AMG Advertising Topco Limited

Annual report and Financial statements for the year ended 31 December 2014

Company registration no: 05833659

Content

Directors and advisers

Directors
N V Sunderland
T T Moebius
G Zocco
K Reed Perell
A Markus

Company secretary
A Loeffler (resigned 11 September 2014)

Registered office
5 Giffard Court
Millbrook Close
Northampton
NN5 5JF

Bankers
HSBC Bank plc
117 Great Portland Street
London
W1W 6QJ

Solicitors
Osborne Clarke
2 Temple Back East
Temple Quay
Bristol BS1 6EG

Independent auditors
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Strategic report

Strategic report for the year ended 31 December 2014

Principal activities
The principal activities of the group continues to be the provision of performance-driven Online Advertising Networks which deliver online advertisements using proprietary technology that provide better results for advertisers and optimal revenue for publishers.

AMG conducts business primarily in Continental Europe and Latin America and has offices in 10 countries: Germany, Spain, Italy, Sweden, Denmark, Norway, Finland, Netherlands, Mexico and Brazil.

The principal activity of the parent company during the year was that of a non-trading holding company for the group. This includes administrative and marketing functions, but also providing intercompany finance.

Review of the business and key performance indicators
The statement of comprehensive income of the group for the year is set out on page 10.

The directors feel that the company has continued to suffer from the challenging economic climate and increased market competition in the group's main operating areas for continuing operations. AMG group's overall revenues from continuing operations increased by 1.5% in the course of the year following an increase of 6.6% in 2013.

The business in Continental Europe remained stable compared to the previous year. The business in Latin America showed significant growth in the year from a lower basis and due to the start of business operations in Brazil. Most local entities, that will continue to operate in 2015, were able to secure their market positions. Further geographical information is provided in note 3 to the financial statements.

In July 2014, AMG sold its business activities in the US and Australia to Amobee, Inc., a subsidiary of Singapore Telecom. The resulting cash inflow was used to decrease the group debt and obligations and to further strengthen the financial position of the remaining business. AMG group will be able to invest further into the business in Continental Europe and Latin America in line with the long term business plans.

Strategic report (continued)

Review of the business and key performance indicators (continued)
Details and analysis of key performance indicators (KPI's) from the continuing operations can be summarised as follows:

	2014 $000	2013 $000	Analysis
Revenue	**82,732**	81,500	
Movement in revenue in %	**1.5%**	6.6%	While the business development in Continental Europe almost remained stable, the revenues in South America increased by appr. 60%.
Gross profit	**27,108**	26,575	
Gross profit margin in % on revenue	**32.8%**	32.6%	Gross profit margin is slightly up from prior year, but remains within expectations.
Adjusted EBITDA	**1,253**	1,266	
Adjusted EBITDA margin in %	**1.5%**	1.6%	Adjusted EBITDA margin is slightly down from prior year and remains within expectations.
Loss for the year from continuing operations	**(61,459)**	(119,125)	The loss for the year is mainly impacted by the impairment charges for previous years' acquisitions.

*Refer to note 3 geographical analysis for further detail.

Future developments
Despite the overall uncertainty about the development of the global economy AMG plans for further growth in 2015 and beyond in its core business areas. These growth plans are supported by a further shift in the spending of agencies and direct marketers from offline media to online advertising business. AMG is well prepared due to its diversified product offerings to benefit from these market trends and a global recovery. After the sale of the US and the Australian business activities in the course of 2014, AMG plans to concentrate on the further development of the business in Continental Europe and in Latin America.

Budget plans foresee further revenue growth in these regions in 2015. As the operating cost basis is expected to increase slower than the top line growth, an improvement in performance is expected.

Although the group has proven to be successful even in uncertain economic environments the remaining risk of a global recession and significant restrictions on marketing spending have to be considered.

Directors' report

Directors' report for the year ended 31 December 2014
The directors present their report and the audited financial statements of the group for the year ended 31 December 2014.

Financial results and dividends
Continuing operations of AMG have achieved positive adjusted EBITDA in the course of 2013 and 2014 and this is expected to continue for 2015 and the following years. Net profits will be re-invested into the European and Latin American business and further growth opportunities.

The Directors do not recommend a dividend for the year ended 31 December 2014 (2013: $nil).

Directors
The directors of the company who served throughout the year and up to the date of this report, unless otherwise noted are listed below:

N V Sunderland (Chairman)
T T Moebius
G Zocco
D Vidal (resigned 20 October 2014)
T Falk (resigned 11 September 2014)
R Dighero (resigned 23 September 2014)
K Reed Perell
A Markus

Financial risk management
The group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. Further details are provided in note 30 to the financial statements.

Creditor payment policy
The group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by them. Trade creditors of the group at 31 December 2014 were equivalent to 61 days' purchases (2013: 77 days'), based on the average daily amount invoiced by suppliers during the year.

Research and development activities
The group invested $1.4m in the year (2013: $2.5m) on development activities. This expenditure was mainly related to the further development of AMG's proprietary Ad Serving and Video Technology. This technology enables the group to deliver its advertising products with high quality on its own platform and independently from 3rd party providers.

Directors' indemnities
As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Independent auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. A decision concerning their re-appointment will be made at the annual general meeting.

On behalf of the board

Dr N V Sunderland
Director
N. V. Sunderland

26 November 2015

Statement of directors' responsibilities

The directors are responsible for preparing the strategic and 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 prepared the group 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 the company and of the profit or loss of the group for that period. 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 IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors
In accordance with Section 418, the directors confirm, in the case of each director in office at the date the directors' report is approved, that:

a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

Dr N V Sunderland
Director

N. V. Sunderland

26 November 2015

Independent auditors' report to the members of AMG Advertising Topco Limited

Report on the group financial statements

Our opinion

In our opinion, AMG Advertising Topco Limited's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 31 December 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

AMG Advertising Topco Limited's financial statements comprise:

- the group statement of financial position as at 31 December 2014;
- the group statement of comprehensive income for the year then ended;
- the group statement of cash flows for the year then ended;
- the group statement 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 applicable law and IFRSs as adopted by the European Union.

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, 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.

Other matters on which we are required to report by exception

Adequacy of 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. 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.

Independent auditors' report to the members of AMG Advertising Topco Limited (continued)

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, 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 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.

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 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 and financial statements 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.

Other matter

We have reported separately on the parent company financial statements of AMG Advertising Topco Limited for the year ended 31 December 2014.

Brian Henderson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 November 2015

Group statement of comprehensive income for the year ended 31 December 2014

	Notes	2014 $000	2013 $000
Revenue	3	**82,732**	81,500
Cost of sales		**(55,624)**	(54,925)
Gross profit		**27,108**	26,575
Administrative expenses		**(80,623)**	(140,139)
Operating loss	9	**(53,515)**	(113,564)
Finance income	5	**1,396**	2,686
Finance cost	5	**(12,279)**	(8,599)
Other (losses)/ gains – net	8	**(452)**	57
Loss for the year on ordinary activities before taxation from continuing operations		**(64,850)**	(119,420)
Income tax	10	**3,391**	295
Loss for the year from continuing operations		**(61,459)**	(119,125)
Discontinued operations (attributable to the owners of the company)	4	**171,204**	(41,421)
Profit/ (Loss) for the year		**109,745**	(160,546)
Other comprehensive income:			
Exchange differences on translation of foreign operations		**3,009**	1,789
Other comprehensive income for the year, net of tax		**3,587**	920
Total comprehensive income/ (expense) for the year		**113,332**	(159,626)
Attributable to:			
Owners of the parent		**113,332**	(159,626)
Total comprehensive income/ (expense) for the year		**113,332**	(159,626)
Total comprehensive income attributable to equity shareholders arises from:			
- Continuing operations		**(58,450)**	(117,336)
- Discontinued operations		**171,782**	(42,290)
		113,332	159,626

The notes on pages 15 to 49 form part of these financial statements.

Group statement of financial position as at 31 December 2014

	Notes	2014 $000	2013 $000
Non-current assets			
Property, plant and equipment	13	**778**	3,719
Intangible assets	14	**22,037**	108,993
		22,815	112,712
Current assets			
Trade and other receivables	19	**84,577**	94,853
Cash and cash equivalents	18	**23,691**	18,718
		108,268	113,571
Total assets		**131,083**	226,283
Current liabilities			
Trade and other payables	20	**(36,651)**	(85,182)
Borrowings	21	**(2,260)**	(36,824)
Financial liabilities at fair value through the P&L	16	**(247)**	-
Provision for other liabilities and charges	23	**-**	(671)
Long term employee benefits	22	**(4,829)**	(5,516)
Share based compensation	25	**(145)**	-
Corporation tax		**(224)**	(539)
		(44,356)	(128,732)
Non-current liabilities			
Borrowings	21	**(447)**	(69,288)
Financial liabilities at fair value through the P&L	0	**-**	(1,378)
Long term employee benefits	22	**-**	(3,639)
Share based compensation	25	**(4,876)**	(10,976)
Deferred tax liabilities	11	**(5,540)**	(9,320)
		(10,863)	(94,601)
Total liabilities		**(55,219)**	(223,333)
Net assets		**75,864**	2,950
Equity			
Called up share capital	26	**1,114**	1,148
Share premium account	27	**-**	273,618
Retained earnings		**74,304**	(268,989)
Other reserves		**69**	383
Exchange reserves		**377**	(3,210)
Equity attributable to owners of the company		**75,864**	2,950
Total equity		**75,864**	2,950

The notes on pages 15 to 49 form part of these financial statements.

Group statement of financial position as at 31 December 2014 (continued)

These financial statements, which comprise the group statement of comprehensive income, the group statement of financial position, the group statement of changes in equity, the group statement of cash flows and the related notes were approved and authorised by the board of directors on 26 November 2015

Signed on behalf of the board of directors

N. V. Sunderland

Dr N V Sunderland

Director
Company number: 05833659

Group statement of changes in equity for the year ended 31 December 2014

	Called up share capital $000	Share premium account $000	Retained earnings/ (accumulated loss) $000	Other reserves $000	Exchange reserves $000	Total equity $000
At 1 January 2013	1,125	269,310	(103,622)	803	(4,130)	**163,486**
Loss for the financial year	-	-	(160,546)	-	-	**(160,546)**
Exchange differences	-	-	-	-	920	**920**
Total comprehensive income	-	-	(160,546)	-	920	**(159,626)**
Share warrants exercised	-	420	-	(420)	-	**-**
Issue of share capital (note 26 and 27)	23	3,888	-	-	-	**3,911**
Share based compensation (note 25)	-	-	748	-	-	**748**
Share based compensation reclassification (note 25)	-	-	(5,569)	-	-	**(5,569)**
At 31 December 2013	**1,148**	**273,618**	**(268,989)**	**383**	**(3,210)**	**2,950**
Profit for the financial year	-	-	109,745	-	-	**109,745**
Exchange differences	-	-	-	-	3,587	**3,587**
Total comprehensive income	-	-	109,745	-	3,587	**113,332**
Share warrants exercised	7	314	-	(314)	-	**7**
Issue of share capital (note 26and 27)	3	1,394	-	-	-	**1,397**
Share based compensation (note 25)	-	-	(202)	-	-	**(202)**
Reduction of share capital	(44)	(275,326)	233,750	-	-	**(41,620)**
At 31 December 2014	**1,114**	**-**	**74,304**	**69**	**377**	**75,864**

The notes on pages 15 to 49 form part of these financial statements.

