Group's impairment evaluation and therefore the Group's reported assets and results. Further details, including a sensitivity analysis, are included in notes 10 and 11 to the consolidated financial statements.

Contingent consideration

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

Taxation

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

Provisions

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

Adoption of new standards and interpretations

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

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

IFRS 16 'Leases' (effective on or after 1 January 2019). This standard replaces IAS 17 'Leases' and related interpretations and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The standard addresses the definition of a lease, recognition and measurement of leases, and it establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on the statement of financial position for lessees. The operating lease charge is replaced by a depreciation charge and an interest charge. IFRS 16 eliminates the two lease classifications that IAS 17 has (operating and finance leases) for the lessee, and instead all leases will have the same classification.

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

	Total £'000
Operating lease commitments disclosed as at 31 December 2018	8,351
Discounted using the lessee's incremental borrowing rate of 3.2% at the date of initial application	8,095
(Less): short-term leases not recognised as a liability	(554)
(Less): leases part of the AdIntel sale	(1,429)
Add: contracts reassessed as lease contracts	56
(Less): change in lease term	(417)
Lease liabilities recognised as at 1 January 2019	5,751
Of which are:	
Current lease liabilities	969
Non-current lease liabilities	4,782
	5,751

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

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

The main impact on the statement of cash flows is higher cash flows from operating activities, since cash payments for the principal part of the lease liability are classified in the net cash flow from financing activities. The tax effect from the adjustments from IFRS 16 have been measured and recognised accordingly.

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

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

Accounting policy for leases

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

Right-of-use assets:

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

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

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

Lease liabilities:

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

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

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

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

Presentational change in income statement

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

The Group believes that this revised classification is more appropriate for the continuing consultancy-based business. The impact of this voluntary change in accounting policy is purely presentational. There is no change to gross profit or operating profit in the consolidated financial statements and there are no further impacts in the consolidated financial statements.

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

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

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

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

2. Segmental reporting

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

Certain operating segments have been aggregated to form three reportable segments: Media, Analytics & Tech and Discontinued operations:

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

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

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

Year ended 31 December 2019

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

Unsatisfied long-term contracts

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

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

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

Significant changes in contract assets and liabilities

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

Year ended 31 December 2018

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

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

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

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

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

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

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

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

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

3. Highlighted items

Highlighted items comprise items which are highlighted in the income statement because separate disclosure is considered relevant in understanding the underlying performance of the business.

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

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

In the current year, a non-cash IFRS 2 charge of £195,000 (31 December 2018: £350,000) was recorded. Separate disclosure is considered relevant to isolate charges and credits which are subject to volatility as a result of non-trading factors.

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

Total severance and reorganisation costs of £1,333,000 (31 December 2018: £1,157,000) were recognised during the year, relating to severances in the UK, the US and Germany as part of management restructuring in those countries. Separate disclosure is considered relevant as these charges are non-recurring and not reflective of the underlying operating costs of the business.

Total acquisition, integration and strategic costs of £960,000 (31 December 2018: £2,469,000) were recognised during the year, primarily consisting of £641,000 being the recognition of, and movement in the year of, impairment to the right-of-use assets recognised in relation to the London, Chicago, Sydney, and Hamburg office leases in accordance with IFRS 16. A further £501,000 was incurred in relation to one-off costs associated with the relocation to the new London premises and £262,000 was incurred in relation to office costs incurred on vacated office space in Hamburg, Sydney, and Chicago. £257,000 was then incurred in relation to the refinancing of the loan facility. Costs of £78,000 were also recognised in relation to the acquisition of Digital Decisions B.V, which completed on 8 January 2020; see note 16 for further details. Partially offsetting this is the adjustment to the fair value of contingent consideration amounting to a credit of £779,000, predominantly arising in relation to the downward revision of the amounts payable in relation to the Digital Balance Australia Pty Limited acquisition. Separate disclosure is considered relevant as these charges are non-recurring and not reflective of the underlying operating costs of the business.

Current tax arising on the highlighted items is included as a cash item, while deferred tax on highlighted items is included as a non-cash item. Refer to note 4 for more detail.

Highlighted items on discontinued operations in the current year comprise the profits on disposal of the AdIntel and the Reputation business respectively of £1,408,000 and £36,000 and the tax charge arising thereon of £2,462,000.

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

4. Taxation charge/(credit)

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

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

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

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

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

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

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

5. Discontinued operations

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

On 19 March 2018, the Group entered into an agreement to sell the business assets of its Reputation division to Echo Research Holdings Limited. Completion took place on 31 March 2018. The consideration payable was dependent upon the revenue performance of the business during the 12 months following completion. The consideration resulting was £36,000, half of which was paid in the year and the balance is payable in June 2020. The results of this division have been presented within discontinued operations as appropriate.

