

COMPANY REGISTRATION NUMBER 04339257

SIMPLICITY MARKETING LIMITED
CONSOLIDATED AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2013

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SIMPLICITY MARKETING LIMITED
CONSOLIDATED AUDITED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

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SIMPLICITY MARKETING LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

D. Freeman
P. Cunningham

Company secretary

S. Cunningham

Registered office

5th Floor
19-22 Rathbone Place
London
W1T 1HY

Auditor

Pricewaterhouse Coopers LLP
Chartered Accountants
& Statutory Auditor
1 Embankment Place
London
WC2N 6RH

SIMPLICITY MARKETING LIMITED

STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2013

The directors present their strategic report of Simplicity Marketing Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2013.

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.

The Group's products lead the agency ad server market and 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 the US, Europe and International markets for media groups including WPP, Publicis, Omnicom and Havas. Regional offices are currently located in London, Leeds, New York, San Francisco, Los Angeles, Chicago and Cologne with further expansion planned for 2015.

RESULTS AND PERFORMANCE

The results for the Group for the year, as set out on pages 7 and 11, show a profit on ordinary activities before tax of £5,981,721 (2012: £6,848,685). The shareholders' funds of the Group total £13,152,167 (2012: £9,382,468). Total Group revenues grew to £19,803,492 (2012: £15,781,025) and cash balances were £5,134,650 (2012: £4,347,912).

The performance of the Group during 2013 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 UK, Germany and USA. 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

The broader media landscape continues to recover well and digital display advertising continues to be a growth channel offering continued opportunity for the Group to further benefit from that growth. Technology innovation continues to be key in this space and competition remains difficult. The Group is well aligned to develop the technology platform to take advantage of advertiser demand for more and better customisation of the marketing activity. As the proliferation of mobile devices continues, the Group are focussing on tailoring this offering in what is a fast growing but fragmented vertical.

Signed by order of the directors



P. CUNNINGHAM
Company Director

Approved by the directors on 29.9.14

SIMPLICITY MARKETING LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2013

The directors present their report and the consolidated audited financial statements of the Group for the year ended 31 December 2013.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £4,257,181 (2012: £4,961,410). Particulars of dividends paid are detailed in note 9 to the consolidated audited financial statements.

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, US Dollar and Euro. 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 manage their finances to ensure that they have sufficient available funds for their operations.

Interest Rate Cash Flow Risk

The Group has both interest bearing assets and interest bearing liabilities, which are generally held at floating 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 during the year were as follows:

D. Freeman
P. Cunningham

D. Freeman was appointed as a director on 19 July 2013.

SIMPLICITY MARKETING LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2013

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the consolidated audited financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITOR

During the year Taylorcocks resigned as auditors. PricewaterhouseCoopers LLP were appointed on 27 March 2014.

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 Group'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.

Registered office:
5th Floor
19-22 Rathbone Place
London
W1T 1HY

Signed by order of the directors

A handwritten signature in black ink, appearing to be 'P. Cunningham', written over a horizontal line.

P. CUNNINGHAM
Company Director

Approved by the directors on 29.9.14.....

SIMPLICITY MARKETING LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
SIMPLICITY MARKETING LIMITED**

YEAR ENDED 31 DECEMBER 2013

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2013 and of the Group's and the Company's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Group financial statements and Company financial statements (the "financial statements"), which are prepared by Simplicity Marketing Limited, comprise:

- the Group balance sheet and Company balance sheet as at 31 December 2013;
- the Group profit and loss account and statement of total recognised gains and losses for the year then ended;
- the Group cash flow statement 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 their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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 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.

In addition, we read all the financial and non-financial information in the Consolidated Audited Financial Statements (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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

SIMPLICITY MARKETING LIMITED

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

YEAR ENDED 31 DECEMBER 2013

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 Directors' Responsibilities Statement 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 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 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.



Samuel Tomlinson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 September 2014

SIMPLICITY MARKETING LIMITED
GROUP PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2013

	Note	2013 £	2012 £
TURNOVER	2	19,803,492	15,781,025
Cost of sales		<u>(1,349,965)</u>	<u>(1,233,928)</u>
GROSS PROFIT		18,453,527	14,547,097
Administrative expenses		<u>(12,482,949)</u>	<u>(7,697,518)</u>
Other operating income		<u>9,802</u>	<u>–</u>
OPERATING PROFIT	3	5,980,380	6,849,579
Interest receivable		<u>1,341</u>	<u>8,826</u>
Interest payable and similar charges	6	<u>–</u>	<u>(9,720)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		5,981,721	6,848,685
Tax on profit on ordinary activities	7	<u>(1,537,814)</u>	<u>(1,552,190)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		4,443,907	5,296,495
Minority interests		<u>(186,726)</u>	<u>(335,085)</u>
PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY	19	4,257,181	4,961,410
PROFIT FOR THE FINANCIAL YEAR		<u>4,257,181</u>	<u>4,961,410</u>

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 on ordinary activities before taxation and the profit for the financial year stated above and their historical costs equivalents.

