

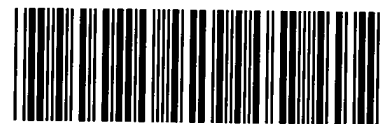
**SIMPLICITY MARKETING LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2014**

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**SIMPLICITY MARKETING LIMITED**

**FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2014**

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**SIMPLICITY MARKETING LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**

**The board of directors**

D. Freeman  
J. Meeks  
J. Seigler  
P. Cunningham

**Company secretary**

S. Cunningham

**Registered office**

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

**Auditor**

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

# **SIMPLICITY MARKETING LIMITED**

## **STRATEGIC REPORT**

**YEAR ENDED 31 DECEMBER 2014**

The directors present their strategic report for Simplicity Marketing Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2014.

### **REVIEW OF THE BUSINESS**

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

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

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

During 2014, the Group expanded its operations to Australia with the opening of an office in Sydney. The Group will continue to assess opportunities to expand to new locations and grow organically. Revenue increased in the year in all geographic regions, with the largest growth in the US.

### **RESULTS AND PERFORMANCE**

The results for the Group for the year, as set out on pages 7 to 11, show a profit on ordinary activities before tax of £4,541,089 (2013: £5,981,721). The shareholders' funds of the Group total £8,966,451 (2013: £13,152,167). Total Group revenues grew to £22,456,303 (2013: £19,803,492) and cash balances were £2,339,192 (2013: £5,134,650).

The performance of the Group during 2014 has produced encouraging results, and following investment in development staff and technology, sets the Group up for further growth into the future.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

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

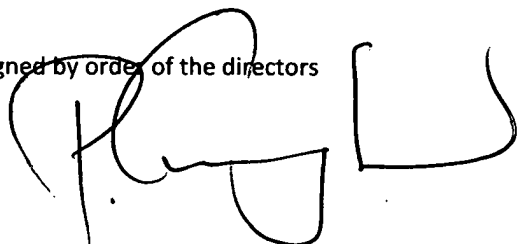
### **KEY PERFORMANCE INDICATORS ("KPIs")**

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

### **BUSINESS ENVIRONMENT**

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

Signed by order of the directors



21/8/15

P. CUNNINGHAM  
Company Director

Approved by the directors on 18 August 2015

## **SIMPLICITY MARKETING LIMITED**

### **DIRECTORS' REPORT**

#### **YEAR ENDED 31 DECEMBER 2014**

The directors present their report and the financial statements of the Group for the year ended 31 December 2014.

#### **RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £3,493,794 (2013: £4,257,181). Particulars of dividends paid are detailed in note 9 to the financial statements.

#### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

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

#### **Foreign Exchange Risk**

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

#### **Credit Risk**

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

#### **Liquidity Risk**

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

#### **Interest Rate Cash Flow Risk**

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

#### **DIRECTORS**

The directors who served the Company during the year were as follows:

D. Freeman  
J. Meeks  
J. Seigler  
P. Cunningham

J. Meeks was appointed as a director on 31 July 2014.

J. Seigler was appointed as a director on 31 July 2014.

**SIMPLICITY MARKETING LIMITED**

**DIRECTORS' REPORT** *(continued)*

**YEAR ENDED 31 DECEMBER 2014**

**DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

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

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

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

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

**STRATEGIC REPORT**

Please refer to the Strategic Report on page 2.

**STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS**

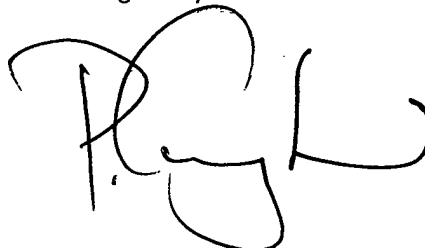
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

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

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

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

Signed by order of the directors



P. CUNNINGHAM  
Company Director

2.18/15

Approved by the directors on 18 August 2015

**SIMPLICITY MARKETING LIMITED**

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

**YEAR ENDED 31 DECEMBER 2014**

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**Our opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2014 and of the Group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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**What we have audited**

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

- the Group and Company balance sheets as at 31 December 2014;
- the Group profit and loss account and statement of total recognised gains and losses for the year then ended;
- the Group cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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**What an audit of financial statements involves**

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

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

In addition, we read all the financial and non-financial information in the 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.