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

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

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

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

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

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

	Year ended 31 December 2019			Year ended 31 December 2018		
	AdIntel £'000	Reputation £'000	Total £'000	AdIntel £'000	Reputation £'000	Total £'000
Cash received or receivable:						
Cash	26,000	36	26,036	—	—	—
Decrease of consideration	(1,155)	—	(1,155)	—	—	—
Total disposal consideration	24,845	36	24,881	—	—	—
Carrying amount of net assets/(liabilities) sold (note 10)	23,060	—	23,060	—	(34)	(34)
Costs to sell – current year	95	—	95	—	—	—
Reclassification of foreign currency translation reserve	282	—	282	—	—	—
Total	23,437	—	23,437	—	(34)	(34)
Gain on sale before income tax	1,408	36	1,444	—	34	34
Income tax charge on gain	(2,455)	(7)	(2,462) ¹	—	(11)	(11)
(Loss)/gain on sale after income tax	(1,047)	29	(1,018)	—	23	23
Costs to sell – prior year	(3,176)	—	(3,176)	—	—	—
(Loss)/gain on sale after income tax - total	(4,223)	29	(4,194)	—	23	23

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

6. Earnings per share

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

	Year ended 31 December 2019			Year ended 31 December 2018		
	Continuing £'000	Discontinued £'000	Total £'000	Continuing £'000	Discontinued £'000	Total £'000
Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the parent	(6,989)	(1,018)	(8,007)	(4,985)	(822)	(5,806)
Adjustments:						
Impact of highlighted items (net of tax) ¹	9,864	1,018	10,882	7,887	1,485	9,371
Earnings for the purpose of underlying earnings per share	2,875	—	2,875	2,902	663	3,565
Number of shares:						
Weighted average number of shares during the year						
– basic	79,490,174	79,490,174	79,490,174	78,557,977	78,557,977	78,557,977
– dilutive effect of share options	1,155,106	1,155,106	1,155,106	4,176,597	4,176,597	4,176,597
– diluted	80,645,280	80,645,280	80,645,280	82,734,574	82,734,574	82,734,574
Basic earnings per share	(8.79)p	(1.28)p	(10.07)p	(6.35)p	(1.05)p	(7.40)p
Diluted earnings per share	(8.79)p	(1.28)p	(10.07)p	(6.35)p	(1.05)p	(7.40)p
Underlying basic earnings per share	3.62p	0.00p	3.62p	3.70p	0.84p	4.54p
Underlying diluted earnings per share	3.57p	0.00p	3.57p	3.51p	0.80p	4.31p

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

7. Goodwill

	£'000
Cost	
At 1 January 2018	62,446
Additions ¹	140
Reclassification of available-for-sale asset ²	(22,299)
Foreign exchange differences	223
At 31 December 2018	40,510
Disposals ³	(3,129)
Foreign exchange differences	(632)
At 31 December 2019	36,749
Accumulated impairment	
At 1 January 2018	(3,129)
Impairment ⁴	(2,607)
At 31 December 2018	(5,736)
Impairment ⁵	(5,989)
Disposals ³	3,129
Foreign exchange differences	256
At 31 December 2019	(8,340)
Net book value	
At 31 December 2019	28,409
At 31 December 2018	34,774

^{1.} £140,000 of goodwill was recognised following the revaluation of contingent consideration payable for the acquisition of Digital Balance Australia Pty Limited.

^{2.} Goodwill in relation to the Intel segment of £22,299,000 was reclassified to assets held for sale in the prior year statement of financial position. Refer to note 10 for more details.

^{3.} The disposal in the year relates to the write off of the goodwill cost and accumulated amortisation in relation to the Reputation division which was sold in the prior year.

^{4.} An impairment of £2,607,000 was recognised in relation to goodwill held in China Media (Shanghai) Management Consulting Company Limited so that the carrying value was adjusted to be in line with the value-in-use.

^{5.} An impairment of £5,082,000 was recognised in relation to goodwill held in Stratigent LLC so that the carrying value was adjusted down to £nil on the decision being taken to wind down this division. A further impairment of £907,000 was recognised for goodwill held in Digital Balance which equates to the downward revision of the contingent consideration payable.

Goodwill has been allocated to the following segments:

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

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

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

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

Under IFRS, an impairment charge is required for goodwill when the carrying amount exceeds the recoverable amount, defined as the higher of fair value less costs to sell and value-in-use.