The notes on pages 12 to 24 form part of these consolidated audited financial statements.

SIMPLICITY MARKETING LIMITED

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

YEAR ENDED 31 DECEMBER 2013

	2013	2012
	£	£
Profit for the financial year attributable to the shareholders of the parent company	4,257,181	4,961,410
Exchange differences on retranslation of net assets of subsidiary undertakings	(181,621)	(151,342)
Total gains and losses recognised since the last annual report	<u>4,075,560</u>	<u>4,810,068</u>

The notes on pages 12 to 24 form part of these consolidated audited financial statements.

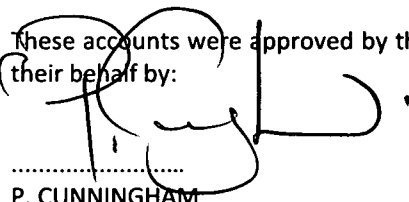
SIMPLICITY MARKETING LIMITED

GROUP BALANCE SHEET

31 DECEMBER 2013

	Note	2013 £	2012 £
FIXED ASSETS			
Tangible assets	10	603,165	245,979
CURRENT ASSETS			
Debtors	12	9,355,014	6,986,147
Cash at bank and in hand		5,134,650	4,347,912
		14,489,664	11,334,059
CREDITORS: Amounts falling due within one year	13	(1,167,172)	(1,387,237)
NET CURRENT ASSETS		13,322,492	9,946,822
TOTAL ASSETS LESS CURRENT LIABILITIES		13,925,657	10,192,801
PROVISIONS FOR LIABILITIES			
Deferred taxation	14	(773,490)	(407,719)
		13,152,167	9,785,082
MINORITY INTERESTS		–	402,614
NET ASSETS		13,152,167	9,382,468
CAPITAL AND RESERVES			
Called up share capital	18	133	100
Share premium account	19	85,766	–
Other reserves	19	(307,615)	(125,994)
Share options reserve	19	269,000	–
Profit and loss account	19	13,104,883	9,508,362
TOTAL SHAREHOLDERS' FUNDS	20	13,152,167	9,382,468

These accounts were approved by the directors and authorised for issue on 29.9.14, and are signed on their behalf by:


P. CUNNINGHAM

The notes on pages 12 to 24 form part of these consolidated audited financial statements.

SIMPLICITY MARKETING LIMITED

COMPANY BALANCE SHEET

31 DECEMBER 2013

	Note	2013 £	2012 £
FIXED ASSETS			
Tangible assets	10	432,707	107,067
Investments	11	27,950	27,950
		<u>460,657</u>	<u>135,017</u>
CURRENT ASSETS			
Debtors	12	6,192,957	4,091,773
Cash at bank and in hand		3,924,907	3,674,314
		<u>10,117,864</u>	<u>7,766,087</u>
CREDITORS: Amounts falling due within one year	13	<u>(651,271)</u>	<u>(699,056)</u>
NET CURRENT ASSETS		<u>9,466,593</u>	<u>7,067,031</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,927,250</u>	<u>7,202,048</u>
PROVISIONS FOR LIABILITIES			
Deferred taxation	14	(11,519)	(407,719)
NET ASSETS		<u>9,915,731</u>	<u>6,794,329</u>
CAPITAL AND RESERVES			
Called up share capital	18	133	100
Share premium account	19	85,766	—
Other reserves	19	269,000	—
Profit and loss account	19	9,560,832	6,794,229
TOTAL SHAREHOLDERS' FUNDS		<u>9,915,731</u>	<u>6,794,329</u>

These accounts were approved by the directors and authorised for issue on 29.9.14, and are signed on their behalf by:


P. CUNNINGHAM

Company Registration Number: 04339257

The notes on pages 12 to 24 form part of these consolidated audited financial statements.