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**Opinion on other matter prescribed by the Companies Act 2006**

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In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**SIMPLICITY MARKETING LIMITED**

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

**YEAR ENDED 31 DECEMBER 2014**

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**Other matters on which we are required to report by exception**

**Adequacy of accounting records and information and explanations received**

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

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

We have no exceptions to report arising from this responsibility.

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**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.

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**Responsibilities for the financial statements and the audit**

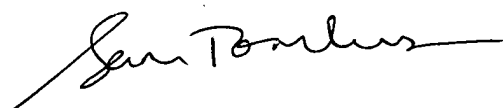
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**Our responsibilities and those of the directors**

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

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

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



Samuel Tomlinson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
21 August 2015



**SIMPLICITY MARKETING LIMITED**  
**GROUP PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 DECEMBER 2014**

	Note	2014 £	2013 £
<b>TURNOVER</b>	<b>2</b>	<b>22,456,303</b>	19,803,492
Cost of sales		<u>(1,314,200)</u>	<u>(1,349,965)</u>
<b>GROSS PROFIT</b>		<b>21,142,103</b>	18,453,527
Administrative expenses		<u>(16,566,439)</u>	<u>(12,482,949)</u>
Other operating income		–	9,802
<b>OPERATING PROFIT</b>	<b>3</b>	<b>4,575,664</b>	5,980,380
Interest receivable and similar income		<u>723</u>	<u>1,341</u>
Interest payable and similar charges	<b>6</b>	<u>(35,298)</u>	–
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>4,541,089</b>	5,981,721
Tax on profit on ordinary activities	<b>7</b>	<u>(1,047,295)</u>	<u>(1,537,814)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>3,493,794</b>	4,443,907
Minority interests		–	(186,726)
<b>PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY</b>	<b>8</b>	<u><b>3,493,794</b></u>	<u>4,257,181</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u><b>3,493,794</b></u>	<u>4,257,181</u>

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

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

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical costs equivalents.

The notes on pages 12 to 25 form part of these financial statements.

**SIMPLICITY MARKETING LIMITED**

**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**YEAR ENDED 31 DECEMBER 2014**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Profit for the financial year attributable to the shareholders of the parent Company	<b>3,493,794</b>	4,257,181
Exchange differences on retranslation of net assets of subsidiary undertakings	<b>115,059</b>	(181,620)
<b>Total gains and losses recognised since the last annual report</b>	<b><u>3,608,853</u></b>	<b><u>4,075,561</u></b>

**The notes on pages 12 to 25 form part of these financial statements.**

**SIMPLICITY MARKETING LIMITED**

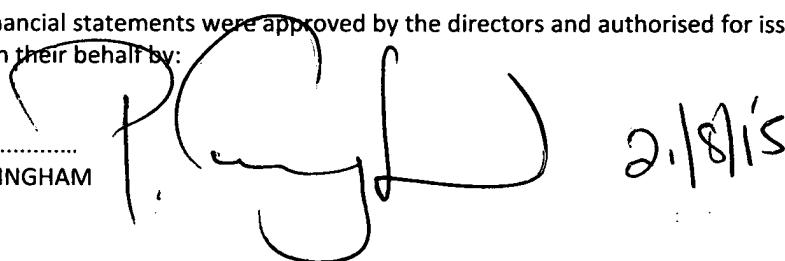
**GROUP BALANCE SHEET**

**31 DECEMBER 2014**

	<b>Note</b>	<b>2014 £</b>	<b>2013 £</b>
<b>FIXED ASSETS</b>			
Intangible assets	<b>10</b>	<b>979,238</b>	–
Tangible assets	<b>11</b>	<b>523,659</b>	603,165
		<u><b>1,502,897</b></u>	<u>603,165</u>
<b>CURRENT ASSETS</b>			
Debtors	<b>13</b>	<b>13,352,583</b>	9,355,014
Cash at bank and in hand		<b>2,339,192</b>	5,134,650
		<u><b>15,691,775</b></u>	<u>14,489,664</u>
<b>CREDITORS: Amounts falling due within one year</b>	<b>14</b>	<b>(2,446,890)</b>	(1,167,172)
<b>NET CURRENT ASSETS</b>		<u><b>13,244,885</b></u>	<u>13,322,492</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>14,747,782</b></u>	<u>13,925,657</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	<b>15</b>	<b>(5,000,000)</b>	–
<b>PROVISIONS FOR LIABILITIES</b>			
Deferred taxation	<b>16</b>	<b>(781,331)</b>	(773,490)
<b>NET ASSETS</b>		<u><b>8,966,451</b></u>	<u>13,152,167</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	<b>20</b>	<b>133</b>	133
Share premium account	<b>21</b>	<b>85,766</b>	85,766
Other reserves	<b>21</b>	<b>(192,556)</b>	(307,615)
Share options reserve	<b>21</b>	<b>677,923</b>	269,000
Profit and loss account	<b>21</b>	<b>8,395,185</b>	13,104,883
<b>TOTAL SHAREHOLDERS' FUNDS</b>	<b>22</b>	<u><b>8,966,451</b></u>	<u>13,152,167</u>

