

EBIQUITY US HOLDINGS LIMITED
(Registered number 08632518)
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019



**EBIQUITY US HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019**

CONTENTS

	Page(s)
DIRECTORS AND OTHER INFORMATION	1
STRATEGIC REPORT	2
DIRECTORS' REPORT	3-4
STATEMENT OF DIRECTORS' RESPONSIBILITIES	5
INDEPENDENT AUDITORS' REPORT	6-8
INCOME STATEMENT	9
STATEMENT OF FINANCIAL POSITION	10
STATEMENT OF CHANGES IN EQUITY	11
NOTES TO THE FINANCIAL STATEMENTS	12-18

**EBIQUITY US HOLDINGS LIMITED
DIRECTORS AND OTHER INFORMATION
YEAR ENDED 31 DECEMBER 2019**

DIRECTORS

A P S Newman
M J Sanford

REGISTERED OFFICE

Chapter House
16 Brunswick Place
London
England
N1 6DZ

REGISTRATION

Registered and incorporated in the United Kingdom
Registration number 08632518

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

EBIQUITY US HOLDINGS LIMITED
STRATEGIC REPORT
YEAR ENDED 31 DECEMBER 2019

The Directors present their Strategic report on Ebiquity US Holdings Limited ("the Company") for the year ended 31 December 2019.

REVIEW OF THE BUSINESS

The principal activity of the Company is that of a holding company.

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

The Company is wholly-owned by Ebiquity US Holdings LLC, a company incorporated in the United States, who is ultimately owned by Ebiquity plc, a company incorporated in the United Kingdom.

The Company's financial results are set out in the income statement on page 9. The loss for the financial year of the Company amounted to \$12,302,000 (year ended 31 December 2018: loss of \$5,830,000) and will be transferred to reserves.

The statement of financial position of the Company at the financial year-end increased to total net liabilities of \$20,691,000 (31 December 2018: net liabilities of \$8,389,000) due an impairment of investments and an increase in amounts owed to group undertakings through interest charged on intercompany loans.

Post year end, the COVID-19 pandemic has had an adverse impact on the Company and its subsidiaries. The Company's performance and its subsidiaries' performance is influenced by the global economic and advertising conditions and therefore the economic and media downturn has had a negative impact. However as we emerge from the crisis, the Directors are confident that the Company, through its subsidiaries, is well placed to fulfil its potential as a leading independent media and marketing consultancy. The Company, through its subsidiaries, largely switched to remote working from March 2020 onwards and has continued to deliver high quality services to clients as usual throughout the period of the COVID-19 disruption.

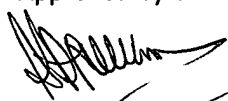
KEY PERFORMANCE INDICATORS ("KPIs")

The Directors of Ebiquity plc manage the Group's operations on a divisional basis. For this reason, the Company's Directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company. The development, performance and position of the Central division of Ebiquity plc, which includes the Company, is discussed on pages 3 to 30 of the Group's Annual Report and Financial Statements which does not form part of this report. KPIs for the Group are discussed within the same Strategic report.

PRINCIPAL RISKS AND UNCERTAINTIES

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of Ebiquity plc, which includes those of this company, are discussed on pages 29 and 30 of the Group's Annual Report and Financial Statements which does not form part of this report.

Approved by the Board of Directors and signed on its behalf by


A P S Newman
Director
29 November 2020

**EBIQUITY US HOLDINGS LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2019**

The Directors present their report together with the audited financial statements of Ebiquity US Holdings Limited for the year ended 31 December 2019.

FUTURE DEVELOPMENTS

Regarding future developments, given the current uncertain economic environment caused by COVID-19, the Directors have carried out a detailed and comprehensive review of the business of the Group, including the Company and subsidiaries, and its future prospects taking into account all information that could reasonably be expected to be available for the following 12 months and beyond. However as we emerge from the crisis, the Directors are confident that the Company, through its subsidiaries, is well placed to fulfil its potential as a leading independent media and marketing consultancy. The Company expects therefore to largely continue its strategy as planned.