SIMPLICITY MARKETING LIMITED

GROUP CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2013

		2013	2012
	Note	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	21	4,102,513	4,004,219
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		1,341	(138,323)
TAXATION		(1,510,884)	(1,681,041)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(642,029)	(212,330)
EQUITY DIVIDENDS PAID		(1,250,000)	–
CASH INFLOW BEFORE FINANCING		700,941	1,972,525
FINANCING		85,797	–
INCREASE IN CASH	21	<u>786,738</u>	<u>1,972,525</u>

The notes on pages 12 to 24 form part of these consolidated audited financial statements.

SIMPLICITY MARKETING LIMITED

NOTES TO THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES

Basis of accounting

The consolidated audited financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable UK accounting standards. Significant accounting policies, which have been applied consistently, except as otherwise stated, are set out below.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all Group undertakings after adjusting for inter-company transactions, balances and unrealised profits on intra-group transactions. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over five years from the year of acquisition. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the Group consolidated financial statements by virtue of section 408 of the Companies Act 2006.

Turnover

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

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Fixed assets

All fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original price of the working asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures & Fittings	- 25% reducing balance
Leasehold Property	- Over the lease term
Equipment	- 50% straight line

SIMPLICITY MARKETING LIMITED

NOTES TO THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES *(continued)*

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company. The annual contributions payable are charged to the Group profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates, where there is an expectation that past earnings will be distributed by the subsidiary or associate.

Deferred tax is measured on the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a discounted basis, using a discount rate of 5%, to reflect the time value of money over the period between the balance sheet date and the dates on which it is estimated that the underlying timing differences will reverse.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Investments

Investments in subsidiaries are recorded at cost less provision for impairment.

Leases

Lease rentals paid under operating leases are charged to the profit and loss account as incurred on a straight line basis over the term of the lease.

SIMPLICITY MARKETING LIMITED

NOTES TO THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES (continued)

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charge to profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modifications, is also charged to the profit and loss account over the remaining vesting period.

2. TURNOVER

Turnover and profit before tax are attributable to the one principal activity of the Group. An analysis of Group turnover is given by origin below:

	2013	2012
	£	£
United Kingdom	5,575,708	5,561,123
USA	10,741,703	7,382,767
Germany	3,486,081	2,827,135
	<u>19,803,492</u>	<u>15,781,025</u>

3. OPERATING PROFIT

Operating profit is stated after charging:

	2013	2012
	£	£
Depreciation of owned fixed assets	278,803	114,766
Loss on disposal of fixed assets	5,351	–
Auditor's remuneration		
- as auditor	34,000	20,000
- tax compliance services	10,000	–
Operating lease costs:		
- Plant and equipment	12,379	13,704
- Other	556,231	302,189
Net loss on foreign currency translation	<u>31,348</u>	<u>78,076</u>

4. PARTICULARS OF EMPLOYEES

The monthly average number of staff employed by the Group during the financial year amounted to:

	2013	2012
	No	No
Total number of staff	<u>140</u>	<u>51</u>

SIMPLICITY MARKETING LIMITED

NOTES TO THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

4. PARTICULARS OF EMPLOYEES *(continued)*

The aggregate payroll costs of the above were:

	2013	2012
	£	£
Wages and salaries	8,528,423	5,559,600
Social security costs	1,041,258	604,976
Other pension costs	86,495	108,888
Equity-settled share-based payments	269,000	–
	<u>9,925,176</u>	<u>6,270,464</u>

Payroll costs have been included in administrative expenses in the profit and loss account.

5. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were:

	2013	2012
	£	£
Remuneration receivable	257,529	146,551
Value of company pension contributions to money purchase schemes	20,000	30,000
	<u>277,529</u>	<u>176,551</u>

Remuneration of highest paid director:

	2013	2012
	£	£
Total remuneration (excluding pension contributions)	182,529	146,551
Value of company pension contributions to money purchase schemes	–	30,000
	<u>182,529</u>	<u>176,551</u>

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

	2013	2012
	No	No
Money purchase schemes	<u>1</u>	<u>1</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2013	2012
	£	£
Other similar charges payable	<u>–</u>	<u>9,720</u>

SIMPLICITY MARKETING LIMITED

NOTES TO THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

7. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2013	2012
	£	£
Current tax:		
UK Taxation		
In respect of the year:		
UK Corporation tax based on the results for the year at 23.30% (2012 - 24.50%)	378,969	938,852
Research and Development enhanced relief in accordance with Part 13 CTA 2009 R&D Expenditure	(63,126)	(262,112)
	315,843	676,740
Foreign tax		
Current tax on income for the year	856,200	481,668
Total current tax	1,172,043	1,158,408
Deferred tax:		
Origination and reversal of timing differences (note 14)		
Capital allowances	-	(2,418)
Other	365,771	396,200
Total deferred tax (note 14)	365,771	393,782
Tax on profit on ordinary activities	1,537,814	1,552,190

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 23.30% (2012 - 24.50%).