Group statement of cash flows for the year ended 31 December 2014

	Notes	2014 $000	2013 $000
Cash flow from operating activities			
Cash (used in)/ generated from operations	28	**(60,908)**	3,223
Income tax paid		**(734)**	(198)
Net cash (used in)/ generated from operating activities - continuing operations		**(61,642)**	3,025
Net cash generated from/(used in) operating activities - discontinuing operations	4	**8,542**	(10,461)
Total Net cash used in operating activities		**(53,100)**	(7,436)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(275)**	(90)
Purchase of intangibles		**(1,330)**	(2,478)
Acquisition of subsidiaries, net of cash acquired		**(189)**	(3,397)
Sale of subsidiaries		**205,099**	-
Interest received		**9**	7
Net cash generated from/ (used in) investing activities - continuing operations		**203,314**	(5,958)
Net cash generated from/ (used in) investing activities – discontinuing operations		**12,399**	(5,718)
Total Net cash generated from/ (used in) investing activities		**215,713**	(11,676)
Cash flows from financing activities			
Proceeds from issue of share capital		**1,404**	307
Payments for reduction of capital		**(41,620)**	-
Proceeds from borrowings		**6,032**	20,343
Repayment of borrowings		**(76,280)**	(3,380)
Interest paid		**(15,621)**	(849)
Net cash (used in)/ generated from financing activities - continuing operations		**(126,085)**	16,421
Net cash (used in)/ generated from financing activities – discontinuing operations		(5,518)	(1,775)
Total Net cash (used in)/ generated from financing activities		**(131,603)**	14,646
Net increase/ (decrease) in cash and cash equivalents		**31,010**	(4,466)
Cash and cash equivalents at the beginning of the year		**(6,311)**	(1,773)
Exchange (losses) on cash and cash equivalents		**(2,883)**	(72)
Cash and cash equivalents at the end of the year		**21,816**	(6,311)

The notes on pages 15 to 49 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2014

1. General information

AMG Advertising Topco Limited is a private limited liability company incorporated and domiciled in the United Kingdom. The company was incorporated on 31 May 2006. The address of the registered office is given on page 3. The principal activities of the group are set out in the strategic report. Amounts are rounded to the nearest thousands and are suffixed with a "k" in certain disclosure paragraphs, unless otherwise stated

2. Summary of significant accounting policies

The principal accounting policies adopted are set out below and have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of AMG Advertising Topco Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention as modified by financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although the estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates. The most significant of these relates to impairments.

Going concern

The group meets its day-to-day working capital requirements through its cash reserves and additional bank facilities. The group secured additional funding through the sale of Adconion Direct North America and Adconion Australia to Amobee. Further financing will be available to support any additional working capital requirements.

The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the group's products and services; and (b) the availability of bank finance for the foreseeable future. However the group is expected to strengthen its position in digital video advertising in its existing markets and accelerate the deployment of its digital distribution platform into the emerging markets of Central Europe and Latin America and despite the overall uncertainty about the development of the global economy the group plans for further growth in 2015 and beyond. These growth plans are supported by a further shift in the spending of agencies and direct marketers from offline media to online advertising business. AMG Advertising Topco Limited is well prepared due to its diversified product offerings and the global presence to benefit from these market trends and a global recovery.

The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current cash reserves and facilities. Budget plans foresee further revenue growth in 2015 with contributions from all major markets. As the operating cost basis is expected to increase slower than the top line growth and an improvement in performance is expected.

The group believes it has adequate resources to continue in operational existence for the foreseeable future and has proven to be successful even in uncertain economic environments the remaining risk of a global recession and significant restrictions on marketing spending have to be considered.

The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the group's borrowings is given in note 21.

Notes to the financial statements for the year ended 31 December 2014 (continued)

2. Summary of significant accounting policies (continued)

Changes in accounting policy and disclosures

a) New standards, amendments and interpretations adopted by the group
No standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are material to the group.

b) New standards, amendments and interpretations not yet adopted
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements:

- IFRS 10, 'Consolidated financial statements' (effective 1 January 2013) (endorsed 1 January 2014)
- IFRS 11, 'Joint arrangements'(effective 1 January 2013) (endorsed 1 January 2014)
- IFRS 12, 'Disclosures of interests in other entities' (effective 1 January 2013) (endorsed 1 January 2014)
- IAS 27 (revised 2011) 'Separate financial statements' (effective 1 January 2013) (endorsed 1 January 2014)
- IAS 28 (revised 2011) 'Associates and joint ventures' (effective 1 January 2013) (endorsed 1 January 2014)
- Amendments to IFRS 10,11 and 12 on transition guidance (effective 1 January 2013) (endorsed 1 January 2014)
- Amendments to IFRS 10, 12 and IAS 27 on consolidation for investment entities (effective 1 January 2014)
- Amendments to IAS 32 on Financial instruments asset and liability offsetting (effective 1 January 2014)
- Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures (effective 1 January 2014)
- Amendment to IAS 39 'Financial instruments: Recognition and measurement', on novation of derivatives and hedge accounting (effective 1 January 2014)
- IFRIC 21, 'Levies' (effective 1 January 2014) (endorsed 17 June 2014)

Basis of consolidation

Subsidiaries
Subsidiaries are all entities (including structured 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.

The group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the sum of the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in an acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Subsequent changes to the fair value of the contingent consideration is recognised in profit or loss. Contingent consideration classified as equity is not remeasured, and subsequent settlement is accounted for within equity.

The excess of the consideration transferred over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions and balances between group companies are eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the group.

Investments in subsidiaries are accounted for at cost less impairment. Cost is defined as the fair value of the consideration transferred, excluding acquisition-related costs.

Notes to the financial statements for the year ended 31 December 2014 (continued)

2. Summary of significant accounting policies (continued)

Revenue recognition
Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value added tax, returns, rebates and discounts after eliminating sales within the group.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities.

Revenue from online performance based advertising consist of display and video distribution; and delivery of emails. These are calculated using a cost-per-action, cost-per-click or cost-per-thousand impressions basis.

Revenue is recognised in the period that the impressions, clicks or actions occur. Where the fees are fixed or determinable, there are no significant company obligations remaining and the collection of the resulting receivable is reasonably certain.

Cost of sales
Cost of sales consists primarily of media costs. Media costs presents website publisher fees paid on a revenue share, cost-per-lead, cost-per-click or cost-per-thousand impressions basis. Cost of sales is recognised when the costs are incurred.

Finance cost
Finance costs are accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price of the assets and the costs attributable to bringing the assets to its working condition for its intended use. Depreciation is charged so as to write the cost less residual value over estimated useful lives, using the straight-line method commencing in the month following the purchase, on the following basis:

Fixtures and equipment	Between 3 to 15 years

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.

Intangible assets

a. Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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 units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating units.

Notes to the financial statements for the year ended 31 December 2014 (continued)

2. Summary of significant accounting policies (continued)

Intangible assets (continued)

b. Other intangible assets
Other intangible assets acquired by the group are stated at cost less accumulated amortisation except those identifiable intangible assets acquired as part of a business combination which are shown at fair value at the date of acquisition and subsequently less accumulated amortisation. Identifiable intangible assets are those which can be sold separately or which arise from legal rights.

Amortisation is charged to the profit or loss for the financial year using the straight-line method to allocate the cost of other intangible assets over their estimated useful lives unless such lives are judged to be indefinite.

The estimated useful lives and amortisation methods for each major class of other intangible asset are as follows:

Customer relationships	Between 1 to 10 years
Non compete agreements	Between 2 to 3 years

c. Trademarks and licences
Separately acquired trademarks and licences are shown at historical cost less accumulated amortisation. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date and subsequently presented less accumulated amortisation. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 5 to 10 years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 5 years.

d. Internally generated development expenditure
The group capitalises expenditure that is directly attributable to the development of the intangible asset which is amortised on a straight-line basis over 3 to 5 years from the point the asset is available for use. The assets are valued at cost less accumulated amortisation. Where no intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the group intends to and has sufficient resources to complete development and to use or sell the asset.

Impairment
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount and is recognised immediately as an expense. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The group tests annually whether goodwill has suffered any impairment. Any impairment is recognised immediately as an expense and is not subsequently reversed. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations, except where fair value less cost to sell is more representative of the maturities and growth stages of the business. Details of impairment losses are given in note 14.

Notes to the financial statements for the year ended 31 December 2014 (continued)

2. Summary of significant accounting policies (continued)

Provisions
Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the year end date. If material, provisions are determined by discounting the expected future cash flows using rates that reflect current market assessments of the time value of money.

Foreign currencies
The consolidated financial statements are presented in US dollars, which the directors consider is the appropriate presentational currency of the company. The functional currency of the parent company is pound sterling.

Transactions in currencies other than the functional currency of the company are recorded at the rates of exchange prevailing on the dates of the transactions.

At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Gains or losses arising on retranslation of monetary items are included in net profit or loss for the period.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Translation from functional currency to presentational currency
The functional currency of the parent company is UK pounds sterling and the presentation currency is US dollars. The Group's results, financial position and cash flows are translated into the presentational currency as follows:

- equity items other than net profit at the rate of transaction;
- assets and liabilities at the closing rate;
- income, expenses and cash flows at the average exchange rate; and
- resulting exchange differences are included in equity.

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

Financial assets
The group classifies all its financial assets as loans and receivables that comprise of trade and other receivables; and cash and cash equivalents.

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.

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 terms of the receivables.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and other short-term deposits. Bank overdrafts are presented separately in the statement of financial position in borrowings under current liabilities.

Notes to the financial statements for the year ended 31 December 2014 (continued)

2. Summary of significant accounting policies (continued)

Financial liabilities and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. A liability is an unavoidable obligation to pay cash or transfer other financial assets.

Share capital represents the nominal value of shares that have been issued. Share premium includes any premiums received on issue of share capital. Retained earnings include all current and prior period retained profits or losses. Exchange reserves represent the movement in exchange rates on foreign operations retranslated into US dollar at year end.

Classification

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

The group classifies its financial liabilities in the following categories: at fair value through profit or loss and other financial liabilities. The classification depends on the purpose of the financial liabilities. Management determines the classification of its financial liabilities at initial recognition.

Financial liabilities at fair value through profit or loss comprise contingent consideration arising from acquisition and derivatives.

All remaining financial liabilities are recognised as other financial liabilities. The group's other financial liabilities comprise of trade and other payables and borrowings.

Financial liability presented as current liabilities if expected to be settled within 12 months, otherwise, they are classified as non-current.

Recognition and measurement

Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit or loss for the financial year. Gains or losses arising from changes in the fair value of the financial liabilities at fair value through profit or loss category are presented in the profit or loss for the financial year within 'other gains or loss' – net in the period in which they arise.

Other financial liabilities are initially recognised at fair value less transaction costs and subsequently carried at amortised cost using the effective interest method. Financial expense is recognised in profit or loss, in the group statement of comprehensive income.

Contingent consideration

Accounting for contingent consideration in the post combination period is determined by the classification at the acquisition date. Contingent consideration that is classified as an equity instrument is not remeasured. Contingent consideration that is classified as a financial liability is accounted for under financial instruments.

Where contingent consideration may be settled by the issue of either shares or loan notes, it is classified in the statement of financial position in accordance with the substance of the transaction. Where the agreement gives rise to an obligation that is settled by the delivery of either loan notes or variable numbers of shares, these amounts are classified as financial liabilities.

Contingent consideration recognised as a financial liability is measured at fair value at the acquisition date and each reporting date.

Written put options

The written put option over the seller's own shares are recognised at the present value of the redemption amount and accreted through finance charges in the profit or loss for the financial year over the contract period up to the final redemption amount. The put liabilities over the non controlling interest are recognised in equity as the risks and rewards of the shares issued would remain with the purchaser.

Notes to the financial statements for the year ended 31 December 2014 (continued)

2. Summary of significant accounting policies (continued)

Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Bank borrowings
Interest-bearing bank loans are recorded at the proceeds received, which is similar to its fair value, net of direct issue costs. Proceeds received are considered to present fair value, except if otherwise indicated. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in profit or loss using the effective interest rate method.

Current and deferred income tax
Current tax currently payable is based on taxable profits for the year. Taxable profits differ from net profits as reported in the statement of comprehensive income because it excludes items that are taxable or deductible in other years and items that are not taxable or deductible.

Deferred income 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, the deferred income tax is not accounted for if it 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date, in the country where the company and its subsidiaries operate and generate taxable income, and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

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 taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Share based payments
The Group operates various equity-settled and cash-settled share schemes that consist of employee share option scheme, Share award schemes and put/call share options.

Equity-settled, share based compensation plans
a) Employee share option scheme
Equity-settled, share based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options are recognised as an expense.