DIVIDENDS

The Directors do not recommend the payment of a dividend (year ended 31 December 2018: \$nil). No dividends have been declared or paid post year end up to the point of the signing of the financial statements.

FINANCIAL RISK MANAGEMENT

From the perspective of the Company, the financial risks (that include but are not limited to credit risk, interest rate risk, currency risk and liquidity risk) are integrated with the financial risks of the Group and are not managed separately. Accordingly, the financial risks of Ebiquity plc, which includes those of the Company, are discussed on pages 99 to 103 of the Group's Annual Report and Financial Statements which does not form part of this report.

POST STATEMENT OF FINANCIAL POSITION EVENTS

For the Company the global outbreak of COVID-19 is deemed to be an un-adjusting post balance sheet event as at 31 December 2019 and therefore no adjustment has been made in these financial statements for COVID-19.

There is a risk over the carrying value of the Company's assets due to the expected negative impact of COVID-19 on the Group performance in 2020, which is likely to continue into 2021 which is mitigated by the diversified activities of Group. These may also have a material impact on other critical estimates and judgements disclosed in the accounting policies in the future. See also the basis of preparation for considerations made regarding COVID-19 in our going concern assessment.

DIRECTORS

The Directors of the Company who served throughout the financial year and up to the date of signing of the financial statements were as follows:

R Basil-Jones	(resigned 1 October 2020)
A P S Newman	(appointed 1 March 2019)
M J Sanford	

QUALIFYING DIRECTORS' THIRD-PARTY INDEMNITY PROVISION

The Company purchased and maintained throughout the financial year and up to the date of approval of this report, qualifying Directors' and Officers' liability insurance in respect of its Directors and Officers.

EBIQUITY US HOLDINGS LIMITED
DIRECTORS' REPORT (*continued*)
YEAR ENDED 31 DECEMBER 2019

DISCLOSURE OF INFORMATION TO INDEPENDENT AUDITORS

- So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

INDEPENDENT AUDITORS

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the next Board meeting.

GOING CONCERN

The Directors are responsible for considering whether it is appropriate to prepare financial statements on a going concern basis. A signed letter of support confirms that Ebiquity plc, the ultimate controlling parent undertaking, intends to provide full financial support to the Company, as required for at least one year from the signing of the financial statements for the year ended 31 December 2019. Therefore, as long as Ebiquity plc has the ability to support the Company, the Company will continue as a going concern.

For the period from July 2020 to November 2021 a monthly liquidity test will be applied by Ebiquity's lenders instead of existing covenants. Under the Directors' base case scenario, there are no forecast breaches of this liquidity test. However, Ebiquity's severe but plausible downside scenario indicates that should revenue fall by 18% or more below the Directors' base case throughout the entire 12 months to September 2021, then in the absence of any mitigating actions, the minimum liquidity test required to be met on its loan facilities could be breached in September 2021 or may need to be waived. The Directors of Ebiquity are confident, based on the support of the lenders, that waivers would be granted by their lenders, however there is a risk that this may not occur and this could adversely impact the ability of Ebiquity to make good its undertaking in the letter of support.

Therefore the Directors believe that this gives rise to a material uncertainty that may cast significant doubt over the ability of the company to continue as a going concern.

The financial statements do not include any adjustments that may result if the Group were not able to continue as a going concern.

The Directors' Report and the financial statements on pages 9 to 18 were approved by the Board of Directors on 27 November 2020 and are signed on its behalf by



A P S Newman
Director
27 November 2020

EBIQUITY US HOLDINGS LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
YEAR ENDED 31 DECEMBER 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EBIQUITY US HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, Ebiquity US Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the income statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern.

A signed letter of support confirms that Ebiquity plc, the ultimate controlling parent undertaking, intends to provide the financial support to the company, in order for it to meet its liabilities as they fall due, for at least one year from the signing of the financial statements for the year ended 31 December 2019. Therefore, as long as Ebiquity plc has the ability to support the company, the company will continue as a going concern.