	2013	2012
	£	£
Profit on ordinary activities before taxation	5,981,721	6,848,685
Profit on ordinary activities by rate of tax	1,393,740	1,677,928
Expenses not deductible for tax purposes	85,634	15,541
Research and development qualifying expenditure	(63,126)	(262,112)
Share option deductions	(224,570)	-
Different tax rates on overseas earnings	(19,635)	(272,949)
Total current tax (note 7(a))	1,172,043	1,158,408

8. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the consolidated audited financial statements of the parent company was £4,016,603 (2012 - £3,446,261).

SIMPLICITY MARKETING LIMITED

NOTES TO THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

9. DIVIDENDS

Equity dividends

	2013	2012
	£	£
Paid		
Equity dividends on ordinary shares	<u>1,250,000</u>	<u>—</u>

On 14 May 2013 it was approved to pay a dividend on the ordinary shares of £0.125 per share.

10. TANGIBLE FIXED ASSETS

Group	Leasehold Property £	Fixtures & Fittings £	Equipment £	Total £
COST				
At 1 January 2013	—	49,257	364,526	413,783
Additions	178,959	22,007	441,617	642,583
Disposals	—	(17,580)	(4,412)	(21,992)
Exchange adjustment	—	(526)	(1,889)	(2,415)
At 31 December 2013	<u>178,959</u>	<u>53,158</u>	<u>799,842</u>	<u>1,031,959</u>
DEPRECIATION				
At 1 January 2013	—	19,844	147,960	167,804
Charge for the year	—	8,629	270,174	278,803
On disposals	—	(11,675)	(4,412)	(16,087)
Exchange adjustment	—	(156)	(1,570)	(1,726)
At 31 December 2013	<u>—</u>	<u>16,642</u>	<u>412,152</u>	<u>428,794</u>
NET BOOK VALUE				
At 31 December 2013	<u>178,959</u>	<u>36,516</u>	<u>387,690</u>	<u>603,165</u>
At 31 December 2012	<u>—</u>	<u>29,413</u>	<u>216,566</u>	<u>245,979</u>

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10. TANGIBLE FIXED ASSETS (continued)

Company	Leasehold Property £	Fixtures & Fittings £	Equipment £	Total £
COST				
At 1 January 2013	–	23,328	154,411	177,739
Additions	178,959	2,031	372,053	553,043
Disposals	–	(17,580)	(4,412)	(21,992)
At 31 December 2013	<u>178,959</u>	<u>7,779</u>	<u>522,052</u>	<u>708,790</u>
DEPRECIATION				
At 1 January 2013	–	12,165	58,507	70,672
Charge for the year	–	3,171	218,328	221,499
On disposals	–	(11,676)	(4,412)	(16,088)
At 31 December 2013	<u>–</u>	<u>3,660</u>	<u>272,423</u>	<u>276,083</u>
NET BOOK VALUE				
At 31 December 2013	<u>178,959</u>	<u>4,119</u>	<u>249,629</u>	<u>432,707</u>
At 31 December 2012	<u>–</u>	<u>11,163</u>	<u>95,904</u>	<u>107,067</u>

11. INVESTMENTS

Company	Group companies £
COST	
At 1 January 2013 and 31 December 2013	<u>27,950</u>
NET BOOK VALUE	
At 31 December 2013 and 31 December 2012	<u>27,950</u>

The Company owns 85% (2012 - 85%) of the issued share capital of Flashtalking GmbH, a company incorporated in Germany.

The Company owns 88% (2012 - 88%) of the issued share capital of Flashtalking Inc, a company incorporated in USA.

The principal activity of both of the above companies is that of internet advertising.

12. DEBTORS

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Trade debtors	6,106,134	6,228,244	1,761,776	1,417,498
Amounts owed by group undertakings	2,193,545	–	3,448,389	1,992,425
Corporation tax repayable	163,595	–	180,271	–
Other debtors	63,175	69,905	2,596	1,972
Prepayments and accrued income	828,565	687,998	799,925	679,878
	<u>9,355,014</u>	<u>6,986,147</u>	<u>6,192,957</u>	<u>4,091,773</u>

Amounts owed to subsidiary undertakings are unsecured, interest free, and repayable on demand.