The total amount to be expensed is determined by reference to the fair value of the options granted:
- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions;
- including the impact of any non-vesting conditions.

Notes to the financial statements for the year ended 31 December 2014 (continued)

2. Summary of significant accounting policies (continued)

Share based payments (continued)

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the profit or loss for the financial year, with a corresponding adjustment to equity.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

b) Share award schemes
For equity-settled share award, the fair value is calculated based on the share price at the grant date and, where applicable, any market vesting conditions, and expensed over the vesting period based on the number of shares expected to vest. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition; which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance or service conditions are satisfied.

Cash-settled, share based compensation plans
For cash-settled plans, a liability is recorded, for the services received from employees that are measured at fair value over the vesting period and the recognition of a corresponding liability at each reporting date with any movements in fair value being recorded to the appropriate profit or loss for the financial year heading within the operating results. Any subsequent cash flows from exercise of vested awards are recorded as a reduction of the liability.

Mutually exclusive awards
Both the Put/call share options and Long Term Incentive Program ('LTIP') are considered to be two mutually exclusive awards, one equity-settled and one cash-settled.

The cash-settled award, although affected by the probability of being paid, always has a fair value which is recognised over the vesting period. If the awards are ultimately settled in equity the fair value of the liability falls to nil.

The equity-settled alternative is only recognised if it is considered probable. If the award is ultimately settled in cash the equity alternative would have become improbable and so no cumulative expense would be recognised for this. Once the contingent settlement provision resolves, the cumulative charge will represent only the expense actually incurred under either the equity or cash settlement option.

Operating lease commitments
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating leases payments net of any incentives received (including contracts with fixed escalation clauses) from the lessor are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Short-term employment benefits
Short-term employment benefits consist of salaries, wages and bonuses payable within twelve months of the balance sheet date. A liability and an expense (unless capitalisation is appropriate) are recognised when an employee has rendered services.

For short-term bonuses a liability and an expense (unless capitalisation is permitted) are recognised when the reporting entity has a present legal or constructive obligation to make payments as a result of past events and a reliable estimate can be made of the amount payable.

Notes to the financial statements for the year ended 31 December 2014 (continued)

2. Summary of significant accounting policies (continued)

Long-term employee benefits
Long-term bonuses are accounted for as a liability when employees have provided services in exchange for benefits to be paid in the future. The obligation is measured using the projected unit credit method and discounted to present value. All past service costs are recognised immediately as an expense.

Segmental analysis
The group is not required to apply IFRS 8 nor has it opted for voluntary disclosure. However the group has opted to disclose geographical analysis information as it believes this would attribute to the information provided in financial statements and useful to users.

Management assesses the performance of the geographical operations based on a measure of adjusted EBITDA. This measurement basis excludes the effects of non-recurring expenditure such as Corporate Finance and other advisory related expenses, provision for termination and settlement and goodwill impairments when the impairment is the result of an isolated, non-recurring event. The measure also excludes the effects of costs associated with acquisitions, share based payments and other income or expenses. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group.

Critical accounting judgments and key sources of estimation uncertainty
The preparation of financial statements in conformity with general accepted accounting practice requires management to make estimates and judgments that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgments 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 significant judgments made by management in applying the group's accounting policies and the key sources of estimation uncertainty were:

a. Fair value of share options
The fair value of share options granted in the year has been assessed using the Black Scholes Option Pricing Model. These charges are amended to take into account changes in the number of equity instruments expected to vest as a consequence of the changes in expectations.

b. Estimated impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the Group's accounting policy. In determining the recoverable amount of all CGUs it is necessary to make a series of assumptions to estimate the present value of future cash flows or fair value less cost to sell. In each case, these key assumptions have been made by management reflecting past experience and future expectations.

The main assumptions within forecast operating cash flow include the achievement of future sales, the cost incurred, removing non cash flow items, and the levels of ongoing capital expenditure required to support forecast production. Similarly, determining the fair value includes the achievement of revenue forecasts and applying multiples that supports similar online advertising companies.

c. Capitalised development costs
The group capitalise development costs, in accordance with the Group's accounting policy. Determining the amounts to be capitalised requires management to make assumptions and estimates regarding the expected future cash generation of new developments and the expected period of benefits.

d. Impairment of trade receivables
The group provides for any amount that is estimated to be irrecoverable from customers. Each reporting entity are responsible for calculating a specific provision based on client knowledge, trade receivables past due and recent history of default and performance of customers.

Notes to the financial statements for the year ended 31 December 2014 (continued)

2. Summary of significant accounting policies (continued)

Critical accounting judgments and key sources of estimation uncertainty (continued)

e. Amortisation of intangible assets

The amortisation and useful life of intangible asset are defined as the period over which the amortised amount of the asset is allocated and the period over which the asset is expected to be available for use by an entity. In assessing the useful live at each reporting period the following relevant factors are considered: the expected usage by the group of the asset; technical, technological, commercial and other types of obsolescence and the period for which the entity has control of the asset and any legal use.

We assess the historical experience, contracts period, competitors and life cycle to determine the useful lives of the customer relationships and the period for which contractual and/or other legal rights are held for non compete agreements. Legal rights for trademarks and licences are assessed over the fixed period and internally generated development expenditure is mainly assessed against technical, technological, commercial and other types of obsolescence.

Notes to the financial statements for the year ended 31 December 2014 (continued)

3. Geographical analysis

The group primarily operates in one principal area of activity, that of online marketing. Geographically, management considers the performance in the United Kingdom (UK), Continental Europe and Latin America.

The geographical information for the year ended 31 December 2014 from continuing operations is as follows:

	UK $000	Continental Europe $000	Latin America $000	Consolidation $000	Total $000
Total geographical revenue	-	80,944	2,854	(1,066)	82,732
Inter-geographical revenue	-	(1,066)	-	1,066	-
Revenue from external customers	**-**	**79,878**	**2,854**	**-**	**82,732**
Adjusted EBITDA	**(1,520)**	**3,018**	**(126)**	**(119)**	**1,253**

The geographical information for the year ended 31 December 2013 from continuing operations is as follows:

	UK $000	Continental Europe $000	Latin America $000	Consolidation $000	Total $000
Total geographical revenue	-	82,979	1,738	(3,217)	81,500
Inter-geographical revenue	-	(3,217)	-	3,217	-
Revenue from external customers	-	79,762	1,738	-	81,500
Adjusted EBITDA	429	1,093	(298)	42	1,266

A reconciliation of adjusted EBITDA to profit/ (loss) for the year from continuing operations is provided as follows:

	2014 $000	2013 $000
Adjusted EBITDA	**1,253**	1,266
Corporate finance and other advisory	**(4,824)**	(1,890)
Bonus costs associated with acquisitions	**(1,545)**	(1,903)
Depreciation and amortisation	**(16,303)**	(5,738)
Impairment of goodwill	**(30,274)**	(98,126)
Share based payment charge	**9,688**	(7,340)
Finance income	**1,396**	2,686
Finance cost	**(12,279)**	(8,599)
Gain on foreign exchange	**5,866**	370
Other (losses)/ gains – net	**(452)**	57
Other loss	**(17,376)**	(229)
Income tax	**3,391**	321
Loss for the year from continuing operations	**(61,459)**	(119,125)

Notes to the financial statements for the year ended 31 December 2014 (continued)

4. Discontinued operations

Statement of comprehensive income from discontinued operations

	2014 $000	2013 $000
Revenue	**88,758**	203,634
Cost of sales	**(63,911)**	(137,577)
Gross result/profit	**24,847**	66,057
Other income	**183,654**	
Administrative expenses	**(35,244)**	(106,320)
Operating profit/ (loss)	**173,257**	(40,263)
Finance income	**65**	131
Finance cost	**(2,176)**	(4,455)
Other gains – net	**-**	4,827
Profit/ (Loss) on ordinary activity before taxation	**171,146**	(39,754)
Tax on loss on ordinary activities	**58**	(1,667)
Profit/ (Loss) for the financial year from discontinuing operations	**171,204**	(41,421)
Exchange differences on translation of foreign operations	**578**	(869)
Other comprehensive income/ (expense) net of tax	**578**	(869)
Total comprehensive income/ (expense) for the year from discontinuing operations	**171,782**	(42,290)

Cash flows from discontinued operations

	2014 $000	2013 $000
Net cash inflow/(outflow) from operating activities	8,347	(10,461)
Income tax	195	-
Total cash inflow/ (outflow) from operating activities	8,542	(10,460)
Net cash inflow/ (outflow) from investing activities	12,399	(5,718)
Net cash outflow from financing activities	(5,518)	(1,775)
Net increase/(decrease) in cash and cash equivalents	15,423	(17,954)

In December 2011, the management of the group decided to no longer pursue the business of Adconion IP (Switzerland) AG and Adconion IP (International)AG. Adconion IP (International) AG has been dissolved in 2014, Adconion IP (Switzerland) AG is in the process of winding the business down.

In May 2014, the management of the group decided to no longer pursue the business activities in France. Adconion SARL is in the process of liquidation.

In June 2014, the management of the group decided to no longer pursue the business activities in Russia. smartclip Russia has stopped trading in June 2014.

Notes to the financial statements for the year ended 31 December 2014 (continued)

4. Discontinued operations (continued)

In July 2014, AMG Advertising Topco Limited sold the business operations in the US and Australia. All US and Australian group entities have been deconsolidated as of July 2014.

In September 2014, the management of the group decided to no longer pursue the business activities in the United Kingdom. AMG UK Advertising Limited is in the process of liquidation. smartclip UK Limited has stopped trading.

5. Finance income and finance cost

Finance income

	2014 $000	2013 $000
Interest on short-term bank deposits	9	7
Interest on intra-group financing	1,387	2,679
Finance income from continuing operations	**1,396**	2,686

Finance cost

	2014 $000	2013 $000
Interest on bank overdrafts	1,671	582
Interest on provision for other liabilities and charges	17	100
Interest on long-term employee benefits	173	273
Interest on borrowings	98	192
Interest on shareholder loans	10,320	7,446
Interest on intra-group financing	-	6
Finance cost from continuing operations	**12,279**	8,599

6. Employee information

The average monthly number of full time and part time persons (including executive directors) from continuing operations employed by the group during the year was:

	2014	2013
Sales and marketing	140	157
Research and development	50	56
General and administration	7	8
	197	221

	2014 $000	2013 $000
Staff costs (of the above persons)		
Wages and salaries	14,416	16,679
Social security costs	2,598	2,300
Long term employee benefits (note 22)	1,545	1,903
Share based payments (note 25)	(10,728)	1,416
Staff costs from continuing operations	**7,831**	22,298

Notes to the financial statements for the year ended 31 December 2014 (continued)

7. Directors' emoluments and key management compensation

The directors' aggregate emoluments in respect of qualifying services for continuing operations were:

	2014 $000	2013 $000
Total emoluments	**2,673**	2,322

In addition, $7,987k (2013: $3,574k) was expensed in relation to the group's option schemes as share based payments to three of the directors.

Emoluments of highest paid director:

	2014 $000	2013 $000
Total emoluments	**1,268**	1,072

In addition $2,898k (2013: $1,769k) was expensed for the highest paid director in relation to the group's share option schemes as share based payments within the statement of comprehensive income. The highest paid director did not exercise any options in 2014.

Key management compensation

Additionally there is a key management team having authority and responsibility for planning, directing, and controlling an operative entity respectively business unit.

P Meininger – Chief Financial Officer
J-P Fumagalli – Chief Executive Officer, smartclip
R Schaber – Chief Operating Officer, smartclip

The company's policy on remuneration of directors is to attract, retain and motivate the best people, recognising the input they have to the ongoing success of the business.

Consistent with this policy, the benefit packages to directors and key management are intended to be competitive. They comprise a mix of performance-related and non-performance related remuneration designed to incentivise directors and align their interests with those of shareholders. The remuneration consists of the elements outlined below.

Base pay

Key managements' base pay is designed to reflect individual's capabilities and role within the business. Salary levels are reviewed annually and targeted at the median position against similar industries.

Quarterly bonus

All full time employees participate in the company's quarterly bonus plan. One component of the bonus plan is related to Group, Company or Business Unit achievement, and one component is based on individual performance goals.