These financial statements were approved by the directors and authorised for issue on 18 August 2015, and are signed on their behalf by:

.....  
P. CUNNINGHAM



The notes on pages 12 to 25 form part of these financial statements.

**SIMPLICITY MARKETING LIMITED**

**COMPANY BALANCE SHEET**

**31 DECEMBER 2014**

	<b>Note</b>	<b>2014 £</b>	<b>2013 £</b>
<b>FIXED ASSETS</b>			
Intangible assets	<b>10</b>	<b>979,238</b>	—
Tangible assets	<b>11</b>	<b>435,141</b>	432,707
Investments	<b>12</b>	<b>27,951</b>	27,950
		<u><b>1,442,330</b></u>	<u>460,657</u>
<b>CURRENT ASSETS</b>			
Debtors	<b>13</b>	<b>9,792,663</b>	6,192,957
Cash at bank and in hand		<b>671,884</b>	3,924,907
		<u><b>10,464,547</b></u>	<u>10,117,864</u>
<b>CREDITORS: Amounts falling due within one year</b>	<b>14</b>	<b>(1,586,067)</b>	(651,271)
<b>NET CURRENT ASSETS</b>		<u><b>8,878,480</b></u>	<u>9,466,593</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>10,320,810</b></u>	<u>9,927,250</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	<b>15</b>	<b>(5,000,000)</b>	—
<b>PROVISIONS FOR LIABILITIES</b>			
Deferred taxation	<b>16</b>	<b>(11,519)</b>	(11,519)
<b>NET ASSETS</b>		<u><u><b>5,309,291</b></u></u>	<u><u>9,915,731</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	<b>20</b>	<b>133</b>	133
Share premium account	<b>21</b>	<b>85,766</b>	85,766
Profit and loss account	<b>21</b>	<b>5,223,392</b>	9,829,832
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u><u><b>5,309,291</b></u></u>	<u><u>9,915,731</u></u>

These financial statements were approved by the directors and authorised for issue on 18 August 2015, and are signed on their behalf by

.....  
P. CUNNINGHAM

Company Registration Number: 04339257

2.18/15

The notes on pages 12 to 25 form part of these financial statements.

**SIMPLICITY MARKETING LIMITED**  
**GROUP CASH FLOW STATEMENT**  
**YEAR ENDED 31 DECEMBER 2014**

	Note	2014 £	2013 £
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	23	2,800,473	4,102,513
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	23	723	1,341
TAXATION	23	(983,968)	(1,510,884)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	23	(1,409,194)	(642,029)
EQUITY DIVIDENDS PAID		(8,203,492)	(1,250,000)
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(7,795,458)	700,941
FINANCING	23	5,000,000	85,797
(DECREASE)/INCREASE IN CASH	23	(2,795,458)	786,738

The notes on pages 12 to 25 form part of these financial statements.

**SIMPLICITY MARKETING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2014**

**1. ACCOUNTING POLICIES**

**Basis of accounting**

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

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

**Basis of consolidation**

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

**Turnover**

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

**Research and development**

Research costs are expensed in the period in which they are incurred.

Development costs are capitalised when all of the following criteria are met:

- I. There is a clearly defined project;
- II. The project's expenditure is separately identifiable;
- III. The project is technically feasible;
- IV. The commercial viability of the project is reasonably assured;
- V. The costs of the project will be more than covered by future economic benefits; and
- VI. There are resources available to complete the project.

**Amortisation**

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

Capitalised development costs are amortised on a straight line basis over the period in which the Group will benefit from the product or service's development, and commences on the date the product or service is put into use. Amortisation periods vary from one to five years.