An impairment of £5,082,000 of goodwill was recognised in the year ended 31 December 2019 in relation to the Analytics USA CGU in order to write down the carrying value in full due to the winding down of the activities of this operation, and a further impairment of £907,000 was recognised to write down the carrying value of the goodwill in the Digital Balance CGU in line with the downward revision of the contingent consideration (year ended 31 December 2018: £2,607,000 determined with reference to the calculated value-in-use of the China CGU of £3,265,000 compared to the carrying value of goodwill of £5,872,000).

Value-in-use calculations

The key assumptions used in management's value-in-use calculations are budgeted operating profit, pre-tax discount rate and the long-term growth rate.

Budgeted operating profit assumptions

To calculate future expected cash flows, management has taken the Board-approved budgeted operating profit ('EBIT') for each of the CGUs for the 2020 financial year.

For the 2021 and 2022 financial years, the forecast EBIT is as per management and market expectations. The forecast 2022 balances are taken to perpetuity in the model. The forecast for 2021 and 2022 uses certain assumptions to forecast revenue and operating costs within the Group's operating segments beyond the 2020 budget.

Discount rate assumptions

The Directors estimate discount rates using rates that reflect current market assessments of the time value of money and risk specific to the CGUs. The three-year pre-tax cash flow forecasts have been discounted at between 7.0% and 12.0% (31 December 2018: between 7.0% and 12.1%).

Growth rate assumptions

Cash flows beyond the three-year period are extrapolated at a rate of 2.25% (31 December 2018: 2.25%), which does not exceed the long-term average growth rate in any of the markets in which the Group operates.

The excess of the value-in-use to the goodwill carrying values for each CGU gives the level of headroom in each CGU. The estimated recoverable amounts of the Group's operations in all CGUs significantly exceed their carrying values, with the exception of the China and Media America CGUs.

Sensitivity analysis

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

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

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

8. Other intangible assets

	Capitalised development costs £'000	Computer software £'000	Purchased intangible assets ¹ £'000	Total intangible assets £'000
Cost				
At 31 January 2018	5,530	3,472	25,333	34,335
Additions	1,084	57	—	1,141
Reallocation	29	17	—	46
Reclassification of available-for-sale asset ²	(3,361)	(894)	(7,543)	(11,798)
Foreign exchange differences	(24)	23	91	90
At 31 December 2018	3,258	2,675	17,881	23,814
Additions	1,203	13	—	1,216
Reallocation	10	—	—	10
Disposals	(388)	(139)	(1,402)	(1,929)
Foreign exchange differences	(49)	(24)	(314)	(387)
At 31 December 2019	4,034	2,525	16,165	22,724
Amortisation and impairment				
At 31 January 2018	(1,949)	(1,896)	(17,367)	(21,212)
Charge for the year – continuing operations ³	(326)	(428)	(1,240)	(1,994)
Charge for the year – discontinued operations ³	(590)	(85)	(617)	(1,292)
Impairment ⁴	(125)	—	—	(125)
Reallocation	—	(46)	—	(46)
Reclassification of available-for-sale asset ²	1,726	894	6,801	9,421
Foreign exchange differences	6	(45)	(50)	(89)
At 31 December 2018	(1,258)	(1,606)	(12,473)	(15,337)
Charge for the year ³	(464)	(409)	(1,169)	(2,042)
Impairment ⁴	(155)	—	(607)	(762)
Reallocation	(10)	—	—	(10)
Disposals	388	134	1,402	1,924
Foreign exchange differences	28	28	210	266
At 31 December 2019	(1,471)	(1,853)	(12,637)	(15,961)
Net book value				
At 31 December 2019⁵	2,563	672	3,528	6,763
At 31 December 2018	2,000	1,069	5,408	8,477

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

9. Right-of-use assets and lease liabilities

Right-of-use assets:

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

Lease liabilities:

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

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

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

10. Assets and liabilities held for sale

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

On 12 February 2018, the Group agreed to dispose of the AdIntel business to Nielsen for gross consideration of £26,000,000. This transaction was subject to certain conditions, including approval from the Competition and Markets Authority ('CMA') who immediately commenced a Phase I examination. This led to a Phase II examination that was not concluded until November 2018. This disposal to Nielsen was completed on 2 January 2019. The gross consideration was dependent upon a working capital target position at the date of completion. The working capital acquired by Nielsen was below this target and a resulting repayment was made to Nielsen of £1,155,000 on 31 October 2019; net consideration was therefore £24,845,000.

