

COMPANY REGISTRATION NUMBER 04339257

flashtalking“,”

SIMPLICITY MARKETING LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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SIMPLICITY MARKETING LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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SIMPLICITY MARKETING LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Mr J. Meeks
Mr J. Seigler
Mr J. Nardone
Mr P. Cunningham (resigned 22 August 2016)
Mr D. Freeman (resigned 4 March 2016)

Company Secretaries

Jordan Company Secretaries Limited
(appointed 23 September 2016)

Mrs S. Cunningham
Mr J. Cunningham

Registered office

20-22 Bedford Row
London
WC1R 4JS

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants
& Statutory Auditors
1 Embankment Place
London
WC2N 6RH

SIMPLICITY MARKETING LIMITED

STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2016

The directors present their strategic report for Simplicity Marketing Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2016.

REVIEW OF THE BUSINESS

Simplicity Marketing Limited, trading as "Flashtalking", is an independent ad serving, measuring and technology company, providing best-in-class digital advertising products, service and support for online advertisers, key media buying and creative agencies.

Flashtalking's products facilitate the management, delivery and measuring of all forms of digital advertising across desktop, tablet and mobile. Core aspects include display (including standard ads, dynamic, rich media, video, HTML 5 and mobile), search, social and affiliates.

Flashtalking serves billions of ad impressions throughout US, European and international markets for media groups including Publicis, WPP, Omnicom and Havas. Regional offices are located in London, Leeds, New York, San Francisco, Los Angeles, Chicago, Cologne, Sydney and Amsterdam.

RESULTS AND PERFORMANCE

The results for the Group, as set out on pages 8 to 40, show a profit on ordinary activities before tax of £3,780,271 (2015: £5,036,484). The total equity of the Group is £14,081,512 (2015: £9,113,794).

The performance of the Group during 2016 has produced encouraging results, and following investment in development staff and technology, sets the Group up for further growth into the future.

PRINCIPAL RISKS AND UNCERTAINTIES

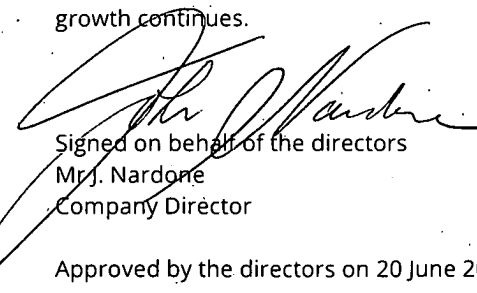
The Group's performance is impacted by the general economic climate in the USA, UK, Germany, The Netherlands, and Australia. This risk is managed by ensuring that the Group operates across a range of markets with a broad client base.

KEY PERFORMANCE INDICATORS ("KPIs")

Given the straightforward nature of the business, the Group's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

BUSINESS ENVIRONMENT

Digital display advertising continues to be a growth channel offering on going opportunities for the Group. Technological innovation is key in the market and competition remains challenging. The Group continues to develop the technology platform required to take advantage of advertiser demand for more and better customisation of marketing activity. The Group remains particularly focused on the mobile vertical as its growth continues.



Signed on behalf of the directors
Mr J. Nardone
Company Director

Approved by the directors on 20 June 2017

SIMPLICITY MARKETING LIMITED

DIRECTORS' REPORT YEAR ENDED 31 DECEMBER 2016

The directors present their report and the audited financial statements of the Group and Company for the year ended 31 December 2016.

RESULTS

The profit for the financial year amounted to £2,326,204 (2015: £3,915,525).

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's operations expose it to a variety of financial risks that include foreign exchange risk, credit risk, liquidity risk and interest risk. The Group has a risk management programme in place that seeks to limit the adverse effect on the financial performance of the Group.

Given the size of the Group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the directors are implemented by the Group's finance department.

FOREIGN EXCHANGE RISK

The Group has assets and liabilities dominated in foreign currencies, mainly US Dollar, Euro, and Australian Dollar. The Group does not use a derivative financial instrument to manage the risk of fluctuating exchange rates, so no hedge accounting is applied. The Group has in place a foreign exchange policy and will reconsider the appropriateness of this policy should the Group's operations change in size or nature.

CREDIT RISK

The Group has no significant concentration of credit risk. Cash and cash equivalents are deposited within high-credit quality financial institutions and trade debtors are due principally from well-established customers. In spite of the well-established customer base, there is still a risk as the customer may default on the payment of their debts and the Group mitigates this risk by performing credit risk assessments on all of its potential customers, prior to the sale being made.

LIQUIDITY RISK

The Group actively manages its finances to ensure that it has sufficient available funds for its operations.

INTEREST RISK

The Group has both interest bearing assets, which are generally held at floating rates, and interest bearing liabilities, which are generally held at fixed rates. The Group monitors its portfolio of interest bearing assets and liabilities and their financial impact. The Group will reconsider the appropriate structure of its portfolio should the Group's operations change in size or nature.

DIRECTORS

The directors who served the Company who were in office during the year and up to the date of signing the financial statements were:

Mr J. Meeks

Mr J. Seigler

Mr J. Nardone

Mr P. Cunningham (resigned 22 August 2016)

Mr D. Freeman (resigned 4 March 2016)

SIMPLICITY MARKETING LIMITED

DIRECTORS' REPORT (continued) YEAR ENDED 31 DECEMBER 2016

STRATEGIC REPORT

Please refer to the Strategic Report on page 2.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group and parent company for that period. In preparing the financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Each of the persons who is a director at the date of approval of this report confirm that:

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

The financial statements on pages 8 to 40 were approved by the Board of Directors on 20 June 2017 and signed on its behalf by Mr J. Nardone.