**SIMPLICITY MARKETING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2014**

**1. ACCOUNTING POLICIES** *(continued)*

**Fixed assets**

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

**Depreciation**

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

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

**Operating lease agreements**

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

**Pension costs**

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

**Deferred taxation**

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

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

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

**Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

**SIMPLICITY MARKETING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2014**

**1. Foreign currencies (continued)**

The results of overseas operations are translated at the weighted average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations and on foreign currency borrowings, to the extent that they hedge the Group's investment in such operations, are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

**Financial instruments**

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

**Investments**

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

**Leases**

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

**Share-based payments**

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

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

**2. GROUP TURNOVER**

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

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
United Kingdom	<b>5,876,724</b>	5,575,708
USA	<b>12,768,834</b>	10,741,703
Germany	<b>3,629,428</b>	3,486,081
Australia	<b>181,317</b>	-
	<b><u>22,456,303</u></b>	<b><u>19,803,492</u></b>



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**3. GROUP OPERATING PROFIT**

Group operating profit is stated after charging:

	2014	2013
	£	£
Amortisation of intangible assets	37,783	–
Depreciation of owned fixed assets	479,145	278,803
Loss on disposal of fixed assets	–	5,351
Auditors' remuneration		
- as auditor	35,000	34,000
- tax compliance services	10,000	10,000
Operating lease costs:		
- Plant and equipment	12,634	12,379
- Other	888,891	556,231
Net loss on foreign currency translation	49,192	31,348
	<u>          </u>	<u>          </u>

**4. PARTICULARS OF EMPLOYEES**

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

	2014	2013
	No	No
Number of staff	196	140
	<u>          </u>	<u>          </u>

The aggregate payroll costs of the above were:

	2014	2013
	£	£
Wages and salaries	10,603,013	8,528,423
Social security costs	1,443,306	1,041,258
Other pension costs	124,277	86,495
Equity-settled share-based payments	408,923	269,000
	<u>12,579,519</u>	<u>9,925,176</u>

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

**5. DIRECTORS' REMUNERATION**

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

	2014	2013
	£	£
Remuneration receivable	539,399	257,529
Value of Group pension contributions to money purchase schemes	20,000	20,000
	<u>559,399</u>	<u>277,529</u>

**Remuneration of highest paid director:**

	2014	2013
	£	£
Total remuneration (excluding pension contributions)	<u>270,990</u>	<u>182,529</u>

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**5. DIRECTORS' REMUNERATION** *(continued)*

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

	<b>2014</b>	<b>2013</b>
	<b>No</b>	<b>No</b>
Money purchase schemes	<u><b>1</b></u>	<u><b>1</b></u>

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Interest payable on revolving facility loan	<u><b>35,298</b></u>	<u><b>—</b></u>

**7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

**(a) Analysis of charge in the year**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Current tax:		
<b>UK Taxation</b>		
In respect of the year:		
UK Corporation tax based on the results for the year at 21.50% (2013: 23.30%)	<b>434,118</b>	378,969
Adjustments in respect of prior periods	<b>(36,433)</b>	-
Research and development qualifying expenditure	<u><b>(101,964)</b></u>	<u>(63,126)</u>
	<b>295,721</b>	315,843
<b>Foreign tax</b>		
Current tax on income for the year	<b>931,560</b>	856,200
Adjustments in respect of prior periods	<u><b>(187,827)</b></u>	<u>-</u>
	<b>743,733</b>	856,200
Total current tax	<u><b>1,039,454</b></u>	<u>1,172,043</u>
Deferred tax:		
Origination and reversal of timing differences (note 16)		
Other	<u><b>7,841</b></u>	<u>365,771</u>
Tax on profit on ordinary activities	<u><b>1,047,295</b></u>	<u><b>1,537,814</b></u>

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**7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES** *(continued)*

**(b) Factors affecting current tax charge**

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 21.50% (2013: 23.30%).

The Group earns its profits primarily in the UK. Therefore the tax rate used for tax on profit on ordinary activities is the standard rate for UK corporation tax, currently 21%. The Group's overseas tax rates are higher than those in the UK, primarily because the profits earned in the United States of America are taxed at a rate of 34%.

	2014 £	2013 £
Profit on ordinary activities before taxation	<u>4,451,089</u>	<u>5,981,721</u>
Profit on ordinary activities by rate of tax	976,334	1,393,740
Expenses not deductible for tax purposes	98,786	85,634
Research and development qualifying expenditure	(101,964)	(63,126)
Share option deductions	-	(224,570)
Group relief	(413,697)	-
Different tax rates on overseas earnings	305,696	(19,635)
Other overseas tax charges	398,557	
Over provision in prior periods	(224,258)	-
Total current tax (note 7(a))	<u>1,039,454</u>	<u>1,172,043</u>

**(c) Factors that may affect future tax charges**

There were no factors that may have a material effect on future tax charges.