Key management compensation

	2014 $000	2013 $000
Short-term employee benefits	**944**	910
Key management share based compensation	**810**	276
Total key management compensation	**1,754**	**1,186**

Notes to the financial statements for the year ended 31 December 2014 (continued)

7. Directors' emoluments and key management compensation (continued)

Share option scheme & LTIP

It is the board's intention to continue to award shares to all key management members under the group's share option scheme. In the event that a key management member resigns, the share options will lapse. The value of shares notionally awarded to a director under this scheme in any year will not exceed that director's salary.

In 2012, a new award system, the Long Term Incentive Program ("LTIP"), was established. Under the Long Term Incentive Plan eligible employees will receive a conditional Award of AMG Advertising Topco Limited shares. Awards under the Plan are not transferable and benefits under the Plan are not pensionable.

Receipt of this Award under the LTIP is discretionary and only occurs when specified conditions and targets have been met. Receipt of an Award in one year does not guarantee you will receive an Award in the future or the level of any future Award.

None of key management team exercised options in 2014 and 2013.

8. Other (losses)/ gains – net

Financial liabilities at fair value through the P&L

	2014 $000	2013 $000
Fair value gain – warrants	**70**	57
Fair value (loss) – put option	**(522)**	-
Other (losses)/ gains – net from continuing operations	**(452)**	57

9. Operating profit/ (loss)

	2014 $000	2013 $000
Operating loss from continuing operations is stated after charging:		
Depreciation on property, fixtures and equipment	**319**	345
Amortisation on intangible assets	**6,001**	5,393
Impairment on intangible assets	**9,982**	-
Impairment of goodwill	**30,274**	98,126
Gain on foreign exchange	**(5,866)**	(370)
Impairment of trade receivables	**770**	185
Operating leases costs - land and buildings	**1,410**	1,693
Auditors remuneration		
- Audit of parent company and consolidated financial statements	**254**	147
- The audit of company's subsidiaries pursuant to legislation	**322**	306
- Corporate finance and advisory services	**213**	-
- Tax services	**165**	126

Depreciation and amortisation expenses are charged to the administrative expenses in the statement of comprehensive income.

Notes to the financial statements for the year ended 31 December 2014 (continued)

10. Income tax

	2014 $000	2013 $000
Current tax:		
Current tax on profit for the financial year	**-**	-
Foreign tax on loss for the financial year	**224**	332
Adjustments in respect of prior years	**495**	80
Total current tax	**719**	412
Deferred tax (note 11):		
Origination and reversal of temporary differences	**(4,671)**	(727)
Recognition of tax losses	**561**	-
Adjustments in respect of prior years	**-**	-
Effect of rate change	**-**	-
Total deferred tax	**(4,110)**	(727)
Income tax credit from continuing operations	**(3,391)**	(315)

The effective corporation tax for the group is calculated at 21.5% (2013: 23.25%) of the estimated assessable loss for the year. The charge for the year can be reconciled to the loss per the statement of comprehensive income as follows:

	2014 $000	2013 $000
Loss before tax from continuing operations	**(64,850)**	(119,420)
Tax calculated at domestic tax rates applicable to losses in the respective countries	**(13,943)**	(25,078)
Tax effects of:		
Expenses not deductible for tax purposes	**8,670**	1,124
Utilisation of previously unrecognised tax losses	**-**	-
Adjustments in respect of prior years	**490**	80
Effect of foreign tax rates	**125**	488
Tax losses for which no deferred income tax asset was recognised	**1,267**	23,071
Effect of rate change	**-**	-
Tax charge from continuing operations	**(3,391)**	(315)

The income tax charged directly to equity during the year is as follows:

	2014 $000	2013 $000
Deferred tax	**-**	(149)
	-	(149)

Notes to the financial statements for the year ended 31 December 2014 (continued)

11. Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2014 $000	2013 $000
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	(301)	(355)
Deferred tax assets to be recovered within 12 months	-	(249)
	(301)	(604)
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 12 months	4,700	8,627
Deferred tax liabilities to be recovered within 12 months	1,141	1,297
	5,841	9,924
Deferred tax liability – net	5,540	9,320

The deferred tax liability recognised in the financial statements is set out below:

	2014 $000	2013 $000
Short-term and other timing differences	5,540	9,320
	5,540	9,320

The gross movement on the deferred income tax account is as follows:

	2014 $000	2013 $000
At 1 January	9,320	8,136
Change to the statement of comprehensive income	(4,110)	1,184
Sale of subsidiaries	330	
At 31 December	5,540	9,320

A deferred tax asset has not been recognised in respect of timing differences relating to revenue losses and accelerated capital allowances, as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is:

	2014 $000	2013 $000
Unrecognised deferred tax asset	22,388	21,120

During the year, as a result of the change in the UK main corporation tax rate from 21% to 20% (effective from 1 April 2015), the relevant deferred tax balances have been re-measured at 20%.

Notes to the financial statements for the year ended 31 December 2014 (continued)

12. Investments in subsidiaries

Investments comprise the following:

	Country of Incorporation/ Place of Business	Holding	Principal Activity	Proportion of ownership Interest
Directly held investments				
AMG UK Intermediate Holdings Limited	United Kingdom	Ordinary	Holding Company	100%
AMG UK Advertising Limited	United Kingdom	Ordinary	In Liquidation	100%
smartclip Holding AG	Germany	Ordinary	Holding Company	100%
smartclip Mexico S.A. de C.V.	Mexico	Ordinary	Digital Media	75.1%
Indirectly (through subsidiaries)				
AMG Media Advertising GmbH	Germany	Ordinary	Digital Media	100%
Adconion SARL	France	Ordinary	In Liquidation	100%
Adconion S.L.	Spain	Ordinary	Digital Media	100%
Publead S.L.	Spain	Ordinary	Digital Media	100%
Arkeero Media S.L.	Spain	Ordinary	Digital Media	100%
Adconion IP (Switzerland) AG	Switzerland	Ordinary	In Liquidation	100%
ADR Nordics AB	Sweden	Ordinary	Digital Media	93%
smartclip AG	Germany	Ordinary	Digital Media	100%
smartclip UK Limited	United Kingdom	Ordinary	Non trading	100%
smartclip Hispania S.L.	Spain	Ordinary	Digital Media	100%
smartclip France SAS	France	Ordinary	Non trading	100%
smartclip Benelux B.V.	The Netherlands	Ordinary	Digital Media	100%
smartclip Nordics AB	Sweden	Ordinary	Digital Media	100%
smartclip Italy S.R.L.	Italy	Ordinary	Digital Media	100%
smartclip Russia LLC	Russia	Ordinary	Non trading	100%
Brolsten Holdings Ltd.*	Cyprus	Ordinary	Non trading	100%
FLC Smartclip Ltd.*	Cyprus	Ordinary	Non trading	100%

Each subsidiary has been included in the consolidation.

Notes to the financial statements for the year ended 31 December 2014 (continued)

13. Property, plant and equipment

	Fixtures and equipment $000
Cost	
At 1 January 2013	11,910
Additions	539
Disposals	(228)
Exchange differences	(35)
At 31 December 2013	**12,186**
Additions	351
Disposals	(699)
Sale of subsidiaries	(8,933)
Exchange differences	(315)
At 31 December 2014	**2,590**
Accumulated depreciation	
At 1 January 2013	6,487
Charge for the year	2,203
Disposals	(207)
Exchange differences	(16)
At 31 December 2013	**8,467**
Charge for the year	1,104
Disposals	(442)
Sale of subsidiaries	(7,115)
Exchange differences	(202)
At 31 December 2014	**1,812**
Net book value	
At 31 December 2014	**778**
At 31 December 2013	3,719
At 1 January 2013	5,423

Depreciation charge for the year includes discontinued operations charges of $785k (2013: $1,873k).

Notes to the financial statements for the year ended 31 December 2014 (continued)

14. Intangible assets

	Goodwill $000	Customer relationships $000	Non compete agreements $000	Trademarks and licenses $000	Internally generated development $000	Total $000
Cost						
At 1 January 2013	184,211	33,814	1,713	21,774	57,298	298,810
Additions	101	-	-	1,691	8,320	10,112
Disposals	-	-	-	(63)	-	(63)
Exchange differences	2,809	1,468	29	550	471	5,327
At 31 December 2013	**187,121**	**35,282**	**1,742**	**23,952**	**66,089**	**314,186**
Additions	-	-	-	156	3,921	4,077
Disposals	-	-	-	(8)	-	(8)
Sale of subsidiaries	(24,419)	(1,370)	(1,080)	(11,420)	(53,891)	(92,180)
Exchange differences	(9,122)	(4,057)	(79)	(1,549)	(1,446)	(16,253)
At 31 December 2014	**153,580**	**29,855**	**583**	**11,131**	**14,673**	**209,822**
Accumulated amortisation and impairment						
At 1 January 2013	23,741	5,156	1,188	10,209	32,202	72,496
Amortisation charge for the year	-	3,266	351	2,278	16,729	22,624
Impairment	107,940	-	-	-	-	107,940
Disposals	-	-	-	(21)	-	(21)
Exchange differences	1,433	297	19	116	289	2,154
At 31 December 2013	**133,114**	**8,719**	**1,558**	**12,582**	**49,220**	**205,193**
Amortisation charge for the year	-	3,267	180	1,718	4,421	9,586
Impairment	30,274	7,164	-	2,634	184	40,256
Disposals	-	-	-	(39)	-	(39)
Sale of subsidiaries	(2,682)	(1,370)	(1,080)	(10,191)	(41,991)	(57,314)
Exchange differences	(7,126)	(1,272)	(75)	(509)	(915)	(9,897)
At 31 December 2014	**153,580**	**16,508**	**583**	**6,195**	**10,919**	**187,785**
Net book value						
At 31 December 2014	**-**	**13,347**	**-**	**4,936**	**3,754**	**22,037**
At 31 December 2013	54,007	26,563	184	11,370	16,869	108,993
At 1 January 2013	160,470	28,658	525	11,565	25,096	226,314

Amortization charge for the year includes discontinued operations charges of $3,585k (2013: $17,216k).

Of the total impairment of $40.3m relating to the smartclip CGU, $30.3m is allocated to goodwill and the remaining $10.0m is allocated pro-rata over customer relationships, rademarks and licenses and internally generated development.

Notes to the financial statements for the year ended 31 December 2014 (continued)

14. Intangible assets (continued)

Goodwill brought forward arose following the acquisitions of Frontline Direct, Inc. and smartclip Holding AG.

Goodwill allocated to the following CGU entities

	2014 $000	2013 $000	2012 $000
smartclip group	-	32,270	129,046
Frontline Direct group*	-	21,737	31,424
	-	**54,007**	**160,470**

**Combined CGU of Frontline Direct and Blackstar*

Impairment tests for goodwill

Goodwill is allocated to the groups' cash-generating units (CGUs) for the purpose of impairment testing. Currently all CGUs allocated to goodwill are defined as the acquired subsidiaries or assets and trade of acquired businesses.

The recoverable amount of the investment in the smartclip group CGU has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the planning period are extrapolated using estimated growth rates. Within these calculations management have incorporated the economic circumstances within each geographical analysis in their assessment of goodwill impairment.

Management has determined that the recoverable amount allocated to the smartclip group CGU had been impaired by $30.3m (2013: $98.1m) as a consequence of the impairment test results and the trading performance in the underlying business.

15. Financial instruments by category

	2014 $000	2013 $000
Assets as per statement of financial position:		
Loans and receivable		
Trades and other receivables excluding non financial assets	**77,256**	81,616
Cash and cash equivalents, net of bank overdrafts	**21,816**	(6,311)
	99,072	75,305
Liabilities as per statement of financial position:		
Financial liabilities at fair value through the P&L	**247**	1,378
Other financial liabilities at amortised cost		
Borrowings excluding bank overdraft	**832**	81,083
Trade and other payables excluding non financial liabilities	**28,553**	77,420
	29,385	158,503

Notes to the financial statements for the year ended 31 December 2014 (continued)

16. Financial liabilities at fair value through the P&L

	2014 $000	2013 $000
Liabilities as per statement of financial position:		
Financial liabilities at fair value through the P&L		
Contingent consideration arising on a business combination	-	1,304
Warrants issued	-	74
Put option	247	-
	247	1,378
Less non-current portion		
Contingent consideration arising on a business combination	-	(1,304)
Warrants issued	-	(74)
Current portion	247	-

Contingent consideration arising on a business combination
The acquired assets were sold with the US business activities in July 2014 and the contingent consideration is payable by the acquirer.