For the period from July 2020 to November 2021 a monthly liquidity test will be applied by Ebiquity's lenders instead of existing covenants. Under the Directors' base case scenario, there are no forecast breaches of this liquidity test. However, Ebiquity's severe but plausible downside scenario indicates that should revenue fall by 18% or more below the Directors' base case throughout the entire 12 months to September 2021, then in the absence of any mitigating actions, the minimum liquidity test required to be met on its loan facilities could be breached in September 2021 or may need to be waived. The Directors of Ebiquity are confident, based on the support of the lenders, that waivers would be granted by their lenders, however there is a risk that this may not occur and this could adversely impact the ability of Ebiquity to make good its undertaking in the letter of support.

These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

EBIQUITY US HOLDINGS LIMITED
INDEPENDENT AUDITORS' REPORT *(continued)*

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EBIQUITY US HOLDINGS LIMITED
(continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

EBIQUITY US HOLDINGS LIMITED
INDEPENDENT AUDITORS' REPORT *(continued)*

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EBIQUITY US HOLDINGS LIMITED
(continued)

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Richard Porter (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

29 November 2020

EBIQUITY US HOLDINGS LIMITED
INCOME STATEMENT
YEAR ENDED 31 DECEMBER 2019

		<u>Year ended</u> <u>31 December</u> <u>2019</u> \$'000	<u>Year ended</u> <u>31 December</u> <u>2018</u> \$'000
	Note		
Administrative expenses			
Other operating expenses		<u>(10,432)</u>	<u>(4,477)</u>
Operating loss	2	(10,432)	(4,477)
Loss before interest and taxation		(10,432)	(4,477)
Finance costs	3	<u>(1,680)</u>	<u>(1,353)</u>
Loss before income tax		(12,112)	(5,830)
Income tax expense	4	(190)	-
Loss for the financial year		<u>(12,302)</u>	<u>(5,830)</u>

There is no recognised other comprehensive (expenses)/income other than the loss above and therefore no statement of comprehensive income has been included.

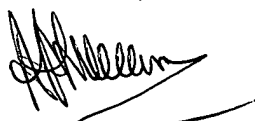
The notes on pages 12 to 18 form part of these financial statements.

EBIQUITY US HOLDINGS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

Company number: 08632518

		<u>31 December 2019</u>		<u>31 December 2018</u>	
	Note	\$'000	\$'000	\$'000	\$'000
Fixed assets					
Investments	5		10,461		20,893
Creditors: amounts falling due within one year	6	<u>(31,152)</u>		<u>(29,282)</u>	
Net current liabilities			<u>(31,152)</u>		<u>(29,282)</u>
Total assets less current liabilities			<u>(20,691)</u>		<u>(8,389)</u>
Net liabilities			<u>(20,691)</u>		<u>(8,389)</u>
Capital and reserves					
Called up share capital	7		-		-
Share premium account	8		426		426
Profit and loss account	8		<u>(21,117)</u>		<u>(8,815)</u>
Total shareholders' deficit			<u>(20,691)</u>		<u>(8,389)</u>

The financial statements on pages 9 to 18 were approved by the Board of Directors on *27 November 2020* and are signed on its behalf by



A P S Newman
Director
27 November 2020

The notes on pages 12 to 18 form part of these financial statements.

EBIQUITY US HOLDINGS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note(s)	Called up share capital \$'000	Share premium account \$'000	Profit and loss account \$'000	Total shareholders' deficit \$'000
At 1 January 2018		-	426	(2,985)	(2,559)
Loss for the financial year		-	-	(5,830)	(5,830)
Total comprehensive expense for the year		-	-	(5,830)	(5,830)
At 31 December 2018		-	426	(8,815)	(8,389)
Loss for the financial year		-	-	(12,302)	(12,302)
Total comprehensive expense for the year		-	-	(12,302)	(12,302)
At 31 December 2019	7, 8	-	426	(21,117)	(20,691)

The notes on pages 12 to 18 form part of these financial statements.