**8. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY**

The profit dealt with in the financial statements of the parent Company was £3,597,052 (2013: £4,285,603).

**9. DIVIDENDS**

**Equity dividends**

	2014 £	2013 £
Paid		
Equity dividends on ordinary shares	<u>8,203,492</u>	<u>1,250,000</u>

On 30 September 2014 it was approved to pay a dividend on the ordinary shares of £0.225 per share.  
On 7 October 2014 it was approved to pay a dividend on the ordinary shares of £0.39 per share.

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**10. INTANGIBLE FIXED ASSETS**

Group and Company	Technology development £
<b>COST</b>	
Additions	1,017,021
<b>At 31 December 2014</b>	<u>1,017,021</u>
<b>AMORTISATION</b>	
Charge for the year	37,783
<b>At 31 December 2014</b>	<u>37,783</u>
<b>NET BOOK VALUE</b>	
<b>At 31 December 2014</b>	<u>979,238</u>
At 31 December 2013	<u>—</u>

**11. TANGIBLE FIXED ASSETS**

Group	Leasehold Property £	Fixtures & Fittings £	Equipment £	Total £
<b>COST</b>				
At 1 January 2014	178,959	53,158	799,842	1,031,959
Additions	32,981	33,309	325,883	392,173
Exchange adjustment	—	2,793	5,257	8,050
<b>At 31 December 2014</b>	<u>211,940</u>	<u>89,260</u>	<u>1,130,982</u>	<u>1,432,182</u>
<b>DEPRECIATION</b>				
At 1 January 2014	—	16,642	412,152	428,794
Charge for the year	40,133	40,989	398,023	479,145
Exchange adjustment	—	799	(215)	584
<b>At 31 December 2014</b>	<u>40,133</u>	<u>58,430</u>	<u>809,960</u>	<u>908,523</u>
<b>NET BOOK VALUE</b>				
<b>At 31 December 2014</b>	<u>171,807</u>	<u>30,830</u>	<u>321,022</u>	<u>523,659</u>
At 31 December 2013	<u>178,959</u>	<u>36,516</u>	<u>387,690</u>	<u>603,165</u>

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**11. TANGIBLE FIXED ASSETS** *(continued)*

<b>Company</b>	<b>Leasehold Property £</b>	<b>Fixtures &amp; Fittings £</b>	<b>Equipment £</b>	<b>Total £</b>
<b>COST</b>				
At 1 January 2014	178,959	7,779	522,052	708,790
Additions	32,981	13,882	266,940	313,803
<b>At 31 December 2014</b>	<u>211,940</u>	<u>21,661</u>	<u>788,992</u>	<u>1,022,593</u>
<b>DEPRECIATION</b>				
At 1 January 2014	–	3,660	272,423	276,083
Charge for the year	40,133	3,431	267,805	311,369
<b>At 31 December 2014</b>	<u>40,133</u>	<u>7,091</u>	<u>540,228</u>	<u>587,452</u>
<b>NET BOOK VALUE</b>				
<b>At 31 December 2014</b>	<u>171,807</u>	<u>14,570</u>	<u>248,764</u>	<u>435,141</u>
At 31 December 2013	<u>178,959</u>	<u>4,119</u>	<u>249,629</u>	<u>432,707</u>

**12. INVESTMENTS**

<b>Company</b>	<b>Group companies £</b>
<b>COST</b>	
At 1 January 2014	27,950
Additions	1
<b>At 31 December 2014</b>	<u>27,951</u>
<b>NET BOOK VALUE</b>	
<b>At 31 December 2014</b>	<u>27,951</u>
At 31 December 2013	<u>27,950</u>

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

During the year, the Company incorporated and owns 100% of the issued share capital of Flashtalking PTY, a company incorporated in Australia.

The Company owns 100% of the issued share capital of Flashtalking GmbH, a company incorporated in Germany and 100% of the issued share capital of Flashtalking Inc, a company incorporated in USA.