Put option
In 2012 management established smartclip Mexico S.A. de C.V. along with a local investment company. AMG invested 75.1% in the share capital with the remaining owned by the minority shareholder. The agreement included a put and call option for AMG to purchase the minority shareholding, exercisable between 30 March 2015 and 31 December 2015.

The put and call option is between two entities, with no employment related services. A such, there is no vesting period and the entire liability is recognised upfront as a financial liability measured at fair value through profit and loss. The total expected liability as of 31 December 2014 is $247k.

Notes to the financial statements for the year ended 31 December 2014 (continued)

17. Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The group's financial liabilities carried at fair value are classified within Level 3 of the fair value hierarchy (fair value is based on appropriate valuation techniques using non-market observable inputs).

The following table presents the group's liabilities that are measured at fair value at 31 December 2014.

	$000
Financial liabilities at fair value through the P&L	
Put option	247
	247

The following table presents the group's liabilities that are measured at fair value at 31 December 2013.

	$000
Financial liabilities at fair value through the P&L	
Warrants issued	74
Contingent consideration arising on a business combination	1,304
	1,378

There were no transfers between levels during the year.

Reconciliation for the fair value estimation

	Contingent consideration arising on a business combination $000	Warrants issued $000	Put option $000	Total $000
At 1 January 2013	**5,990**	**129**	**-**	**6,119**
Additions	1,304	-	-	1,304
Fair value loss	(4,827)	(57)	-	(4,884)
Payments	(1,163)	-	-	(1,163)
Exchange differences	-	2	-	2
At 31 December 2013	**1,304**	**74**	**-**	**1,378**
Additions	-	-	522	522
Disposals	(1,304)	-	-	(1,304)
Payments	-	-	(284)	(284)
Fair value loss	-	(70)	-	(70)
Exchange differences	-	(4)	9	5
At 31 December 2014	**-**	**-**	**247**	**247**

Notes to the financial statements for the year ended 31 December 2014 (continued)

18. Cash and cash equivalents

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

	2014 $000	2013 $000
Cash and cash equivalents	**23,691**	18,718
Bank overdrafts (note 21)	**(1,875)**	(25,029)
	21,816	(6,311)

19. Trade and other receivables

	2014 $000	2013 $000
Trade receivables	**26,871**	78,280
Less: provision for impairment of trade receivable	**(617)**	(1,070)
Trade receivables net	**26,254**	77,210
Other receivables	**50,994**	4,406
Other taxation and social security costs	**5,244**	8,221
Prepayments and accrued income	**2,085**	5,016
	84,577	94,853

Trade receivables that were past due but not impaired relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these trade receivables is as follows:

	2014 $000	2013 $000
Up to 3 months past due	**7,389**	27,848
More than 3 months past due	**2,618**	12,589
	10,007	40,437

Individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations.

Provision for impairment of trade receivables

Group	2014 $000	2013 $000
At 1 January	**1,070**	920
Used during the year	**(770)**	(713)
Additions	**317**	863
At 31 December	**617**	1,070

Notes to the financial statements for the year ended 31 December 2014 (continued)

20. Trade and other payables

	2014 $000	2013 $000
Trade payables	**9,300**	40,013
Other taxation and social security costs	**5,077**	7,762
Other payables	**814**	3,555
Accruals	**21,460**	33,852
	36,651	85,182

21. Borrowings

	Notes	2014 $000	2013 $000
Bank and other loans		**832**	4,803
Promissory notes		**-**	3,279
Deferred consideration from put option		**-**	7,194
Deferred consideration from acquisition		**-**	2,657
Shareholder loans		**-**	63,150
Bank overdraft	18	**1,875**	25,029
		2,707	106,112
Less non-current portion			
Bank and other loan		**(447)**	(75)
Promissory notes		**-**	(1,600)
Deferred consideration from put option		**-**	(5,594)
Deferred consideration from acquisition		**-**	(1,286)
Shareholder loans		**-**	(60,733)
Current portion		**2,260**	36,824

Bank and other loans consist of:

Bank and other loans consist of loan facilities with Banco Popular, BBVA and BSCH for a total €800k and factoring lines with Bankinter for a total of up to €2,000k. The bank loan facilities were issued between 2012 and 2014, bear interest between 5.1 and 5.7% and mature in 2015 resp. 2017. The factoring lines bear interest at Euribor +4.50% and mature in October 2015.

Promissory notes and deferred consideration from put option

The promissory notes including interest were all settled cash in 2014.

Promissory notes	2014 $000	2013 $000
Opening amount 1 January	**3,279**	-
Repayments of promissory notes	**(3,072)**	-
Proceeds from borrowings	**-**	3,035
Accrued interest	**190**	156
Interest paid	**(263)**	(80)
Exchange differences	**(134)**	168
Liability at 31 December	**-**	3,279

Notes to the financial statements for the year ended 31 December 2014 (continued)

21. Borrowings (continued)

Promissory notes and deferred consideration from put option (continued)
Deferred consideration from the put option has been settled in cash in 2014.

Deferred consideration from acquisition
Deferred consideration from acquisition has been settled through a mixture of equity and cash, in accordance with the acquisition agreements, in 2014.

Shareholder loans

	2014 $000	2013 $000
Opening amount 1 January	**63,150**	**35,118**
Repayment of shareholder loans	**(63,476)**	**(817)**
Proceeds from shareholder loans issued	**6,032**	**20,343**
Interest paid	**(14,199)**	**(95)**
Accrued interest	**7,782**	**7,435**
Exchange differences	**711**	**1,166**
Liability at 31 December	**-**	**63,150**
Less non-current portion	**-**	**(60,733)**
Current portion	**-**	**2,417**

All shareholder loans that were issued by the parent company to raise finance for the group in the years 2009, 2011, 2012, 2013 and 2014 have been settled in cash including accumulated interest in the course of 2014.

Bank overdrafts
The bank overdrafts are secured on company's trade receivables balances.

22. Long term employee benefits

	2014 $000	2013 $000
Opening amount 1 January	**9,155**	4,898
Service cost for the year	**1,545**	1,903
Payments	**(5,069)**	(2,745)
Reclassification from retained earnings	**-**	4,630
Accrued interest	**173**	273
Exchange differences	**(975)**	196
Liability at 31 December	**4,829**	9,155
Less non-current portion	**-**	(3,639)
Current portion	**4,829**	5,516

Long-term bonus schemes related to the acquisition of the smartclip group
The group operates long-term bonus schemes, whereby employees receive bonus payments of up to $4,829k for services from acquisition date until 31 December 2014. The bonus payments will be settled in cash, in accordance with the bonus agreements.

The liability for the bonus payments is recognised at fair value using a discount rate of 7.79% and is build up over the service period. The service cost is the present value of the benefits attributed to the current year.

Notes to the financial statements for the year ended 31 December 2014 (continued)

23. Provision for other liabilities and charges

	Legal obligations $000	Total $000
At 1 January 2013	1,866	**1,866**
Payments	(1,322)	**(1,322)**
Interest	100	**100**
Exchange differences	27	**27**
At 31 December 2013	**671**	**671**
Current portion	671	**671**
Payments	(682)	**(682)**
Interest	17	**17**
Exchange differences	(6)	**(6)**
At 31 December 2014	**-**	**-**

Legal obligations
A historical non-compete agreement was in place with a partner, under which the group was not permitted to trade in Eastern Europe. The acquisition of smartclip, which trades in Russia, triggered a breach of the contract. The parties have agreed to terminate the contract and the group has paid $3,290k as a compensation payment over 10 quarters.

24. Commitments under operating leases

The group leases various offices under non-cancellable operating lease agreements. The lease terms are between 1 and 7 years, and the majority of lease agreements are renewable at the end of the lease period at market rates. The operating lease expense charged to the loss for the financial year during the year is disclosed in note 9.

The future aggregate lease payments under non-cancellable operating leases are as follows:

	2014 $000	2013 $000
Operating leases which expire:		
Within one year	**698**	4,902
Between one and five years	**497**	12,923
After more than five years	**-**	181
	1,195	18,006

Notes to the financial statements for the year ended 31 December 2014 (continued)

25. Share based compensation

		Long term employee benefits	Share based payment	
$000	**Note**	Cash settled (Liability)	Cash settled (Liability)	Equity settled (Equity)
Employee share option scheme		-	-	11,207
Contingent deferred consideration	22	4,829	-	-
Long Term Incentive Plan		-	4,876	-
Put option		-	145	-
At 31 December 2014		**4,829**	**5,021**	**11,207**
Less non-current portion		-	(4,876)	(11,207)
Current portion		4,829	145	-

a) Employee share option scheme

The group has a share option scheme for all employees (including directors) within the group. Options are exercisable at a price equal to the average market price of the company's shares on the date of grant. The vesting period is between one and four years. The Weighted Average Exercise Price (WAEP) has also been disclosed for all movements in the number of share options during the year.

		2014 WAEP		2013 WAEP
	Number	**$**	Number	$
Outstanding at the beginning of the year	**5,347,097**	**2.79**	6,128,936	2.97
Granted during the year	**-**	**-**	25,000	6.02
Exercised during the year	**(10,937)**	**2.79**	(195,832)	1.49
Forfeited during the year	**(243,998)**	**6.72**	(611,007)	5.98
Outstanding at the end of the year	**5,092,162**	**2.53**	5,347,097	2.79
Exercisable at the end of the year	5,056,469	2.53	**4,983,682**	**2.56**

Options outstanding at 31 December 2014 comprise the following:

Expiry date	**Exercise price in $**	**2014 Number**	2013 Number
31 December 2015	**1.07**	**1,723,291**	827,940
31 December 2016	**3,61**	**815,485**	254,225
31 December 2017	**1,33**	**1,190,680**	1,967,457
31 December 2018	**4,09**	**251,538**	362,302
31 December 2019	**4,22**	**482,000**	685,063
31 December 2020	**4,66**	**286,000**	635,144
31 December 2021	**6,11**	**343,168**	548,466
31 December 2022	**-**	**-**	41,500
31 December 2023	**-**	**-**	25,000
		5,092,162	5,347,097

The total charge for the year relating to employee share based payment plans from continuous operations was $7k (2013: $111k) all of which related to equity settled share base payments transactions.

Notes to the financial statements for the year ended 31 December 2014 (continued)

25. Share based compensation (continued)

b) Long Term Incentive Program ("LTIP")
In 2012, a new award system, the Long Term Incentive Program ("LTIP"), was established. Under the AMG Long Term Incentive Plan eligible employees will receive a conditional Award of AMG Advertising Topco Limited shares. The vesting of the Award is generally conditional on remaining employed over a three-year period and on the satisfaction of certain conditions. Awards under the Plan are not transferable and benefits under the Plan are not pensionable. Receipt of this Award under the LTIP is discretionary and only occurs when specified conditions and targets have been met. Receipt of an Award in one year does not guarantee to receive an Award in the future or the level of any future Award.

The LTIP is considered to be two mutually exclusive awards, one equity-settled and one cash-settled. The current estimate of the equity-settled value is $nil (2013: $nil); and the fair value of the cash-settled award is $4,876k (2013: $10,976k), with a cumulative corresponding income impact of $(10,735)k (2013 expense: $6,650k) in the statement of comprehensive income within 'share based payment expenses'.

c) Written put option
In 2012 AMG issued 15% of the share capital of ADR Nordics AB to the initial founders of the business with a call option for AMG to buy back the shares for cash or issue shares at a future point in time and a put option for the minority shareholders to sell their shares to AMG in 2015.