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13. CREDITORS: Amounts falling due within one year

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Trade creditors	232,581	97,803	124,392	80,143
Directors' loan accounts	829	873	829	873
Other creditors including taxation and social security:				
Corporation tax	–	175,246	–	153,886
PAYE and social security	15,502	78,775	–	74,147
VAT	309,985	267,557	224,314	215,591
Other creditors	128,049	43,372	52,816	–
Accruals and deferred income	480,226	723,611	248,920	174,416
	<u>1,167,172</u>	<u>1,387,237</u>	<u>651,271</u>	<u>699,056</u>

14. DEFERRED TAXATION

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

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Provision brought forward	407,719	13,937	407,719	13,937
Increase/(Decrease) in provision	365,771	393,782	(396,200)	393,782
Provision carried forward	<u>773,490</u>	<u>407,719</u>	<u>11,519</u>	<u>407,719</u>

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

Group	2013		2012	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	11,519	–	11,519	–
Other timing differences	761,971	–	396,200	–
	<u>773,490</u>	<u>–</u>	<u>407,719</u>	<u>–</u>

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

Company	2013		2012	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	11,519	–	11,519	–
Other timing differences	–	–	396,200	–
	<u>11,519</u>	<u>–</u>	<u>407,719</u>	<u>–</u>

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15. SHARE-BASED PAYMENTS

The 2013 Share Option and Grant Plan

Under The 2013 Share Option and Grant scheme, the Group has issued options over ordinary shares to certain employees of the Group. The vesting of all options is subject to continued employment.

A reconciliation of option movements over the year to December 2013 is shown below;

	2013	Weighted Average Exercise Price
	No	£
Granted during the year	1,675,258	1.00
Outstanding at the end of the year	<u>1,675,258</u>	<u>1.00</u>

In the year ended 31 December 2013, no options were exercised.

Share options outstanding at the end of the year had exercise price of £1.

The weighted average remaining contractual life of the options outstanding at the end of the year was 9.5 years.

A Black Scholes option pricing model has been used to calculate the fair value of the options granted in the year. The following assumptions were made:

	2013
Weighted average share price - £	1.00
Weighted average exercise price - £	1.00
Expected volatility - %	60.00
Expected life - years	7.00
Risk free rate - %	<u>3.00</u>

The share based payment charge relating to The 2013 Share Option and Grant Scheme in these financial statements is £269,000 (2012: £nil).

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16. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2013 the Group had annual commitments under non-cancellable operating leases as set out below.

Group	2013		2012	
	Land and buildings £	Other items £	Land and buildings £	Other items £
Operating leases which expire:				
Within 1 year	120,713	3,874	22,830	1,043
Within 2 to 5 years	397,394	9,262	261,137	13,634
	<u>518,107</u>	<u>13,136</u>	<u>283,967</u>	<u>14,677</u>

At 31 December 2013 the Company had annual commitments under non-cancellable operating leases as set out below.

Company	2013		2012	
	Land and buildings £	Other items £	Land and buildings £	Other items £
Operating leases which expire:				
Within 2 to 5 years	225,192	-	117,747	-
	<u>225,192</u>	<u>-</u>	<u>117,747</u>	<u>-</u>

17. RELATED PARTY TRANSACTIONS

The director maintains a loan account with the Company. At the year end the Company owed the director £829 (2012 - £873).

During the year the Company purchased services from Horrocks, a company in which Mr D. Freeman's wife works for, totalling £662 (2012 - £nil).

The directors received dividends from the Company during the year:

	2013 £	2012 £
Mr P. Cunningham	<u>1,000,000</u>	<u>-</u>

18. SHARE CAPITAL

Allotted, called up and fully paid:

	2013		2012	
	No	£	No	£
Ordinary A shares of £0.00001 each	13,102,058	131	10,000,000	100
Ordinary B shares of £0.00001 each	245,050	2	-	-
	<u>13,347,108</u>	<u>133</u>	<u>10,000,000</u>	<u>100</u>

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18. SHARE CAPITAL (continued)

On 19th July 2013 the Company issued 13,102,058 £0.00001 Ordinary shares at par. On that date the Ordinary shares were reclassified as Ordinary A shares.