Registered office:
20-22 Bedford Row
London
WC1R 4JS

Signed on behalf of the directors

Mr J. Nardone

20 June 2017

SIMPLICITY MARKETING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIMPLICITY MARKETING LIMITED

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion:

- Simplicity Marketing Limited's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's profit and the group's and the parent company's cash flows for the year then ended;
 - the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
 - the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
 - the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

The financial statements, included within the Financial Statements (the "Annual Report"), comprise:

- the consolidated and company Balance sheets as at 31 December 2016;
- the consolidated income statement and consolidated Statement of comprehensive income for the year then ended;
- the consolidated and company Statements of cash flows for the year then ended;
- the consolidated and company Statements of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group, the parent company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

SIMPLICITY MARKETING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIMPLICITY MARKETING LIMITED (continued)

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

SIMPLICITY MARKETING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIMPLICITY MARKETING LIMITED *(continued)*

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Samuel Tomlinson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
20 June 2017

SIMPLICITY MARKETING LIMITED

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
Revenue	15	39,893,320	31,248,875
Cost of sales		(2,881,710)	(2,085,391)
Gross Profit		37,011,610	29,163,484
Selling and marketing costs	16	(7,577,727)	(5,874,054)
Administrative expenses		(9,323,284)	(8,708,552)
Technical support and development		(15,972,994)	(9,298,990)
Operating Profit		4,137,605	5,281,888
Finance income	16	40	39
Finance costs		(357,374)	(245,443)
Profit before income tax		3,780,271	5,036,484
Income tax expense	12	(1,454,067)	(1,120,959)
Profit for the financial year		2,326,204	3,915,525

All of the activities of the Group are classed as continuing.

The Company has taken advantage of section 408 of the Companies Act 2006 not to publish its own Profit and Loss Account.

There is no material difference between the profit before income tax and the profit for the year stated above and their historical costs equivalents.

SIMPLICITY MARKETING LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016	2015
	£	£
Profit for the financial year	2,326,204	3,915,525
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Foreign currency translation adjustments	1,656,922	182,706
Total comprehensive income for the year	3,983,126	4,098,231

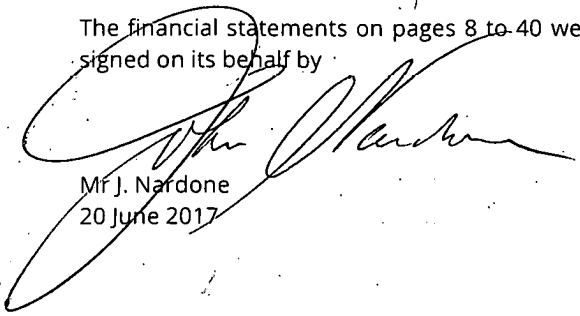
SIMPLICITY MARKETING LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
ASSETS			
Non-current assets			
Intangible assets	4	2,920,368	2,864,388
Property, plant and equipment	5	683,587	951,838
<i>Total non-current assets</i>		<u>3,603,955</u>	<u>3,816,226</u>
Current assets			
Trade and other receivables	7	24,810,369	19,098,505
Cash and cash equivalents	8	2,315,403	1,773,610
<i>Total current assets</i>		<u>27,125,772</u>	<u>20,872,115</u>
Total assets		<u>30,729,727</u>	<u>24,688,341</u>
LIABILITIES			
Non-current liabilities			
Borrowings	9	9,937,500	8,775,000
Deferred consideration*	10	1,049,516	946,432
Deferred tax liabilities	12	383,423	589,913
<i>Total non-current liabilities</i>		<u>11,370,439</u>	<u>10,311,345</u>
Current liabilities			
Trade and other payables	11	4,732,533	4,987,333
Borrowings	9	262,500	225,000
Deferred consideration	10	81,103	-
Current income tax liabilities	12	201,640	50,869
<i>Total current liabilities</i>		<u>5,277,776</u>	<u>5,263,202</u>
Total liabilities		<u>16,648,215</u>	<u>15,574,547</u>
NET ASSETS		<u>14,081,512</u>	<u>9,113,794</u>
EQUITY			
Share capital and share premium	13	85,899	85,899
Share options reserve	14	2,013,682	1,029,090
Other reserves	14	1,647,072	(9,850)
Retained earnings		10,334,859	8,008,655
TOTAL EQUITY		<u>14,081,512</u>	<u>9,113,794</u>

The accompanying notes form an integral part of these financial statements.

The financial statements on pages 8 to 40 were approved by the Board of Directors on 20 June 2017 and signed on its behalf by


Mr J. Nardone
20 June 2017

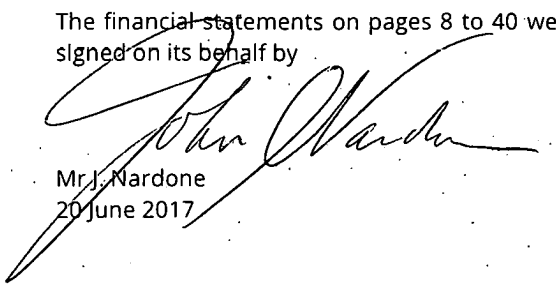
SIMPLICITY MARKETING LIMITED

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
ASSETS			
Non-current assets			
Intangible assets	4	2,757,282	2,739,698
Property, plant and equipment	5	298,431	562,045
Investments	6	28,503	27,951
<i>Total non-current assets</i>		<u>3,084,216</u>	<u>3,329,694</u>
Current assets			
Trade and other receivables	7	17,321,595	12,449,796
Cash and cash equivalents	8	955,135	1,012,417
Current income tax assets	12	195,627	-
<i>Total current assets</i>		<u>18,472,357</u>	<u>13,462,213</u>
Total assets		<u>21,556,573</u>	<u>16,791,907</u>
LIABILITIES			
Non-current liabilities			
Borrowings	9	9,937,500	8,775,000
Deferred consideration	10	1,049,516	946,432
Deferred tax liabilities	12	60,181	51,395
<i>Total non-current liabilities</i>		<u>11,047,197</u>	<u>9,772,827</u>
Current liabilities			
Trade and other payables	11	2,100,578	2,150,480
Borrowings	9	262,500	225,000
Deferred consideration	10	81,103	-
Current income tax liabilities	12	247,973	29,632
<i>Total current liabilities</i>		<u>2,692,154</u>	<u>2,405,112</u>
Total liabilities		<u>13,739,351</u>	<u>12,177,939</u>
NET ASSETS		<u>7,817,222</u>	<u>4,613,968</u>
EQUITY			
Share capital and share premium	14	85,899	85,899
Share options reserve	14	252,019	61,712
Retained earnings		7,479,304	4,466,357
TOTAL EQUITY		<u>7,817,222</u>	<u>4,613,968</u>

The accompanying notes form an integral part of these financial statements.