The value at which the options can be exercised is based on a multiple of the EBITDA of ADR Nordics AB based on the four quarters preceding the date of exercise. In addition the terms of the agreement include a service condition such that the minority shareholders need to be employed up until 31 December 2014.

The liability accrues over the vesting period and the total expected liability as of 31 December 2014 is $145k (2013: $nil).

Notes to the financial statements for the year ended 31 December 2014 (continued)

26. Called up share capital

	2014		2013	
Allotted and called up:	**Number**	**$**	Number	$
Ordinary shares of £0.01 each	**30,536,819**	**557,610**	30,377,056	555,149
A ordinary shares of £0.01 each	**2,467,170**	**48,541**	2,467,170	48,541
B ordinary shares of £0.01 each	**1,400,000**	**27,544**	1,400,000	27,544
C ordinary shares of £0.01 each	**13,475,442**	**252,256**	15,355,045	281,211
D ordinary shares of £0.01 each	**10,939,714**	**176,962**	11,441,053	184,685
Preference shares of £0.01 each	**2,593,750**	**51,031**	2,593,750	51,031
	61,412,895	**1,113,944**	63,634,074	1,148,161

All shares issued by the group were fully paid.

In 2014, 10,937 ordinary shares of £0.01 each were issued to meet share option agreements (strike prices between £1.60 and £2.71), 430,813 C ordinary shares of £0.01 each were issued to existing shareholders upon exercise of warrants at an exercise price of £0.01 and 148,826 ordinary shares were issued to fulfil earn out obligations from acquisitions at a subscription price of £5.50. The related premium arising on each issue of ordinary shares has been transferred to the share premium account.

There are no differences in terms of voting rights associated with the six different classes of shares. The preference shareholders are not entitled to receive a distribution of profits. D ordinary shareholders are ranked highest in order of preference on winding up, C ordinary shareholders are second in line, preference shareholders are third in-line with the remaining shareholders ranked equally.

In November 2014, the accumulated share premium of $275,326k was used in a capital reduction to allow for a share buyback of 2,310,416 C ordinary and 501,339 D ordinary shares.

Reconciliation of ordinary and preference shares

	Ordinary shares of £0.01 each $	A ordinary shares of £0.01 each $	B ordinary shares of £0.01 each $	C ordinary shares of £0.01 each $	D ordinary shares of £0.01 each $	Preference shares of £0.01 each $
At 31 December 2012	545,998	48,541	27,544	266,967	184,685	51,031
Share issued during the year	2,842			14,244		
Shares issued as part of the acquisitions	6,309					
At 31 December 2013	555,149	48,541	27,544	281,211	184,685	51,031
Shares issued during the year	168			6,637		
Shares issued as part of the acquisitions	2,293					
Shares cancelled during the year				(35,592)	(7,723)	
At 31 December 2014	**557,610**	**48,541**	**27,544**	**252,256**	**176,962**	**51,031**

Notes to the financial statements for the year ended 31 December 2014 (continued)

27. Share premium account

	2014 $000	2013 $000
Balance brought forward	**273,618**	269,310
Premium on shares issued in the year	**1,708**	4,308
Capital reduction	**(275,326)**	-
Balance carried forward	**-**	273,618

28. Cash generated from operations

	2014 $000	2013 $000
Loss on ordinary activities before taxation from continuing operations	**(64,850)**	(119,420)
Finance income	**(9)**	(1)
Finance cost	**12,279**	5,914
Other gains – net	**452**	(57)
Depreciation on fixtures and equipment	**319**	327
Amortisation on intangible assets	**6,001**	5,411
Impairment of goodwill and other intangible assets	**40,256**	98,126
Provision for liabilities and charges	**(665)**	(1,222)
Share based payment expense for the year	**(9,688)**	7,340
Long-term employee bonus expenses	**1,545**	1,903
Sale of business activities	**-**	-
Unrealised foreign exchange gain/ (loss)	**10,874**	(2,531)
Decrease/ (increase) in receivables	**(49,008)**	7,989
(Increase) in payables	**(8,414)**	(556)
Cash inflow from operating activities from continuing operations	**(60,908)**	3,223

29. Related party transactions

Group relationships
All inter group transactions (including management fee and interest), loans and trading balances, which are related parties, have been eliminated on consolidation and excluded for disclosure. Refer note 12 for Investment in subsidiaries.

Shareholder loans
Shareholder loans were issued by the parent company to raise finance for the group in the years 2009, 2011, 2012, 2013 and 2014 and have all been settled in cash in 2014. Refer note 21 for detail.

Key management
All transactions within AMG group are carried out at arms length.

Notes to the financial statements for the year ended 31 December 2014 (continued)

30. Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. Risk management is carried out by the central finance department (corporate finance).Corporate finance identifies, evaluates and hedges financial risks in close co-operation with the group's operating units.

Market risk

Foreign exchange risk

The group's principal foreign currency exposures arise from purchases from overseas companies and sales to overseas customers. As there are local entities in all major markets only a small percentage of the group's sales are to foreign companies.

In addition to this, AMG advances intercompany loans to its' operating entities denominated mainy in Sterling. While there is no effect on group level, currency fluctuations might result in significant adjustments on local level.

Exchange differences arising on the retranslation of foreign currency borrowings (including the settlement of promissory notes issued to the initial founders of the AMG business in Spain and deferred consideration from the acquisition of smartclip) during the current year are recognised in other comprehensive income.

Interest rate risk

The group's interest rate risk arises from bank overdrafts and shareholders' loans. The group manages its interest rate risk by regularly reviewing its existing position, refinancing or alternative financing to ensure the group seeks to borrow at competitive rates. The group also calculates the impact on loss in the statement of comprehensive income of a defined interest rate shift.

Market risk sensitivity analysis

The following analysis is intended to illustrate the sensitivity of the Group's financial instruments (at 31 December) to changes in interest rates and foreign currencies. The group is using a sensitivity analysis technique that measures the estimated impacts on the consolidated loss for the financial year and other comprehensive income of either an instantaneous increase or decrease of 0.5% (50 basis points) in market interest rates or a 10% strengthening or weakening in US dollars against all other currencies, from the rates applicable at 31 December 2014 and 31 December 2013, for each class of financial instruments with all other variables remaining constant.

The sensitivity analysis excludes the impact of market risks on corporate tax payable. This analysis is for illustrative purposes only, as in practice interest and foreign exchange rates rarely change in isolation.

The sensitivity analysis is based on the following:

- All losses for the financial year sensitivities also impact equity.
- Changes in interest rates affect the finance income or expense of variable interest financial instruments, financial instruments with fixed interest rates if these are recognised at fair value and no impact for financial instruments carried at amortised cost, carrying value does not change as interest rates move.
- Changes in the fair values of financial liabilities at fair value through profit or loss are estimated by discounting the future cash flows to net present values using rates prevailing at the year end for contingent considerations using the Black Scholes model by computing the outstanding payable with inputs linked to foreign exchange and interest rates.
- No sensitivity is provided for cash and cash equivalents, trade and other payables as these are considered current and present fair value and initial recognition and subsequent amortised costs and not susceptible to further rate changes.
- Translation of foreign subsidiaries and operations into the Group's presentation currency has been presented separately from transaction considerations.

Notes to the financial statements for the year ended 31 December 2014 (continued)

30. Financial risk management (continued)

Market risk sensitivity analysis (continued)

	Interest rate		Foreign exchange risk	
	Reflected in loss		Reflected in other comprehensive income	
	Favourable changes $000	Unfavourable changes $000	Favourable changes $000	Unfavourable changes $000
Silicon Valley Bank Loans	24	(24)	473	(473)
Deferred consideration	-	-	266	(266)
Promissory notes 2014/2015	-	-	327	(327)
At 31 December 2013	**24**	**(24)**	**1,066**	**(1,066)**

	Interest rate		Foreign exchange risk	
	Reflected in loss		Reflected in other comprehensive income	
	Favourable changes $000	Unfavourable changes $000	Favourable changes $000	Unfavourable changes $000
Bank and other loans	4	(4)	83	(83)
At 31 December 2014	**4**	**(4)**	**83**	**(83)**

Management assessed their market risks exposure as limited with no material effect during the year ended 31 December 2014.

Translation of foreign subsidiaries and operations

A 10% change in the exchange of the US dollar against the following currencies would create an increase/(decrease) in our loss and/or in our equity as shown below. This analysis is based on the foreign currency exchange rate variances that we considered to be reasonably possible at the reporting date. This analysis assumes that all other variables, such as interest rates, remain constant and ignores any impact of forecasted sales and purchases. This analysis is shown on the same basis for 2013 and 2014, though the reasonably possible foreign exchange rate variances were different, as indicated below:

	Foreign exchange risk			
	Reflected in loss		Reflected in other comprehensive income	
	Favourable changes $000	Unfavourable changes $000	Favourable changes $000	Unfavourable changes $000
Continental Europe	109	(109)	1,535	(1,535)
Latin America	(30)	30	(69)	69
UK	43	(43)	13,719	(13,719)
At 31 December 2013	122	(122)	15,185	(15,185)
Continental Europe	302	(302)	3,435	(3,435)
Latin America	(13)	13	(97)	97
UK	(152)	152	14,280	(14,280)
At 31 December 2014	**137**	**(137)**	**17,618**	**(17,618)**

Notes to the financial statements for the year ended 31 December 2014 (continued)

30. Financial risk management (continued)

Credit risk

Credit risk is managed on group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

For banks and financial institutions, only independently rated parties with a high credit-rating are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and clients. Refer note 19 trade and other receivables for further detail on credit risk analysis

Liquidity risk

Cash flow forecasting is performed in the operating entities of the group and aggregated by group finance. Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the group finance. Group finance invests surplus cash in interest bearing current financial statements, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. At the reporting date, the group held cash and cash equivalents excluding bank overdrafts of $23,691k (2013: $18,708k) that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 3 months $000	Between 3 months and 1 year $000	Between 1 and 2 years $000	Between 2 and 5 years $000
At 31 December 2014				
Trade and other payables excluding non financial liabilities	31,574	-	-	-
Bank overdrafts	1,875	-	-	-
Borrowings	9	-	823	-
Financial liabilities through the P&L	-	247	-	-
	33,458	**247**	**823**	**-**
At 31 December 2013				
Trade and other payables excluding non financial liabilities	78,631	-	-	-
Bank overdrafts	25,029	-	-	-
Shareholder loans	-	1,654	26,994	26,579
Borrowings	1,469	7,919	8,635	-
Financial liabilities through the P&L	-	-	1,485	-
	105,129	9,573	37,114	26,579

Notes to the financial statements for the year ended 31 December 2014 (continued)

30. Financial risk management (continued)

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statements of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

During 2013, the group's strategy was to maintain the gearing ratio below 50% (2012: 25%). As a consequence of the impairment charge of the goodwill for the smartclip group the gearing ratio was 96.7%. Excluding the impairment charge the gearing ratio would have been 44.1%.

In 2014, the group has secured additional funding through the sale of Adconion Direct North America and Adconion Australia to Amobee, Inc. The majority of the funding was used to settle most of the group's debt positions. Therefore, the gearing ratio has become negative at the end of 2014.

Financing will be available to support any outstanding borrowings and bank overdrafts and working capital requirements.

The gearing ratios at 31 December 2014 and 2013 were as follows:

	2014 $000	2013 $000
Total borrowings	**832**	81,083
Plus/(less): cash and cash equivalents, net of bank overdrafts	**(21,816)**	6,311
Net debt/ (cash)	**(20,984)**	87,394
Total equity	**75,864**	2,950
Total capital	**54,880**	90,344
Gearing ratio	**(38.2)%**	96.7%

31. Ultimate parent company and controlling company

The directors consider AMG Advertising Topco Limited as the ultimate parent undertaking and controlling party, a company incorporated in United Kingdom.

AMG Advertising Topco Limited is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2014. The consolidated financial statement of AMG Advertising Topco Limited is available from United Kingdom Company's house.

Independent auditors' report to the members of AMG Advertising Topco Limited

Report on the financial statements

Our opinion

In our opinion, AMG Advertising Topco Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

AMG Advertising Topco Limited's financial statements comprise:

- the parent company statement of financial position as at 31 December 2014;
- the parent company statement of cash flows for the year then ended;
- the parent company statement 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 applicable law and IFRSs as adopted by the European Union.