On 19th July 2013 the Company issued 245,050 £0.00001 Ordinary B shares at a premium of £0.34999 per share (see note 19).

19. RESERVES

Group	Share premium account £	Other reserves £	Share based payment reserve £	Profit and loss account £
Balance brought forward	–	(125,994)	–	9,508,362
Profit for the year	–	–	–	4,257,181
Equity dividends	–	–	–	(1,250,000)
New equity share capital subscribed	85,766	–	–	–
Acquisition of minority interest	–	–	–	589,340
Exchange differences on retranslation of net assets of subsidiary undertakings	–	(181,621)	–	–
Recognition of equity-settled share-based payments in the year	–	–	269,000	–
Balance carried forward	<u>85,766</u>	<u>(307,615)</u>	<u>269,000</u>	<u>13,104,883</u>

Company	Share premium account £	Share based payment reserve £	Profit and loss account £
Balance brought forward	–	–	6,794,229
Profit for the year	–	–	4,016,603
Equity dividends	–	–	(1,250,000)
Other movements			
New equity share capital subscribed	85,766	–	–
Recognition of equity-settled share-based payments in the year	–	269,000	–
Balance carried forward	<u>85,766</u>	<u>269,000</u>	<u>9,560,832</u>

During the year the minority interest shareholdings in the subsidiary companies were purchased by the ultimate parent company. As a result ownership of the subsidiaries is now wholly controlled within the Group, therefore no minority interest exists at the year-end.

SIMPLICITY MARKETING LIMITED

NOTES TO THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013	2012
	£	£
Profit for the financial year	4,257,181	4,961,410
New equity share capital subscribed	33	–
Premium on new share capital subscribed	85,766	–
Acquisition of minority interest	589,340	–
	<u>675,139</u>	
Equity dividends	(1,250,000)	–
Recognition of equity-settled share-based payments in the year	269,000	–
Exchange differences on retranslation of net assets of subsidiary undertakings	(181,621)	(149,950)
Net addition to shareholders' funds	3,769,699	4,811,460
Opening shareholders' funds	9,382,468	4,571,008
Closing shareholders' funds	<u>13,152,167</u>	<u>9,382,468</u>

21. NOTES TO THE CASH FLOW STATEMENT

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2013	2012
	£	£
Operating profit	5,980,380	6,849,579
Depreciation	278,803	114,766
Loss on disposal of fixed assets	5,351	–
Increase in debtors	(2,386,892)	(2,430,507)
Decrease in creditors	(44,129)	(529,619)
Equity-settled share-based payments	269,000	–
Net cash inflow from operating activities	<u>4,102,513</u>	<u>4,004,219</u>

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2013	2012
	£	£
Interest received	1,341	8,826
Interest paid	–	(9,720)
Dividends paid to minority interest	–	(137,429)
Net cash inflow/(outflow) from returns on investments and servicing of finance	<u>1,341</u>	<u>(138,323)</u>

TAXATION

	2013	2012
	£	£
Taxation	<u>(1,510,884)</u>	<u>(1,681,041)</u>

SIMPLICITY MARKETING LIMITED

NOTES TO THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

21. NOTES TO THE CASH FLOW STATEMENT *(continued)*

CAPITAL EXPENDITURE

	2013	2012
	£	£
Payments to acquire tangible fixed assets	(642,583)	(212,330)
Receipts from sale of fixed assets	554	–
Net cash outflow from capital expenditure	<u>(642,029)</u>	<u>(212,330)</u>

FINANCING

	2013	2012
	£	£
Issue of equity share capital	31	–
Share premium on issue of equity share capital	85,766	–
Net cash inflow from financing	<u>85,797</u>	<u>–</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2013	2012
	£	£
Increase in cash in the year	786,738	1,822,575
Movement in net funds in the year	786,738	1,822,575
Net funds at 1 January 2013	4,347,912	2,525,337
Net funds at 31 December 2013	<u>5,134,650</u>	<u>4,347,912</u>

ANALYSIS OF CHANGES IN NET FUNDS

	At		Exchange		At
	1 Jan 2013	Cash flows	movement		31 Dec 2013
	£	£	£		£
Net cash:					
Cash in hand and at bank	4,347,912	786,738	-		5,134,650
Net funds	<u>4,347,912</u>	<u>786,738</u>	<u>-</u>		<u>5,134,650</u>

22. ULTIMATE PARENT COMPANY

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

The smallest group of consolidated financial statements is Flash Topco Limited, a company incorporated in England and Wales.

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