The financial statements on pages 8 to 40 were approved by the Board of Directors on 20 June 2017 and signed on its behalf by


Mr. J. Nardone
20 June 2017

SIMPLICITY MARKETING LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

Group	Note	Share capital and share premium £	Share option reserve £	Other reserves £	Retained earnings £	Total equity £
Balance at 1 January 2015		85,899	677,923	(192,556)	8,135,870	8,707,136
Profit for the financial year		-	-	-	3,915,525	3,915,525
Other comprehensive income		-	-	182,706	-	182,706
Total comprehensive income for the year		-	-	182,706	3,915,525	4,098,231
Share based schemes charge		-	351,167	-	-	351,167
Dividends provided for or paid		-	-	-	(4,042,740)	(4,042,740)
		-	351,167	-	4,042,740	(3,691,573)
Balance at 31 December 2015		85,899	1,029,090	(9,850)	8,008,655	9,113,794
Profit for the financial year		-	-	-	2,326,204	2,326,204
Other comprehensive income		-	-	1,656,922	-	1,656,922
Total comprehensive income for the year		-	-	1,656,922	2,326,204	3,983,126
Share based schemes charge	14	-	984,592	-	-	984,592
		-	984,592	-	0	984,592
Balance at 31 December 2016		85,899	2,013,682	1,647,072	10,334,859	14,081,512

SIMPLICITY MARKETING LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

Company	Note	Share capital and share premium £	Share option reserve £	Retained earnings £	Total equity £
Balance at 1 January 2015		85,899	-	5,193,188	5,279,087
Profit for the financial year		-	-	3,315,909	3,315,909
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	3,315,909	3,315,909
Share based schemes charge		-	61,712	-	61,712
Dividends provided for or paid		-	-	(4,042,740)	(4,042,740)
		-	-	(4,042,740)	(3,981,028)
Balance at 31 December 2015		85,899	61,712	4,466,357	4,613,968
Profit for the financial year		-	-	3,012,947	3,012,947
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	3,012,947	3,012,947
Share based schemes charge	14	-	190,307	-	190,307
		-	190,307	0	190,307
Balance at 31 December 2016		85,899	252,019	7,479,304	7,817,222

SIMPLICITY MARKETING LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £	2015 £
Cash flows from operating activities			
Cash generated from operations	18	2,687,030	3,048,190
Income taxes paid		(1,454,067)	(1,179,106)
Net cash inflow from operating activities		1,232,963	1,869,084
Cash flows from investing activities			
Payment for acquisition of subsidiary, net of cash acquired		-	(64,950)
Payments for property, plant and equipment	5	(351,214)	(784,529)
Payment for computer software products	4	(1,182,622)	(382,894)
Payment for software development costs	4	-	(912,667)
Interest received		40	39
Net cash outflow from investing activities		(1,533,796)	(2,145,001)
Cash flows from financing activities			
Proceeds from borrowings	9	1,500,000	4,000,000
Repayment of borrowings	9	(300,000)	-
Dividends paid to company's shareholders	14	-	(4,042,740)
Loans granted to acquired subsidiary	22	-	(84,009)
Interest paid		(357,374)	(162,916)
Net cash inflow/(outflow) from financing activities		842,626	(289,665)
Net increase/(decrease) in cash and cash equivalents		541,793	(565,582)
Cash and cash equivalents at the beginning of the financial year	8	1,773,610	2,339,192
Cash and cash equivalents at end of year		2,315,403	1,773,610

SIMPLICITY MARKETING LIMITED

**COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

Company	Note	2016 £	2015 £
Cash flows from operating activities			
Cash generated from operations	18	542,631	2,245,058
Income taxes paid		(170,148)	(9,406)
Net cash inflow from operating activities		372,483	2,235,652
Cash flows from investing activities			
Payments for property, plant and equipment	5	(94,204)	(393,941)
Payment for computer software products	4	(98,929)	(382,894)
Payment for software development costs	4	(1,078,639)	(912,667)
Investment in subsidiary		(552)	-
Interest received		11	39
Net cash outflow from investing activities		(1,272,313)	(1,689,463)
Cash flows from financing activities			
Proceeds from borrowings	9	1,500,000	4,000,000
Repayment of borrowings	9	(300,000)	-
Dividends paid to company's shareholders	14	-	(4,042,740)
Interest paid		(357,452)	(162,916)
Net cash inflow/(outflow) from financing activities		842,548	(205,656)
Net (decrease)/increase in cash and cash equivalents		(57,282)	340,533
Cash and cash equivalents at the beginning of the financial year	8	1,012,417	671,884
Cash and cash equivalents at end of year		955,135	1,012,417

SIMPLICITY MARKETING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

The operating businesses within the Group, trading as "Flashtalking", are independent ad serving, measuring and technology companies providing best-in-class digital advertising products, service and support for online advertisers, key media buying and creative agencies.

The Company is a private limited company incorporated and domiciled in the United Kingdom.

These Group and Company financial statements were authorised for issue by the Board of Directors on 20 June 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied.

2.1. BASIS OF PREPARATION

The consolidated financial statements of the Group and Company have been prepared in accordance with IFRSs as adopted by the European Union, IFRS Interpretations Committee ("IFRS IC") interpretations and the Companies Act 2006 applicable to the companies reporting under IFRSs. The financial statements are presented in Pounds Sterling and have been prepared under the historical cost convention.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates which have been laid out in note 3. Accounting policies have been applied consistently, other than where new policies have been adopted.

Going concern

The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume Simplicity Marketing Limited and its subsidiaries will continue in business. The directors believe that the adoption of the going concern basis in the preparation of the financial statements is appropriate.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 January 2016 have had a material impact on the Company or Group.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2016 and not early adopted

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging

SIMPLICITY MARKETING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1. BASIS OF PRESENTATION (continued)

instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different from that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted, subject to EU endorsement. The impact of IFRS 9 is being assessed by management.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted, subject to EU endorsement. The impact of IFRS 15 is being assessed by management.

IFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted, subject to EU endorsement and the entity adopting IFRS 15 'Revenue from contracts with customers' at the same time. The full impact of IFRS 16 has not yet been assessed.

2.2. BASIS OF CONSOLIDATION

The Group financial statements consolidate the financial statements of the Company and all of its subsidiary undertakings made up to the relevant year end. The subsidiary undertakings' financial periods are coterminous with those of the Company.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2.3. REVENUE RECOGNITION

Revenue represents the amounts receivable for advertising services provided in the normal course of business, net of VAT and other sales related taxes. Revenue is either recognised on the delivery of website advertising impressions or over the period to which the advertising campaign relates.