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, 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.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Independent auditors' report to the members of AMG Advertising Topco Limited (continued)

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, 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 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.

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 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 and financial statements 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.

Other matter

We have reported separately on the group financial statements of AMG Advertising Topco Limited for the year ended 31 December 2014.

Brian Henderson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 November 2015

Parent company statement of financial position as at 31 December 2014

	Notes	2014 £000	2013 £000
Non-current assets			
Investments in subsidiaries	36	**5,704**	35,656
Current assets			
Other receivables	40	**57,960**	97,707
Cash and cash equivalents		**5,424**	2,352
		63,384	100,059
Total assets		**69,088**	135,715
Current liabilities			
Trade and other payables	41	**(692)**	(3,304)
Borrowings	42	**-**	(2,290)
Financial liabilities at fair value through the P&L	38	**(159)**	-
Provision for other liabilities and charges	43	**-**	(405)
Share based payments	44	**(93)**	-
		(944)	(5,999)
Non-current liabilities			
Borrowings	42	**-**	(37,434)
Financial liabilities at fair value through the P&L	38	**-**	(45)
Share based payments	44	**(3,128)**	(6,636)
		(3,128)	(44,115)
Total liabilities		**(4,072)**	(50,114)
Net assets		**65,016**	85,601
Equity			
Called up share capital	45	**614**	636
Share premium account	46	**-**	160,960
Retained earnings/ (accumulated loss)		**64,394**	(76,190)
Other reserves		**8**	195
Total equity		**65,016**	85,601

These financial statements, which comprise of the Parent Company Statement of Financial Position, the Parent Company Statement of Changes in Equity, the Parent Company Cash Flow Statement and the related notes were approved and authorised by the board of directors on 26 November 2015

Signed on behalf of the board of directors
Dr N V Sunderland

N. V. Sunderland

Director
Company number: 05833659

The notes on pages 55 to 68 form part of these financial statements.

Parent company statement of changes in equity for the year ended 31 December 2014

	Called Up share capital £000	Share premium account £000	Retained earnings/ (accumulated loss) £000	Other reserves £000	Total equity £000
At 1 January 2013	621	158,141	(9,802)	497	149,457
Loss for the financial year	-	-	(63,245)	-	(63,245)
Total comprehensive expenses	-	-	(63,245)	-	(63,245)
Share warrants exercised	-	302	-	(302)	-
Issue of share capital (note 45, 46)	15	2,517	-	-	2,532
Share based compensation (note 44)	-	-	263	-	263
Share based compensation settlement	-	-	(3,406)	-	(3,406)
At 31 December 2013	636	160,960	(76,190)	195	85,601
Loss for the financial year	-	-	(7,481)	-	(7,481)
Total comprehensive expenses	-	-	(7,481)	-	(7,481)
Share warrants exercised	4	187	-	(187)	4
Issue of share capital (note 45, 46)	2	844	(8)	-	838
Share based compensation (note 44)	-	-	40	-	40
Reduction of share capital (note 45, 46)	(28)	(161,991)	148,033	-	(13,986)
At 31 December 2014	**614**	**-**	**64,394**	**8**	**65,016**

The notes on pages 55 to 68 form part of these financial statements.

Parent company statement of cash flows for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
Cash flows from operating activities			
Cash generated from/ (used in) operations	47	**13,595**	(13,073)
Income tax paid		**-**	-
Net cash generated from/ (used in) operating activities		**13,595**	(13,073)
Cash flows from investing activities			
Investments in subsidiaries		**(12,983)**	-
Sale of subsidiaries		**58,331**	-
Net cash generated from investing activities		**45,348**	-
Cash flows from financing activities			
Proceeds from issue of share capital		**1,037**	199
Payments for reduction of share capital		**(13,986)**	-
Proceeds from borrowing		**3,581**	13,036
Repayment of borrowing		**(37,997)**	(505)
Interest paid		**(8,506)**	(68)
Net cash (used in)/ generated from financing activities		**(55,871)**	12,662
Net increase/ (decrease) in cash and cash equivalents		**3,072**	(411)
Cash and cash equivalents at the beginning of the year		**2,352**	2,763
Cash and cash equivalents at the end of the year		**5,424**	2,352

The notes on pages 55 to 68 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2014

32. Summary of significant accounting policies

The principal accounting policies adopted are set out below and have been consistently applied to all years presented unless otherwise stated. Amounts are rounded to the nearest thousands and are suffixed with a "k" in certain disclosure paragraphs unless otherwise stated.

Basis of preparation

The financial statements of AMG Advertising Topco Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although the estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates. The most significant of these relates to impairments.

Key accounting policies

The key accounting policies for the parent company are the same as those for the group, as disclosed in note 2, except for those listed below.

Foreign currencies

The parent company's functional currency is pound sterling and the financial statements are presented in pounds sterling, which the directors consider is the appropriate presentational currency of the company.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements in conformity with general accepted accounting practice requires management to make estimates and judgments that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgments 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 significant judgments made by management in applying the parent company's accounting policies and the key sources of estimation uncertainty were:

a. Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment. Cost is defined as the fair value of the consideration transferred, excluding acquisition related costs. Share based payment awards in the parent company to employees in the subsidiary are capitalised and present contribution from parent company to the subsidiaries.

b. Fair value of share options

The fair value of share options granted in the year has been assessed using the Black Scholes Option Pricing Model. These charges are amended to take into account changes in the number of equity instruments expected to vest as a consequence of the changes in expectations.

Notes to the financial statements for the year ended 31 December 2014 (continued)

32. Summary of significant accounting policies (continued)

Critical accounting judgments and key sources of estimation uncertainty (continued)

c. Share based payments

The parent operates various equity-settled and cash-settled share schemes that consist of employee share option scheme, Share award schemes and put/ call share options.

Equity-settled, share based compensation plans

Equity-settled, share based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options are recognised as an expense.

The total amount to be expensed is determined by reference to the fair value of the options and granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions;
- including the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the profit or loss for the financial year, with a corresponding adjustment to equity.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Within the parent company financial statements the grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Cash-settled, share based compensation plans

For cash-settled plans, a liability is recorded, for the services received from employees that are measured at fair value over the vesting period and the recognition of a corresponding liability at each reporting date with any movements in fair value being recorded to the appropriate profit or loss for the financial year heading within the operating results. Any subsequent cash flows from exercise of vested awards are recorded as a reduction of the liability.

Mutually exclusive awards

Both the Put/call share options and Long Term Incentive Program ('LTIP') are considered to be two mutually exclusive awards, one equity-settled and one cash-settled.

The cash-settled award, although affected by the probability of being paid, always has a fair value which is recognised over the vesting period. If the awards are ultimately settled in equity the fair value of the liability falls to nil.

The equity-settled alternative is only recognised if it is considered probable. If the award is ultimately settled in cash the equity alternative would have become improbable and so no cumulative expense would be recognised for this. Once the contingent settlement provision resolves, the cumulative charge will represent only the expense actually incurred under either the equity or cash settlement option.

Notes to the financial statements for the year ended 31 December 2014 (continued)

33. Result of parent company
As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £7,481k (2013 loss: £63,245k).

34. Auditors' remuneration
The auditors remuneration for the audit of the company is disclosed in note 9 to the group financial statements. Fees paid to the auditors for non-audit services to the company are not required to be disclosed in the company's financial statements as group financial statements are presented which disclose such fees.

35. Directors' emoluments and key management compensation
During the year, the directors and key management of the company received no emoluments or compensation directly from the company. The value of their services for the company during the year, if allocated to the company, would be £nil.

Notes to the financial statements for the year ended 31 December 2014 (continued)

36. Investments in subsidiaries

	Subsidiary Undertakings 2014 £000	Subsidiary Undertakings 2013 £000
Cost		
At 1 January	**108,573**	104,681
Additions	**13,109**	3,892
Disposals	**(10,009)**	-
At 31 December	**111,673**	108,573
Accumulated impairment		
At 1 January	**72,917**	13,026
Additions	33,052	59,891
At 31 December	105,969	72,917
Net book value		
At 31 December current year	**5,704**	35,656

Included in additions are share based payment awards in the parent company to employees in the subsidiaries. This presents contribution from parent company to subsidiaries amounting to £126k (2013: £3,813k). The remaining amount presents the direct investment in subsidiaries.

The recoverable amounts of the investment in the smartclip group has been determined based on value-in-use calculation. This calculations uses pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the planning period are extrapolated using the estimated growth rates stated below. Management has established that the recoverable amount allocated to the Smartclip group CGU had been impaired by £25.6m (2013: £59.9m) as a consequence of the impairment test results and the trading performance in the underlying business. This results in an impairment in the investment in smartclip Holding AG by this amount.

The investment in AMG UK Intermediate Holdings Limited has been impaired by £5.1m (2013: nil).

The direct investments in subsidiaries comprise the following:

	Country of Incorporation	Holding	Principal Activity	Proportion of ownership Interest
AMG UK Intermediate Holdings Limited	United Kingdom	Ordinary	Holding Company	100%
AMG UK Advertising Limited	United Kingdom	Ordinary	In Liquidation	100%
smartclip Holding AG	Germany	Ordinary	Holding Company	100%
smartclip Mexico S.A. de C.V.	Mexico	Ordinary	Digital Media	75.1%
ADR Nordics AB	Sweden	Ordinary	Digital Media	93%

Notes to the financial statements for the year ended 31 December 2014 (continued)

37. Financial instruments by category

	2014 £000	2013 £000
Assets as per statement of financial position:		
Loans and receivable		
Trade and other receivables excluding prepayments	57,671	97,353
Cash and cash equivalents, net of bank overdrafts	5,424	2,352
	63,095	99,705
Liabilities as per statement of financial position:		
Financial liabilities at fair value through the P&L	159	45
Other financial liabilities at amortised cost		
Borrowings	-	39,724
Trade and other payables excluding non-financial liabilities	627	3,052
	786	42,821

38. Financial liabilities at fair value through the P&L

	2014 £000	2013 £000
Liabilities as per statement of financial position:		
Financial liabilities at fair value through the P&L		
Warrants issued	-	45
Put option	159	-
	159	45
Less non-current portion		
Warrants issued	-	(45)
Put option	-	-
Current portion	159	-

Warrants issued
Warrants were issued as part of the loan agreement between AMG UK Advertising Limited and Silicon Valley Bank, dated 02 March 2010.

Put option
In 2012 management established smartclip Mexico S.A. de C.V. along with a local investment company. AMG invested 75.1% in the share capital with the remaining owned by the minority shareholder. The agreement included a put and call option for AMG to purchase the minority shareholding, exercisable between 30 March 2015 and 31 December 2015.

The put and call option is between two entities, with no employment related services. A such, there is no vesting period and the entire liability is recognised upfront as a financial liability measured at fair value through profit and loss. The total expected liability as of 31 December 2014 is £159k.

Notes to the financial statements for the year ended 31 December 2014 (continued)

39. Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The company's financial liabilities carried at fair value are classified within Level 3 of the fair value hierarchy (fair value is based on appropriate valuation techniques using non-market observable inputs).

The following table presents the group's liabilities that are measured at fair value at 31 December 2014:

	£000
Financial liabilities at fair value through the P&L	
Warrants issued	-
Put option	159
	159

The following table presents the group's liabilities that are measured at fair value at 31 December 2013:

	£000
Financial liabilities at fair value through the P&L	
Warrants issued	45
Put option	-
	45

Reconciliation for the fair value estimation

	Warrants issued £000	Put option £000	Total £000
At 1 January 2013	**80**	-	80
Additions	-	-	-
Fair value gain	(35)	-	(35)
At 31 December 2013	**45**	**-**	**45**
Additions	-	334	334
Payments	-	(180)	(180)
Fair value gain	(45)	-	(45)
Exchange differences	-	5	5
At 31 December 2014	**-**	**159**	**159**

40. Other receivables

	2014 £000	2013 £000
Other receivables	**32,274**	692
Amounts due from group undertakings	**25,397**	96,661
Other taxation and social security costs	**103**	302
Prepayments and accrued income	**186**	52
	57,960	97,707

Intercompany loans are receivable on demand and bear interest between 4 and 8% per annum.