EBIQUITY US HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Company are presented as required by Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). They have been prepared on a going concern basis under the historical cost convention. The financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The accounting policies have been applied consistently.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a) The requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based payment (details of the number of weighted-average exercise prices of share options, and how the fair value of goods and services received was determined)
- b) The requirements of IFRS 7 Financial Instruments: Disclosures
- c) The requirements of paragraphs 91 to 99 of IFRS 13 Fair value measurement (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- d) The requirement in paragraph 38 of IAS 1 Presentation of financial statements to present comparative information in respect of
 - i. paragraph 79(a)(iv) of IAS 1;
 - ii. paragraph 73(e) of IAS 16 Property, plant and equipment;
 - iii. paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the financial year);
- e) The following paragraphs of IAS 1 Presentation of financial statements
 - i. 10(d) (statement of cash flows),
 - ii. 10(f) (a statement of financial position as at the beginning of the preceding financial year when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
 - iii. 16 (statement of compliance with all IFRS)
 - iv. 38A (requirement for minimum of two primary statements, including cash flow statements)
 - v. 38B-D (additional comparative information),
 - vi. 40A-D (requirements for a third statement of financial position)
 - vii. 111 (cash flow statement information), and
 - viii. 134-136 (capital management disclosures)
- f) IAS 7 Statement of cash flows
- g) Paragraphs 30 and 31 of IAS 8 Accounting policies, changes in accounting estimates and errors (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- h) Paragraph 17 of IAS 24 Related party disclosures (key management compensation)
- i) The requirements in IAS 24 Related party disclosures to disclose related party transactions entered into between two or more members of a group.

New standards, amendments and IFRIC interpretations

IFRS 16 is a new accounting standards that is effective for the year ended 31 December 2019. The adoption of this accounting standards has not had a material impact on the financial statements of the company.

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the company.

EBIQUITY US HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED 31 DECEMBER 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of preparation *(continued)*

Consolidation

The financial statements contain information about Ebiquity US Holdings Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Ebiquity plc.

Going concern

The Directors are responsible for considering whether it is appropriate to prepare financial statements on a going concern basis. A signed letter of support confirms that Ebiquity plc, the ultimate controlling parent undertaking, intends to provide full financial support to the Company, as required for at least one year from the signing of the financial statements for the year ended 31 December 2019. Therefore, as long as Ebiquity plc has the ability to support the Company, the Company will continue as a going concern.

For the period from July 2020 to November 2021 a monthly liquidity test will be applied by Ebiquity's lenders instead of existing covenants. Under the Directors' base case scenario, there are no forecast breaches of this liquidity test. However, Ebiquity's severe but plausible downside scenario indicates that should revenue fall by 18% or more below the Directors' base case throughout the entire 12 months to September 2021, then in the absence of any mitigating actions, the minimum liquidity test required to be met on its loan facilities could be breached in September 2021 or may need to be waived. The Directors of Ebiquity are confident, based on the support of the lenders, that waivers would be granted by their lenders, however there is a risk that this may not occur and this could adversely impact the ability of Ebiquity to make good its undertaking in the letter of support. Therefore the Directors believe that this gives rise to a material uncertainty that may cast significant doubt over the ability of the company to continue as a going concern. The financial statements do not include any adjustments that may result if the Group were not able to continue as a going concern.

(b) Reporting and functional currency

Due to the nature of the operations of the Company, the majority of the transactions are denominated in US dollars. As a result, the Directors consider that US dollars are the most appropriate reporting and functional currency of the Company.

(c) Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date except that the recognition of deferred tax assets is limited to the extent that the Company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

(d) Investments

Investments in subsidiaries are held at cost less accumulated impairment losses.

Where the purchase consideration for the acquisition of an interest in a subsidiary is contingent on one or more future events, the cost of investment includes a reasonable estimate of the fair value of the amounts of consideration that are expected to be payable in the future. The cost of investment and the contingent consideration liability is adjusted until the ultimate payable is known.

EBIQUITY US HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
YEAR ENDED 31 DECEMBER 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Foreign currency transactions

The results and financial position of the Company are expressed in USD, which is the functional currency of the Company and the presentation currency for the Company financial statements.

Trading transactions denominated in foreign currencies are translated into USD at the exchange rate ruling when the transaction was entered into. Assets and liabilities expressed in foreign currencies are translated into USD at rates of exchange ruling at the end of the financial year.