2.4. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive management team. The Group has identified one operating segment under IFRS 8.

SIMPLICITY MARKETING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5. INTANGIBLE ASSETS

(a) Research and development expenditure

Research expenditure is recognised as an expense as incurred. Directly attributable costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- i. it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- ii. management intends to complete the intangible asset and use or sell it;
- iii. there is an ability to use or sell the intangible asset;
- iv. it can be demonstrated how the intangible asset will generate probable future economic benefits;
- v. adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- vi. the expenditure attributable to the intangible asset during its development can be reliably measured.

Directly attributable costs that are capitalised include the product development employee costs and related management time.

(b) Computer software

Acquired computer software products are capitalised along with the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to five years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

(c) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicated that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating groups that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (see note 4).

2.6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less accumulated depreciation. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value, of each asset, on a straight-line basis over its expected useful life as follows, other than fixtures and fittings which are depreciated on a reducing balance basis:

- Leasehold property: over the term of the lease
- Computer Equipment: 2 years
- Fixtures and fittings: 25% reducing balance

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7. TAXATION

The Company is managed and controlled in the United Kingdom and, consequently, is tax resident in the United Kingdom.

Current tax is calculated on the profits of the period. Current tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred income tax is recognised in other comprehensive income or directly in equity, if the tax relates to items that are credited or charged, in the same or a different period, in other comprehensive income or directly in equity.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses and credits can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.8. TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised in the income statement within selling and marketing costs. When a trade receivable is uncollectable, it is written off against the provision account in trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and marketing costs in the income statement.

2.9. ACCRUED INCOME

Accrued income are amounts due from customers for services performed and which have not yet been invoiced under existing agreements.

Accrued income is recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Provision for impairment is determined, when applicable, when there is objective evidence that the Group will not be able to collect all amounts.

SIMPLICITY MARKETING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10. EMPLOYEE BENEFITS

(a) Pension obligations

The Group operates defined contribution plans. A defined contribution is a pension plan under which the Group pays fixed contributions into an independently administered pension fund.

The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(b) Share-based payment transactions

The Group and Company operate equity-settled share-based compensation plans. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense. The total amount to be expensed over the estimated vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability).

Modifications of the performance conditions are accounted for as a modification under IFRS 2. In particular, where a modification increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognised for the services received over the remainder of the vesting period.

(a) Accrued annual leave

The Group has recognised a provision for accrued, unused annual leave. The provision is measured as the amount which would be paid if settled in full and is presented as Trade and other payables in the balance sheet.

2.11. FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Consolidated Financial Statements are presented in British Pound (GBP), which is the Company's functional and presentation currency.

(b) Transaction balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transaction; and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

SIMPLICITY MARKETING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11. FOREIGN CURRENCY TRANSLATION (continued)

On consolidation, exchange differences arising from the translation of the net qualifying investment in foreign operations are taken to shareholders' equity.

The Group and Company has availed of the exemption in IFRS 1, whereby the cumulative translation differences for all foreign operations were deemed to be reset to zero at the date of transition to IFRS.

2.12. LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to the income statement on a straight-line basis over the period of the lease.

The Group does not have any finance leases.

2.13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

2.14. SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15. INVESTMENT IN SUBSIDIARIES

Investments in equity shares in subsidiaries included in the Company Balance Sheet are stated at cost less provision for impairment. Such investments are tested for impairment at each balance sheet date or earlier if events or circumstances indicate that the carrying amount exceeds its recoverable amount. An impairment loss is recognised in the income statement as the amount by which the asset's carrying amount exceeds its recoverable amount.

2.16. TRADE PAYABLES

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17. FINANCE INCOME AND EXPENSES

Interest income and expenses are recognised on a time-proportion basis using the effective interest method.

2.18. EXCEPTIONAL ITEMS

Exceptional items are material non-recurring items that derive from events or transactions that fall within the ordinary activities of the Group and Company and which individually or, if of a similar type, in aggregate, are separately disclosed by virtue of their size or incidence. Such items may include litigation costs and settlement or once off costs where separate identification is important to gain an understanding of the financial statements. Judgement is used by the Group in assessing the particular items which should be disclosed in the income statement and related notes as exceptional items.

SIMPLICITY MARKETING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19. PROVISIONS

Provisions for legal claims are recognised when the Group and Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

2.20. BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group or Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.21. BUSINESS COMBINATIONS

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary comprises the:

- i. Fair values of the assets transferred
- ii. Liabilities incurred to the former owners of the acquired business
- iii. Equity interests issued by the Group
- iv. Fair value of any asset or liability resulting from a contingent consideration arrangement, and
- v. Fair value of any pre-existing equity interest in the subsidiary

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the acquisition-date fair value of any previous entity interest in the acquired entity, over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in the income statement as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the income statement.

SIMPLICITY MARKETING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group and Company makes estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Capitalisation of development costs

Costs incurred on development projects are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. Judgement is necessary to determine commercial and technical feasibility. These calculations also require the use of estimates, primarily around the level of directly attributable management and supervisory time, bug fixing (i.e. rebasing and republishing) and an appropriate portion of relevant overheads. Capitalisation ceases and amortisation commences once a product or enhancement is available for deployment.

(b) Establishing lives for amortisation purposes of intangible assets

The Group and Company has significant levels of intangible assets. The amortisation charge is dependent on the estimated lives allocated to each type of intangible asset. The directors regularly review these asset lives and change them as necessary to reflect current thinking on remaining lives and the expected pattern of consumption of the future economic benefits embodied in the asset. Changes in asset lives can have a significant impact on amortisation charges for the period.

Detail of the useful lives is included in note 2 and the related intangible assets are set out in note 4. Useful lives are based on management's estimate of the period over which the asset will generate revenue. If the useful lives had increased by an average of one year in the year ended 31 December 2016, then the Group's amortisation charge would have reduced by £276,536 (2015: £144,158). If the useful lives had decreased by an average of 1 year in the year ended 31 December 2016, then the Group's amortisation charge would have increased by £220,021 (2015: £86,585).

(c) Share based payments and other equity based instruments

The Group and Company has used the Black Scholes valuation model to determine the fair value of share based payments and convertible debt warrants. Any changes to volatility and assumptions made by management will impact the valuation. Please see note 14 for additional information.