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

In accordance with IFRS 5, the AdIntel business was treated as an asset held for sale as at 31 December 2018 since, at this date, the sale was deemed to be probable, and the disposal of AdIntel will signal a complete exit from this service line.

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

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

11. Financial liabilities

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

¹Loan fees were payable on amending the banking facility and are being recognised in the income statement on a straight-line basis to the maturity date of the facility, this being August 2024.

	Bank overdrafts £'000	Bank borrowings £'000	Finance lease liabilities £'000	Contingent consideration £'000	Total £'000
At 1 January 2018	407	33,161	4	2,094	35,666
Recognised on acquisition	—	—	—	148	148
Paid	—	(70)	—	(858)	(928)
Charged to the income statement	—	59	—	238	297
Discounting charged to the income statement	—	—	—	(78)	(78)
Borrowings	1,972	2,000	—	—	3,972
Repayments	—	(1,250)	(4)	—	(1,254)
Foreign exchange released to the income statement	—	—	—	(67)	(67)
At 31 December 2018	2,379	33,900	—	1,477	37,756
Recognised on revaluation	—	—	—	336	336
Paid	—	(180)	—	(983)	(1,163)
Charged to the income statement	—	112	—	(989)	(877)
Discounting charged to the income statement	—	—	—	218	218
Repayments	(2,379)	(20,000)	—	—	(22,379)
Foreign exchange released to the income statement	—	—	—	(45)	(45)
At 31 December 2019	—	13,832	—	14	13,846

A currency analysis for the bank borrowings is shown below:

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

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

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

The facility bears variable interest of LIBOR plus a margin of 2.25%. The margin rate is able to be lowered each quarter end depending on the Group's net debt to EBITDA ratio.

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

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

Contingent consideration represents additional amounts that are expected to be payable for acquisitions made by the Group and is held at fair value at the statement of financial position date. All amounts are expected to be fully paid by June 2020.

12. Dividends

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

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

13. Cash generated from operations

	31 December 2019 £'000	31 December 2018 £'000
(Loss) before taxation	(5,061)	(2,504)
Adjustments for:		
Depreciation	2,163	665
Amortisation (note 8)	2,042	1,994
Loan fees written off	58	—
Gain on disposal	5	—
Impairment of right-of-use assets (note 9)	641	—
Impairment of goodwill (note 7)	5,989	2,732
Impairment of intangibles (note 8)	761	—
Unrealised foreign exchange loss	47	320
Share option charges (note 3)	195	350
Finance income	(9)	(25)
Finance expenses	907	1,176
Contingent consideration revaluations (note 3)	(779)	94
	6,959	4,802
Decrease/(increase) in trade and other receivables	1,536	(2,138)
(Decrease)/increase in trade and other payables	(2,838)	1,447
Movement in provisions	—	324
Cash generated from operations – continuing operations	5,657	4,435
Cash generated from operations – discontinued operations	—	3,196
Cash generated from operations	5,657	7,631

14. Acquisitions

Ebiquity Germany GmbH

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

15. Disposals

On 12 February 2018, the Group agreed to dispose of the AdIntel business to Nielsen for gross consideration of £26,000,000. This transaction was subject to certain conditions, including approval from the Competition and Markets Authority ('CMA'), who immediately commenced a Phase I examination. This led to a Phase II examination that was not concluded until November 2018. This disposal to Nielsen was completed on 2 January 2019. The gross consideration was dependent upon a working capital target position at the date of completion. The working capital acquired by Nielsen was below this target and a resulting repayment was made to Nielsen of £1,155,000 on 31 October 2019, resulting in net consideration of £24,845,000.

On 19 March 2018, the Group entered into an agreement to sell the business assets of its Reputation division to Echo Research Holdings Limited; a profit of £34,000 was recognised on disposal. This is the remaining part of the Group's Intel segment in addition to the AdIntel business. Completion took place on 31 March 2018. The consideration payable was £36,000, which was determined with reference to the revenue performance of the business during the 12 months following completion.

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

16. Events after the reporting period

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

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

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

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

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

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

17. Financial Information

The financial information included in this report does not amount to full financial statements within the meaning of Section 434 of Companies Act 2006. The financial information has been extracted from the Group's Annual Report and financial statements for the period ended 31 December 2019, on which an unqualified report has been made by the Company's auditors, PricewaterhouseCoopers LLP. Financial statements for the period ended 31 December 2019 have been delivered to the Registrar of Companies; the report of the auditors on those accounts was unqualified and did not contain a statement under Section 498 of the Companies Act 2006.