All transactions involving foreign exchange gains and losses are dealt with through the income statement as and when they arise.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or as payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities comprise of trade and other payables.

The Company's payables are subsequently measured at amortised cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

(g) Finance income

Finance income is recognised using the effective interest method. When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

(h) Critical judgements and estimates in applying the accounting policy

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the financial year in which the estimates are revised and in any future financial years affected.

Critical accounting estimates include the terminal growth rate used in impairment assessments.

EBIQUITY US HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 DECEMBER 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Critical judgements and estimates in applying the accounting policy

Investments

The Company has recorded an asset for investment in subsidiary companies. The directors believe the carrying value of these investments is supported by their underlying net assets. Any changes to the carrying value of investments after the measurement period are recognised in the income statement.

2 OPERATING LOSS

The operating loss is stated after charging:

	<u>Year ended</u> <u>31 December</u> <u>2019</u> <u>\$'000</u>	<u>Year ended 31</u> <u>December</u> <u>2018</u> <u>\$'000</u>
Impairment of investment	<u>10,432</u>	<u>4,477</u>

The impairment cost represents an impairment in the year in relation to investments in subsidiaries (see note 5).

The Directors' costs are borne by Ebiquity plc, the ultimate controlling parent undertaking, and are reflected in the financial statements of that company. These costs are not significant to the Company and are deemed insignificant for apportionment and are reflected in the financial statements of that company.

The auditors' remuneration in the current and prior financial years has been borne by Ebiquity plc, the ultimate controlling parent undertaking, and is reflected in the financial statements of that company. These costs are not significant to the Company and are deemed insignificant for apportionment and are reflected in the financial statements of that company.

Other than the Directors, there were no employees during the year ended 31 December 2019 (year ended 31 December 2018: nil).

3 FINANCE COSTS

	<u>Year ended</u> <u>31 December</u> <u>2019</u> <u>\$'000</u>	<u>Year ended</u> <u>31 December</u> <u>2018</u> <u>\$'000</u>
Loan interest payable to group undertakings	<u>1,680</u>	<u>1,353</u>

4 INCOME TAX EXPENSE

	<u>Year ended</u> <u>31 December</u> <u>2019</u> <u>\$'000</u>	<u>Year ended</u> <u>31 December</u> <u>2018</u> <u>\$'000</u>
Current year	-	-
Adjustment in respect of prior year	<u>190</u>	-
	<u>190</u>	-

4 TAX ON LOSS (continued)

The tax assessment for the year differs (2018: differs) to the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below.

	<u>Year ended</u> <u>31 December</u> <u>2019</u> \$'000	<u>Year ended</u> <u>31 December</u> <u>2018</u> \$'000
Loss before income tax	<u>(12,112)</u>	<u>(5,830)</u>
Loss before tax at standard rate of Corporation tax in the UK of 19% (year ended 31 December 2018: 19%)	<u>(2,301)</u>	<u>(1,108)</u>
Effects of:		
Expenses not deductible	2,260	1,075
Relieved to other group companies	41	33
Adjustment in respect of prior year	190	-
Total tax charge for the year	<u>190</u>	<u>-</u>

The applicable UK Corporation Tax rate is 19% for the year ended 31 December 2019 (2018: 19%).

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

There is no unrecognised deferred tax asset since no instances have arisen on which a deferred tax asset would be recognised (year ended 31 December 2018: none).

5 INVESTMENTS

	<u>Investment in</u> <u>subsidiary</u> <u>undertakings</u> \$'000
Cost and net book value	
At 1 January 2019	20,893
Impairment	<u>(10,432)</u>
At 31 December 2019	<u>10,461</u>

The impairment recognised in the year relates to the adjustment of the investment carrying value of Ebiquity Inc to bring it in line with the value in use calculation. There are no other instances where the carrying value exceeds the value in use.

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

The value in use calculation is determined from a three year pre-tax cash flow forecast based on the followed financial year's forecast. For the 2020 and 2021 financial years, the forecast is as per management and market expectations. The forecast 2021 balances are taken to perpetuity in the model.