SIMPLICITY MARKETING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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4. INTANGIBLE ASSETS

Group	Goodwill £	Internally generated software £	Acquired software £	Total £
At 1 January 2015				
Cost	-	1,017,021	-	1,017,021
Accumulated amortisation and impairment	-	(37,783)	-	(37,783)
Closing Net Book Amount	-	979,238	-	979,238
Year ending 31 December 2015				
Opening net book amount	-	979,238	-	979,238
Additions	-	912,667	1,329,326	2,241,993
Acquisition of business	124,690	-	-	124,690
Amortisation charge	-	(448,852)	(32,681)	(481,533)
Closing Net Book Amount	124,690	1,443,053	1,296,645	2,864,388
At 1 January 2016				
Cost	124,690	1,929,688	1,329,326	3,383,704
Accumulated amortisation and impairment	-	(486,635)	(32,681)	(519,316)
Closing Net Book Amount	124,690	1,443,053	1,296,645	2,864,388
Year ending 31 December 2016				
Opening net book amount	124,690	1,443,053	1,296,645	2,864,388
Exchange differences	19,513	-	-	19,513
Additions	-	1,078,638	101,629	1,180,267
Amortisation charge	-	(626,456)	(517,344)	(1,143,800)
Closing Net Book Amount	144,203	1,895,235	880,930	2,920,368
At 31 December 2016				
Cost	144,203	3,008,326	1,430,955	4,583,484
Accumulated amortisation and impairment	-	(1,113,091)	(550,025)	(1,663,116)
Net Book Amount	144,203	1,895,235	880,930	2,920,368

Amortisation of £1,143,800 (2015: £481,533) is included in administrative expenses in the income statement.

SIMPLICITY MARKETING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

4. INTANGIBLE ASSETS (continued)

Company	Internally generated software £	Acquired software £	Total £
At 1 January 2015			
Cost	1,017,021	-	1,017,021
Accumulated amortisation and impairment	(37,783)	-	(37,783)
Closing Net Book Amount	979,238	-	979,238
Year ending 31 December 2015			
Opening net book amount	979,238	-	979,238
Additions	912,667	1,329,326	2,241,993
Amortisation charge	(448,852)	(32,681)	(481,533)
Closing Net Book Amount	1,443,053	1,296,645	2,739,698
At 1 January 2016			
Cost	1,929,688	1,329,326	3,259,014
Accumulated amortisation and impairment	(486,635)	(32,681)	(519,316)
Closing Net Book Amount	1,443,053	1,296,645	2,739,698
Year ending 31 December 2016			
Opening net book amount	1,443,053	1,296,645	2,739,698
Additions	1,078,639	98,929	1,177,568
Amortisation charge	(626,456)	(533,527)	(1,159,983)
Closing Net Book Amount	1,895,236	862,047	2,757,282
At 31 December 2015			
Cost	3,008,327	1,428,255	4,436,582
Accumulated amortisation and impairment	(1,113,091)	(566,208)	(1,679,299)
Net Book Amount	1,895,236	862,047	2,757,282

Amortisation of £1,159,983 (2015: £481,533) is included in administrative expenses in the income statement.

GROUP

(i) Impairment test for goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of the cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

SIMPLICITY MARKETING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

4. INTANGIBLE ASSETS (continued)

GROUP AND COMPANY

(ii) Impairment of internally generated software

The weighted average remaining amortisation period of the product development is 29 months (2015: 27 months). In the year, research and development expenditure of £1,717,070 (2015: £839,368) was recognised as an expense in the income statement.

As at 31 December 2016, there were product development assets of £328,949 (2015: £237,148) which are currently under development and are not yet ready for use. The amortisation of these assets had not started as at 31 December 2016.

Management has identified one CGU. The Group represents the lowest level at which the related assets are monitored for internal management purposes.

Given there were product development costs for which amortisation had not yet started at 31 December 2016, an impairment test was carried out at 31 December 2016 and at 31 December 2015 by comparing the asset's recoverable amount (based on the higher of its value in use and fair value less costs to sell) with its carrying amount. The recoverable amount was calculated on the basis of value in use, using the discounted cash flow (DCF) method.

These calculations use pre-tax cash projections based on the Board management forecasts for 2017 to 2021. Projected revenue growth in this five-year period is delivered by projected growth in online penetration in both current and new markets.

The key assumptions used for value-in use calculations were cash gross margin for revenue of 93% (2015: 94%), average growth rate of 12% (2015: 19%) and a discount rate of 12.4% (2015: 12.4%). Management determined budgeted cash gross margin based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

A reasonable possible change in assumptions would not cause an impairment.

(iii) Acquired software

The weighted average remaining amortisation period of acquired software is 21 months (2015: 36 months).

During 2016, the Group purchased an accounting software product for £98,929 for internal use (2015: £152,810). During 2015, the Group purchased an attribution platform for a purchase consideration of £1,176,516 (revenue generating). Acquired software products have an estimated useful life of between 12 months and three years.

SIMPLICITY MARKETING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

5. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
At 1 January 2015				
Cost	211,940	89,260	1,130,982	1,432,182
Accumulated depreciation	(40,133)	(58,430)	(809,960)	(908,523)
Closing Net Book Amount	171,807	30,830	321,022	523,659
Year ending 31 December 2015				
Opening net book amount	171,807	30,830	321,022	523,659
Exchange differences	-	-	4,477	4,477
Additions	62,178	114,168	608,183	784,529
Acquisition of business	-	-	23,015	23,015
Depreciation charge	(45,630)	(991)	(333,816)	(380,437)
Closing Net Book Amount	188,355	144,007	622,881	955,243
Year ending 31 December 2015				
Disposals	-	-	(31,314)	(31,314)
Accumulated depreciation on disposals	-	-	27,909	27,909
Closing Net Book Amount	-	-	(3,405)	(3,405)
At 1 January 2016				
Cost	274,118	203,428	1,735,344	2,212,889
Accumulated depreciation	(85,763)	(59,421)	(1,115,867)	(1,261,051)
Closing Net Book Amount	188,355	144,007	619,477	951,838
Year ending 31 December 2016				
Opening net book amount	188,355	144,007	619,477	951,838
Exchange differences	(4,427)	(13,046)	(64,793)	(82,266)
Additions	76,037	41,265	299,022	416,323
Depreciation charge	(79,593)	(44,489)	(478,226)	(602,307)
Closing Net Book Amount	180,372	127,737	375,480	683,587
At 31 December 2016				
Cost	350,154	244,693	2,034,365	2,629,212
Accumulated depreciation	(169,782)	(116,956)	(1,658,885)	(1,945,625)
Net Book Amount	180,372	127,737	375,480	683,587

Depreciation of £602,307 (2015: £380,437) has been charged in administrative expenses in the income statement.