Notes to the financial statements for the year ended 31 December 2014 (continued)

41. Trade and other payables

	2014 £000	2013 £000
Trade payables	203	74
Amounts owed to group undertakings	304	2,598
Other taxation and social security cost	65	252
Accruals	120	380
	692	3,304

42. Borrowings

	2014 £000	2013 £000
Deferred consideration	-	1,606
Shareholder loans	-	38,118
	-	39,724
Less non-current portion		
Deferred consideration	-	(777)
Shareholder loans	-	(36,657)
Current portion	-	2,290

Deferred consideration

Deferred consideration was settled through a mixture of equity and cash, in accordance with the acquisition agreements. The fair values of the deferred consideration were calculated using a market interest rate for an equivalent debt instrument.

Shareholder loans

	2014 £000	2013 £000
Opening amount 1 January	38,118	21,722
Repayment of shareholder loans	(37,997)	(505)
Proceeds from shareholder loans	3,581	13,036
Interest paid	(8,506)	(57)
Accrued interest	4,655	4,820
Exchange differences	149	(898)
Liability at 31 December	-	38,118
Less non-current portion	-	(36,657)
Current portion	-	1,461

All shareholder loans that were issued by the parent company to raise finance for the group in the years 2009, 2011, 2012, 2013 and 2014 have been settled in cash including accumulated interest in the course of 2014.

Notes to the financial statements for the year ended 31 December 2014 (continued)

43. Provision for other liabilities and charges

	Legal obligations £000
At 1 January 2013	1,154
Payments	(845)
Accrued interest	64
Exchange differences	32
At 31 December 2013	405
Less non-current portion	-
Current portion	405
Payments	(407)
Accrued interest	10
Exchange differences	(8)
At 31 December 2014	-

Legal obligations
A historical non-compete agreement was in place with a partner, under which the group was not permitted to trade in Eastern Europe. The acquisition of smartclip, which trades in Russia, triggered a breach of the contract. The parties have agreed to terminate the contract and the group has paid £2,064k as a compensation payment over 10 quarters.

Notes to the financial statements for the year ended 31 December 2014 (continued)

44. Share based payments

£000	Share based payments Cash settled (Liability)	Equity settled (Equity)
Employee share option scheme	-	6,958
Long Term Incentive Plan	3,128	-
Put option	93	-
At 31 December 2014	**3,221**	**6,958**
Less non-current portion	(3,128)	(6,958)
Current portion	93	-

a) Employee share option scheme

The group has a share option scheme for all employees (including directors) within the group. Options are exercisable at a price equal to the average market price of the company's shares on the date of grant. The vesting period is between one and four years. The Weighted Average Exercise Price (WAEP) has also been disclosed for all movements in the number of share options during the year.

		2014 WAEP		2013 WAEP
	Number	**£**	Number	£
Outstanding at the beginning of the year	**5,347,097**	**1.69**	6,128,936	1.84
Granted during the year	**-**	**-**	25,000	3.85
Exercised during the year	**(10,937)**	**1.70**	(195,832)	0.95
Forfeited during the year	**(243,998)**	**4.08**	(611,007)	3.82
Outstanding at the end of the year	**5,092,162**	**1.62**	5,347,097	1.69
Exercisable at the end of the year	**5,056,469**	**1.62**	4,983,682	1.55

Options outstanding at 31 December 2014 comprise the following:

Expiry date	**Exercise price in £**	**2014 Number**	2013 Number
31 December 2015	**0.69**	**1,723,291**	827,940
31 December 2016	**2.32**	**815,485**	254,225
31 December 2017	**0.86**	**1,190,680**	1,967,457
31 December 2018	**2.62**	**251,538**	362,302
31 December 2019	**2.71**	**482,000**	685,063
31 December 2020	**2.99**	**286,000**	635,144
31 December 2021	**3.92**	**343,168**	548,466
31 December 2022	**-**	**-**	41,500
31 December 2023	**-**	**-**	25,000
		5,092,162	5,347,097

The total equity charge for the year relating to employee share based payment plans was £40k (2013: £263k), all of which related to equity settled share base payments transactions.

Notes to the financial statements for the year ended 31 December 2014 (continued)

44. Share based payments (continued)

b) Long Term Incentive Program ("LTIP")

In 2012, a new award system, the Long Term Incentive Program ("LTIP"), was established. Under the Adconion Long Term Incentive Plan eligible employees will receive a conditional Award of Adconion Media Group Limited shares. The vesting of the Award is generally conditional on remaining employed over a three-year period and on the satisfaction of certain conditions. Awards under the Plan are not transferable and benefits under the Plan are not pensionable.

Receipt of this Award under the LTIP is discretionary and only occurs when specified conditions and targets have been met. Receipt of an Award in one year does not guarantee you will receive an Award in the future or the level of any future Award.

As above, the LTIP is considered to be two mutually exclusive awards, one equity-settled and one cash-settled with a corresponding impact on the results for the year 2014 was £(3,508k) (2013: £3,960k). The cash-settled award, although affected by the probability of being paid, always has a fair value which is recognised over the vesting period up to 31 December 2015 resp. 31 December 2016. If the award is ultimately settled in equity the fair value of the liability falls to nil. The equity-settled alternative is only recognised if it is considered probable. If the award is ultimately settled in cash the equity alternative would have become improbable and so no cumulative expense would be recognised for this. The current estimate of the equity-settled value of this award is £nil. Although the charge during the vesting period may appear to be in excess of the total value of the award granted, once the contingent settlement provision resolves, the cumulative charge will represent only the expense actually incurred under either the equity or cash settlement option.

c) Written put option

In 2012 AMG issued 15% of the share capital of ADR Nordics AB to the initial founders of the business with a call option for AMG to buy back the shares for cash or issue shares at a future point in time and a put option for the minority shareholders to sell their shares to AMG in 2015.

The value at which the options can be exercised is based on a multiple of the EBITDA of ADR Nordics AB based on the four quarters preceding the date of exercise. In addition the terms of the agreement include a service condition such that the minority shareholders need to be employed up until 31 December 2014.

The liability accrues over the vesting period and the total expected liability as of 31 December 2014 is £93k (2013: nil).

Notes to the financial statements for the year ended 31 December 2014 (continued)

45. Called up share capital

	2014		2013	
Allotted and called up:	**Number**	**£**	Number	£
Ordinary shares of £0.01 each	**30,536,819**	**305,368**	30,377,056	303,771
A ordinary shares of £0.01 each	**2,467,170**	**24,672**	2,467,170	24,672
B ordinary shares of £0.01 each	**1,400,000**	**14,000**	1,400,000	14,000
C ordinary shares of £0.01 each	**13,475,442**	**134,754**	15,355,045	153,550
D ordinary shares of £0.01 each	**10,939,714**	**109,397**	11,441,053	114,411
Preference shares of £0.01 each	**2,593,750**	**25,938**	2,593,750	25,938
	61,412,895	**614,129**	63,634,074	636,342

All shares issued by the group were fully paid.

In 2014, 10,937 ordinary shares of £0.01 each were issued to meet share option agreements (strike prices between £1.60 and £2.71), 430,813 C ordinary shares of £0.01 each were issued to existing shareholders upon exercise of warrants at an exercise price of £0.01 and 148,826 ordinary shares were issued to fulfil earn out obligations from acquisitions at a subscription price of £5.50. The related premium arising on each issue of ordinary shares has been transferred to the share premium account.

There are no differences in terms of voting rights associated with the six different classes of shares. The preference shareholders are not entitled to receive a distribution of profits. D ordinary shareholders are ranked highest in order of preference on winding up, C ordinary shareholders are second in line, preference shareholders are third in-line with the remaining shareholders ranked equally.

In November 2014, the accumulated share premium of £161,991k was reallocated to retained earnings to allow for a share buyback of 2,310,416 C ordinary and 501,339 D ordinary shares.

Reconciliation of ordinary and preference shares

	Ordinary shares of £0.01 each £	A ordinary shares of £0.01 each £	B ordinary shares of £0.01 each £	C ordinary shares of £0.01 each £	D ordinary shares of £0.01 each £	Preference shares of £0.01 each £
At 1 January 2012	290,517	24,672	14,000	142,729	-	25,938
Shares issued during the year	6,947	-	-	1,766	-	-
Shares issued as part of the acquisitions	-	-	-	-	114,411	-
At 31 December 2012	297,464	24,672	14,000	144,495	114,411	25,938
Shares issued during the year	1,959	-	-	9,055	-	-
Shares issued as part of the acquisitions	4,348	-	-	-	-	-
At 31 December 2013	**303,771**	**24,672**	**14,000**	**153,550**	**114,411**	**25,938**
Shares issued during the year	109	-	-	4,308	-	-
Shares issued as part of the acquisitions	1,488	-	-	-	-	-
Share buyback	-			(23,104)	(5,014)	
At 31 December 2014	**305,368**	**24,672**	**14,000**	**134,754**	**109,397**	**25,938**

Notes to the financial statements for the year ended 31 December 2014 (continued)

46. Share premium account

	2014 £000	2013 £000
Balance brought forward	160,960	158,141
Premium on shares issued in the year	1,031	2,819
Share premium reallocated to retained earnings	(161,991)	-
Balance carried forward	-	160,960

47. Cash generated from operations

	2014 £000	2013 £000
Loss on ordinary activities before taxation	(7,481)	(63,245)
Finance income	(1,393)	(2,439)
Finance cost	6,290	5,023
Other gains – net	289	(35)
Impairment on investments in subsidiaries	33,052	59,891
Provision for legal obligations	(407)	(845)
Net gain on dissolution/ sale of affiliated companies	(58,331)	-
Share based payment expense for the year	(6,835)	625
Unrealised foreign exchange loss/(gain)	124	(866)
Decrease/ (increase) in receivables	49,630	(12,523)
(Decrease)/ increase in payables	(1,343)	1,341
Cash outflow from operating activities	13,595	(13,073)

Notes to the financial statements for the year ended 31 December 2014 (continued)

48. Related party transactions

All transactions within the AMG group are carried out at arms length.

Shareholder loans were issued by the parent company to raise finance for the group in the years 2009, 2011, 2012, 2013 and 2014. Refer to note 42 for the details.

Inter group transactions
As at 31 December 2014 the following amounts were owed (to)/from:

	2014 £000	2013 £000
AMG Media Advertising GmbH	**(304)**	(534)
AMG UK Advertising Limited	-	283
Adconion Media, Inc.	-	(1,012)
Adconion Sarl	-	183
Adconion S.L.	**517**	29
Adconion IP (Switzerland) AG	-	(605)
Adconion Pty. Limited	-	478
Adconion Platform Services, LLC	-	24
smartclip Benelux B.V.	-	3
Arkeero Media S.L.	**18**	13
Adconion Direct, Inc.	-	2,354
Smartclip LLC	-	99
Blackstar Marketing, LLC	-	4
Publead S.L.	**43**	42
ADR Nordics AB	-	21
smartclip Mexico S.A. de C.V.	**55**	37
smartclip Holding AG	-	26,339
smartclip UK Limited	**110**	26
smartclip Hispania SL	**272**	-
smartclip Italia S.p.A.	**67**	-
	778	27,784

Notes to the financial statements for the year ended 31 December 2014 (continued)

48. Related party transactions (continued)

Loans

During the year loans were provided to subsidiary companies, interest bearing at 6% for UK, Germany, US and Mexico. At 31 December 2014 the following amounts were outstanding:

	2014 £000	2013 £000
AMG Media Advertising GmbH	-	14,698
AMG UK Advertising Limited	311	5,529
AMG UK Intermediate Holdings Limited	-	3,330
Adconion Media, Inc.	-	40,335
smartclip Holding AG	-	1,702
Adconion IP (Switzerland) AG	-	16
Adconion IP (International) AG	-	(179)
ADR Nordics AB	91	87
smartclip Mexico S.A. de C.V.	388	331
Adconion Sarl	-	429
	790	66,278