The value in use calculations are based on assumptions regarding the discount rates, and revenue and cost growth rates.

EBIQUITY US HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 DECEMBER 2019

5 INVESTMENTS (continued)

The Company holds investments in the following companies, which are incorporated in the United States of America, unless otherwise stated:

<u>Name of undertaking</u>	<u>Class of share capital held</u>	<u>Percentage held</u>	<u>Nature of business</u>
Ebiquity Inc	Ordinary \$1	100%	Media consultancy
FirmDecisions ASJP LLC	Ordinary \$1	100%	Media consultancy
Stratigent LLC	Ordinary \$1	100%	Multi-channel analytics
Xtreme Information (USA) Limited ¹	Ordinary \$1	100%	Dormant

¹ Incorporated in the United Kingdom

The directors believes that the carrying value of the investment is supported by its underlying net assets.

6 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>31 December 2019</u> \$'000	<u>31 December 2018</u> \$'000
Amounts owed to group undertakings	30,962	29,282
Corporation tax	190	-
	<u>31,125</u>	<u>29,282</u>

Amounts owed to group undertakings includes an amount including interest of \$26,911,000 (31 December 2018: \$25,447,000) owed to Ebiquity US Holdings LLC which is unsecured, bears interest at US LIBOR + 2.75% per annum and is repayable on demand.

Also included within amounts owed to group undertakings is an amount including interest of \$3,869,000 (31 December 2018: \$3,662,000) owed to Ebiquity US Financing Limited which is unsecured, bears interest at US LIBOR + 2.65% per annum and is repayable on demand.

Also included within amounts owed to group undertakings is an amount including interest of \$174,000 (31 December 2018: \$165,000) owed to Stratigent LLC which is unsecured, bears interest at US LIBOR + 2.75% per annum and is repayable on demand.

The residual balance in amounts owed to group undertakings are unsecured, interest free and are repayable on demand.

7 CALLED UP SHARE CAPITAL

	<u>31 December 2019</u> \$	<u>31 December 2018</u> \$
Allotted, called up and fully paid		
3 (31 December 2018: 3) Ordinary shares of \$1	<u>3</u>	<u>3</u>

EBIQUITY US HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (*continued*)
YEAR ENDED 31 DECEMBER 2019

8 RESERVES

Share premium account

The share premium reserve shows the amount subscribed for share capital in excess of the nominal value.

Profit and loss account

The profit and loss account shows the cumulative net gains and losses recognised in the income statement.

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

9 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the disclosure exemption permitted under FRS 101 in relation to the requirements in IAS 24 "Related party disclosures", not to disclose related party transactions entered into with wholly owned entities that are part of the Ebiquity plc group as the Company is included within the published consolidated financial statements of Ebiquity plc.

There were no other related party transactions in either financial year.

10 ULTIMATE PARENT COMPANY

The immediate parent undertaking is Ebiquity US Holdings LLC, a company incorporated in the United States. Ebiquity US Holdings Limited is incorporated and domiciled in the United Kingdom.

The ultimate parent undertaking and controlling party is Ebiquity plc which is the parent undertaking and the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of Ebiquity plc may be obtained from the Company Secretary at Chapter House, 16 Brunswick Place, London, N1 6DZ.

11 CONTINGENT LIABILITY

A composite Guarantee has been given by certain subsidiary companies of Ebiquity plc. As such the bank holds fixed and floating charges over the current and future assets of the Company. The Group had outstanding gross bank borrowings of \$18,312,000 (31 December 2018: \$43,381,000) at the financial year-end.

12 EVENTS AFTER THE REPORTING PERIOD

For the Company the global outbreak of COVID-19 is deemed to be an un-adjusting post balance sheet event as at 31 December 2019 and therefore no adjustment has been made in these financial statements for COVID-19.

There is a risk over the carrying value of the Company's assets due to the expected negative impact of COVID-19 on the Group performance in 2020, which is likely to continue into 2021 which is mitigated by the diversified activities of Group. These may also have a material impact on other critical estimates and judgements disclosed in the accounting policies in the future. See also the basis of preparation for considerations made regarding COVID-19 in our going concern assessment.