SIMPLICITY MARKETING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
At 1 January 2015				
Cost	211,940	21,661	788,992	1,022,593
Accumulated depreciation	(40,133)	(7,091)	(540,228)	(587,452)
Closing Net Book Amount	171,807	14,570	248,764	435,141
Year ending 31 December 2015				
Opening net book amount	171,807	14,570	248,764	435,141
Additions	1,519	4,343	388,079	393,941
Depreciation charge	(39,027)	(3,903)	(224,107)	(267,037)
Closing Net Book Amount	134,299	15,010	412,736	562,045
At 1 January 2016				
Cost	213,459	26,004	1,177,071	1,416,534
Accumulated depreciation	(79,160)	(10,994)	(764,335)	(854,489)
Closing Net Book Amount	134,299	15,010	412,736	562,045
Year ending 31 December 2016				
Opening net book amount	134,299	15,010	412,736	562,045
Additions	9,934	2,393	81,877	94,204
Depreciation charge	(45,279)	(4,910)	(307,629)	(357,818)
Closing Net Book Amount	98,954	12,493	186,984	298,431
At 31 December 2016				
Cost	223,394	28,396	1,258,948	1,510,739
Accumulated depreciation	(124,440)	(15,903)	(1,071,964)	(1,212,308)
Net Book Amount	98,954	12,493	186,984	298,431

Depreciation of £357,818 (2015: £267,037) has been charged in administrative expenses in the income statement.

SIMPLICITY MARKETING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

6. INVESTMENT IN SUBSIDIARIES

	Group companies £
At 1 January 2015	
Cost	27,951
Additions	
Closing Net Book Amount at 31 December 2015	27,951
At 1 January 2016	
Cost	27,951
Additions	552
Closing Net Book Amount at 31 December 2016	28,503

The directors believe that the carrying value of the investments is supported by their underlying net assets.

The Company has investments in the following subsidiary undertakings:

Company Name	Ordinary Shares	Nature of Activity	Registered Office
Flashtalking, Inc.	100%	Internet advertising	160 Greentree Drive, Suite 101, Dover, DE 19904, USA
Flashtalking GmbH	100%	Internet advertising	Schanzenstr. 35, D-51063 Cologne, Germany
Flashtalking Pty Ltd	100%	Internet advertising	Suite 2, Level 3, 7 Macquarie Place, Sydney, NWS 2000, Australia
Flashtalking B.V.	100%	Internet advertising	Kabelweg 57, 1014BA Amsterdam, The Netherlands

In 2016, Flashtalking GmbH and Device9 GmbH, a company incorporated in Germany and acquired by Flashtalking GmbH in August 2015, merged to form one company.

7. TRADE AND OTHER RECEIVABLES

Group	2016 £	2015 £
Trade receivables	15,502,041	11,483,070
Less: provision for impairment	(83,016)	(42,310)
Trade receivables - net	15,419,025	11,440,760
Amounts owed by Group undertakings	8,566,695	6,618,298
Prepayments	332,884	352,076
Accrued income	143,883	333,403
Other receivables	347,882	353,968
	24,810,369	19,098,505

SIMPLICITY MARKETING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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7. TRADE AND OTHER RECEIVABLES (continued)

Company	2016	2015
	£	£
Trade receivables	2,644,736	2,697,965
Less: provision for impairment	(42,310)	(42,310)
Trade receivables - net	2,602,426	2,655,655
Amounts owed by Group undertakings	14,336,067	9,287,113
Prepayments	219,444	228,386
Accrued income	61,134	157,100
Other receivables	102,524	121,542
	17,321,595	12,449,796

The fair value of trade receivables approximate to the values shown above. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The group does not hold collateral as security.

Amounts owed by Group undertakings are unsecured, interest free and repayable upon demand.

Trade receivables includes £1,288,076 (2015: £485,137) falling due after more than six months. The Group has made a provision for a receivable of £83,016 (2015: £42,310) due from two customers, the collectability of which is in doubt. The remaining amount falling due after more than six months is considered collectible or has been collected by the reporting date.

Other receivables comprises security deposits paid under office leases and an estimate of research and development expenditure credit receivable.

8. CASH AND CASH EQUIVALENTS

Group	2016	2015
	£	£
Cash at bank and in hand	2,315,403	1,773,610
	2,315,403	1,773,610

The Group's currency exposure is set out below. Such exposure comprises the cash and cash equivalents of the group that are denominated other than in GBP. As at 31 December 2016 these exposures were as follows:

	2016	2015
	£	£
US dollar	1,030,569	315,760
Euro	538,090	384,156
Australian dollar	99,167	88,482
Total non-GBP	1,667,826	788,398

SIMPLICITY MARKETING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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8. CASH AND CASH EQUIVALENTS (continued)

Company	2016 £	2015 £
Cash at bank and in hand	955,135	1,012,417
	955,135	1,012,417

The Company's currency exposure is set out below. Such exposure comprises the cash and cash equivalents of the group that are denominated other than in GBP. As at 31 December 2016 these exposures were as follows:

Non-GBP denominated monetary assets

	2016 £	2015 £
Euro	218,274	15,166
US dollar	89,292	12,039
Total non-GBP	307,566	27,205

9. BORROWINGS

Group and Company	2016			2015		
	Current £	Non-current £	Total £	Current £	Non-current £	Total £
Revolving facility loan	262,500	9,937,500	10,200,000	225,000	8,775,000	9,000,000
Total borrowings	262,500	9,937,500	10,200,000	225,000	8,775,000	9,000,000

In October 2014, the Company entered into a revolving facility loan with Silicon Valley Bank. An amended agreement was entered into in July 2015, when Simplicity Marketing Limited borrowed an additional £4,000,000. A second amendment was entered into in March 2016 when the Company borrowed an additional £1,500,000. The loan is secured by guarantee from Flashtalking, Inc.

The loan is repayable within three years of the first amendment and restatement of the agreement (17 July 2015), with quarterly repayments of 0.625% of the aggregate original amount of the loans. Interest accrues on the loan at a rate of 3% above LIBOR and is payable quarterly in arrears.

In July 2015, the proceeds of the loan were used to pay a dividend to Flash Bidco Limited, the Company's parent company, in the amount of £4,042,740.

SIMPLICITY MARKETING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

10. DEFERRED CONSIDERATION

Group and Company	2016			2015		
	Current £	Non-current £	Total £	Current £	Non-current £	Total £
Deferred consideration	81,103	1,049,516	1,130,619	-	946,432	946,432
Total deferred consideration	81,103	1,049,516	1,130,619	-	946,432	946,432

In November 2015, Simplicity Marketing Limited purchased the assets of Encore Media Metrics LLC, a US based company. The aggregate consideration for the purchase comprised of \$350,000 in cash at the time of purchase, a deferred payment and a contingent performance payment of \$100,000 (£65,739 at purchase date and revalued to £81,103 at 31 December 2016).

The deferred payment becomes due in the event of a sale of the Company and consists of \$500,000 (£328,693 at purchase date and revalued to £405,515 at 31 December 2016) plus the equivalent of the fair market value of 460,000 B Ordinary Shares of the Company on the date of sale. At 31 December 2015, the fair market value of the Company's shares was £1.20 and at 31 December 2016 was £1.40.

11. TRADE AND OTHER PAYABLES

Group	2016 £	2015 £
Trade payables	569,797	985,038
Accruals	3,491,512	3,579,174
Social security and other taxes	379,586	199,252
VAT payable	291,638	223,869
	4,732,533	4,987,333

Company	2016 £	2015 £
Trade payables	582,824	587,284
Accruals	1,119,606	1,225,425
Social security and other taxes	221,018	170,701
VAT payable	177,130	167,070
	2,100,578	2,150,480

The fair values of trade and other payables approximate to the values shown above.

SIMPLICITY MARKETING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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12. INCOME TAX EXPENSE

(i) INCOME TAX

	2016	2015
	£	£
Current tax		
Corporation tax for the year	161,877	261,487
Foreign tax for the year	1,498,680	1,050,890
Total current tax	1,660,557	1,312,377
Deferred tax		
Recognition of deferred tax asset	(206,490)	(191,418)
Income tax charge	1,454,067	1,120,959

Factors affecting current tax charge

	2016	2015
	£	£
Profit before income tax	3,780,271	5,036,484
Profit/(loss) before income tax at the standard rate of tax in the United Kingdom of 20% (2015: 20.25%)	756,055	1,019,888
Recognition of deferred tax liability	(206,490)	(191,418)
Expenses not deductible	305,227	(5,392)
Group relief	(383,000)	(407,003)
Difference tax rates on overseas earnings	1,008,097	435,625
Other overseas tax charges	215,276	269,259
Adjustments in respect of prior periods	(241,098)	-
Total current tax (note 12(i))	1,454,067	1,120,959

The tax assessed on the profit on ordinary activities for the year is higher (2015: higher) than the standard rate of corporation tax in the UK of 20% (2015: 20.25%).

The Group earns its profits primarily in the UK. Therefore, the tax rate used for tax on profit on ordinary activities is the standard rate for UK corporation tax, currently 20%. The Group's overseas tax rates are higher than those in the UK, primarily because the profits earned in the United States of America are taxed at a federal rate of 34% and additional state taxes.

SIMPLICITY MARKETING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

12. INCOME TAX EXPENSE (continued)

(ii) DEFERRED TAX

The movement in the deferred taxation provision during the year was:

Group	2016	2015
	£	£
Provision brought forward	589,913	781,331
Decrease in provision	(206,490)	(191,418)
Provision carried forward	383,423	589,913

Company	2016	2015
	£	£
Provision brought forward	51,395	11,519
Increase in provision	8,786	39,876
Provision carried forward	60,181	51,395

The Group's provision for deferred taxation consists of the tax effect of timing differences in respect of:

Group	2016		2015	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Excess of taxation allowances over depreciation on	60,181	-	11,519	-
Other timing differences	323,242	-	578,394	-
	383,423	-	589,913	-

The Company's provision for deferred taxation consists of the tax effect of timing differences in respect of:

Company	2016		2015	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	60,181	-	11,519	-
Other timing differences	-	-	39,876	-
	60,181	-	51,395	-

13. SHARE CAPITAL

Allotted, called up and fully paid:

	2016		2015	
	Number	£	Number	£
Ordinary A shares of £0.00001 each	13,102,058	131	13,102,058	131
Ordinary B shares of £0.00001 each	245,050	2	245,050	2
	13,347,108	133	13,347,108	133

SIMPLICITY MARKETING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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14. OTHER RESERVES

Group	Share capital and share premium £	Share option reserve £	Other reserves £	Retained earnings £
Balance brought forward	85,899	1,029,090	(9,850)	8,008,655
Profit for the year	-	-	-	2,326,204
Exchange differences on retranslation of net assets of subsidiary undertakings	-	-	1,656,922	-
Recognition of equity-settled share based payments in the year	-	984,592	-	-
Balance carried forward	85,899	2,013,682	1,647,072	10,334,859

Company	Share capital and share premium £	Share options reserve £	Retained earnings £
Balance brought forward	85,899	61,712	4,466,357
Profit for the year	-	-	3,012,947
Recognition of equity-settled share based payments in the year	-	190,307	-
Balance carried forward	85,899	252,019	7,479,304

15. REVENUE

The Group has companies in the United Kingdom, the United States of America, Germany, Australia and The Netherlands.

An analysis of the Group's revenue by geographical region is given below:

Group	2016 £	2015 £
United Kingdom	6,218,377	6,801,824
USA	29,245,145	20,804,511
Germany	3,661,597	3,275,845
Australia	687,661	244,997
The Netherlands	80,540	121,698
	39,893,320	31,248,875

SIMPLICITY MARKETING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

16. EXPENSES BY NATURE

Group	2016	2015
	£	£
Employee benefit expense	24,043,925	18,337,908
Hosting	1,947,218	1,185,701
Operating lease costs, including office leases	1,263,442	914,650
Equity settled share-based payments	984,592	351,167
Travel and entertainment	813,299	918,146
Consultants and contractors	857,230	899,686
Establishment costs	1,106,217	778,808
Professional fees	845,983	592,173
Amortisation - product development	626,456	448,852
Other employee related costs	716,522	407,965
Depreciation	602,307	380,437
Marketing and advertising	542,183	211,863
Amortisation - software	517,344	32,681
Auditors remuneration		
- as auditors	56,550	56,713
- tax compliance services	109,446	120,582
Bad debt expense	35,753	42,310
Unrealized loss	299,728	-
Other	387,520	287,345
	35,755,715	25,966,988
Disclosed as:		
Cost of sales	2,881,710	2,085,391
Selling and marketing costs	7,577,727	5,874,054
Administrative expenses	9,323,284	8,708,552
Technical support and development	15,972,994	9,298,990
	35,755,715	25,966,987
Finance income and finance costs		
Interest on revolving facility loan	357,374	245,443
Interest income on bank deposits	(40)	(39)
	357,334	245,404

SIMPLICITY MARKETING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

17. EMPLOYEE BENEFIT EXPENSE

Group	2016	2015
	£	£
Wages and salaries	21,829,613	16,616,017
Social security costs	1,839,377	1,527,817
Other pension costs	374,935	194,074
Total	24,043,925	18,337,908

The average number of person employed by the Group during the year analysed by category was as follows:

	2016	2015
	No.	No.
Selling and marketing costs	54	48
Administrative expenses	85	73
Technical support and development	145	118
Total	284	239

The total number of persons employed by the Group at 31 December 2016 was 262 (2015: 266).

Directors' remuneration

	2016	2015
	£	£
Remuneration receivable	458,996	617,851
Group pension contributions to money purchase schemes	-	17,193
	458,996	635,044

	2016	2015
	£	£
Remuneration of highest paid director:		
Total remuneration (excluding pension contributions)	320,296	253,908

During 2016, the director was granted 1,950,000 restricted shares on a part paid basis under the Company's 2016 Share Option and Grant scheme.

The number of directors who accrued benefits under Company pension schemes was as follows:

	2016	2015
	Number	Number
Money purchase schemes	-	1

Key management personnel

	2016	2015
	£	£
Short-term benefits	666,927	942,712
Post-employment benefits	-	17,193
	666,927	959,905

SIMPLICITY MARKETING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

18. CASH GENERATED FROM OPERATIONS

Group

Cash generated from operations

		2016	2015
	Note	£	£
Operating Profit		4,137,605	5,281,888
Adjustments for:			
Depreciation	5	602,307	380,437
Amortisation	4	1,143,800	481,533
Non-cash post-employment benefits expense - share based payments	14	984,592	351,167
Net exchange differences		1,656,924	182,706
Change in operating assets and liabilities:			
Increase in trade debtors		(3,238,877)	(5,738,796)
(Decrease)/increase in trade creditors		(2,783,508)	2,133,635
Increase/(decrease) in other operating liabilities		184,187	(24,380)
Cash generated from operations		2,687,030	3,048,190

Company

Cash generated from operations

		2016	2015
	Note	£	£
Operating Profit		3,541,051	3,862,687
Adjustments for:			
Depreciation	5	357,818	267,037
Amortisation	4	1,159,983	481,533
Non-cash post-employment benefits expense - share based payments	14	190,307	61,712
Change in operating assets and liabilities:			
Increase in trade debtors		(4,871,799)	(3,023,244)
(Decrease)/increase in trade creditors		(49,902)	969,818
Increase/(decrease) in other operating liabilities		215,173	(374,485)
Cash generated from operations		542,631	2,245,058

19. RELATED PARTY TRANSACTIONS

During 2016, Simplicity Marketing Limited's ultimate parent company, Flash Topco Limited, issued 2,850,000 Ordinary B1 and B2 shares to members of the Group's senior management team on a restricted basis. The shares were issued on a part paid basis, with payment due the earlier of the date the manager becomes a leaver, the completion of a sale event or by March 2018.

In October 2016, Mr D. Freeman sold his shares in Flash Topco Limited to existing shareholders TA Atlantic & Pacific VI L.P., TA Investors IV L.P. and TA XI L.P.

SIMPLICITY MARKETING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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19. RELATED PARTY TRANSACTIONS (continued)

In October 2015, Mr D. Freeman resigned as Chief Information Officer of the Group. He entered a consulting agreement with Simplicity Marketing Limited under which he was paid £22,541 in 2016 (2015: £9,475).

Simplicity Marketing Limited uses the services of a consulting company owned by Mr D. Freeman's father. In 2016, services totalling £171,337 were purchased from the company (2015: £248,140).

Former director, Mr P. Cunningham, maintains a loan account with the Company. At the year end the Company owed the director £829 (2015: £829). The loan was repaid by the Company in full in February 2017.

20. CONTINGENCIES

The Group is engaged in litigation arising in the normal course of its business. Management does not believe that any such litigation would impact the group to any material extent, that the possibility of any outflow in settlement is remote.

21. COMMITMENTS

OPERATING LEASES

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Group	2016		2015	
	Land and buildings	Other items	Land and buildings	Other items
	£	£	£	£
Within one year	1,299,477	12,012	731,021	65,196
Later than one year but not later than five years	4,012,663	7,098	2,595,235	17,581
Later than five years	614,693	-	949,266	-
	5,926,833	19,110	4,275,522	82,777

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Company	2016		2015	
	Land and buildings	Other items	Land and buildings	Other items
	£	£	£	£
Within one year	450,383	-	345,188	-
Later than one year but not later than five years	1,485,946	-	1,380,750	-
Later than five years	604,078	-	949,266	-
	2,540,408	-	2,675,204	-

22. ULTIMATE PARENT COMPANY

The immediate parent company is Flash Bidco Limited, a company incorporated in England and Wales.

The largest Group of consolidated financial statements is Flash Topco Limited, a company incorporated in England and Wales. The smallest Group of consolidated financial statements is Simplicity Marketing Limited, a company incorporated in England and Wales.

The ultimate holding company is TA XI, L.P. a limited partnership in the United States of America.

SIMPLICITY MARKETING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

23. COMPANY ONLY INCOME STATEMENT

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company profit and loss account.

24. SUBSEQUENT EVENTS

In April 2017, the Group amended its loan facility with Silicon Valley Bank. Under the amendment, the existing Term Facility of £10,500,000 was reduced to £7,000,000 and an Asset Based Lending (ABL) facility of £7,000,000 was created, increasing the total aggregate amount of credit available under the agreement to £14,000,000. Additional funds were not borrowed against the facility and the amount due as at 31 March 2017 was £10,134,375.