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

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**13. DEBTORS**

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade debtors	7,628,855	6,106,134	1,528,038	1,761,776
Amounts owed by Group undertakings	4,504,612	2,193,545	7,231,940	3,448,389
Corporation tax repayable	108,109	163,595	222,450	180,271
Other debtors	203,079	63,175	3,700	2,596
Prepayments and accrued income	907,928	828,565	806,535	799,925
	<u>13,352,583</u>	<u>9,355,014</u>	<u>9,792,663</u>	<u>6,192,957</u>

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

**14. CREDITORS: Amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade creditors	271,985	232,581	199,489	124,392
Directors' loan accounts	829	829	829	829
PAYE and social security	152,132	15,502	135,657	–
VAT	249,136	309,985	169,771	224,314
Other creditors	5,896	128,049	76,531	52,816
Accruals and deferred income	1,766,912	480,226	1,003,790	248,920
	<u>2,446,890</u>	<u>1,167,172</u>	<u>1,586,067</u>	<u>651,271</u>

**15. CREDITORS: Amounts falling due after more than one year**

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Revolving facility loan	<u>5,000,000</u>	<u>–</u>	<u>5,000,000</u>	<u>–</u>

The revolving facility loan is secured by guarantee from Flashtalking Inc.

The loan is repayable within three years, with no fixed repayment schedule. Interest accrues on the loan at a rate of 3% above LIBOR.

**16. DEFERRED TAXATION**

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

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Provision brought forward	773,490	407,719	11,519	407,719
Increase/(Decrease) in provision	7,841	365,771	–	(396,200)
Provision carried forward	<u>781,331</u>	<u>773,490</u>	<u>11,519</u>	<u>11,519</u>

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**16. DEFERRED TAXATION** *(continued)*

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

Group	2014		2013	
	Provided £	Unprovided £	Provided £	Unprovided £
Excess of taxation allowances over depreciation on fixed assets	11,519	-	11,519	-
Other timing differences	769,812	-	761,971	-
	<u>781,331</u>	<u>-</u>	<u>773,490</u>	<u>-</u>

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

Company	2014		2013	
	Provided £	Unprovided £	Provided £	Unprovided £
Excess of taxation allowances over depreciation on fixed assets	11,519	-	11,519	-

**17. SHARE-BASED PAYMENTS**

**The 2013 Share Option and Grant Plan**

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

A reconciliation of option movements over the year to December 2014 is shown below:

	2014		2013	
	No	WAEP £	No	WAEP £
Outstanding at the beginning of the year	1,675,258.00	1.00	-	-
Granted during the year	-	-	1,675,258.00	1.00
Outstanding at the end of the year	<u>1,675,258.00</u>	<u>1.00</u>	<u>1,675,258.00</u>	<u>1.00</u>

In the year ended 31 December 2014, no options were exercised.

Share options outstanding at the end of the year had exercise price of £1 (2013: £1).

The weighted average remaining contractual life of the options outstanding at the end of the year was 8.5 years.

The share based payment charge relating to The 2013 Share Option and Grant Scheme in these financial statements is £408,923 (2013: £269,000).

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**18. COMMITMENTS UNDER OPERATING LEASES**

At 31 December 2014 the Group had annual commitments under non-cancellable operating leases as set out below.

Group	2014		2013	
	Land and buildings £	Other items £	Land and buildings £	Other items £
Operating leases which expire:				
Within 1 year	90,574	1,863	120,713	3,874
Within 2 to 5 years	606,081	4,211	397,394	9,262
	<u>696,655</u>	<u>6,074</u>	<u>518,107</u>	<u>13,136</u>

At 31 December 2014 the Company had annual commitments under non-cancellable operating leases as set out below.

Company	2014		2013	
	Land and buildings £	Other items £	Land and buildings £	Other items £
Operating leases which expire:				
Within 2 to 5 years	450,384	-	225,192	-
	<u>450,384</u>	<u>-</u>	<u>225,192</u>	<u>-</u>

**19. RELATED PARTY TRANSACTIONS**

The director maintains a loan account with the Company. At the year end the Company owed the director £829 (2013: £829).

The Group and Company is exempt under Financial Reporting Standard 8 of disclosing any transaction with wholly owned Group companies.

**20. SHARE CAPITAL**

Allotted, called up and fully paid:

	2014		2013	
	No	£	No	£
Ordinary A shares of £0.00001 each	13,102,058	131	13,102,058	131
Ordinary B shares of £0.00001 each	245,050	2	245,050	2
	<u>13,347,108</u>	<u>133</u>	<u>13,347,108</u>	<u>133</u>



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**21. RESERVES**

<b>Group</b>	<b>Share premium account £</b>	<b>Other reserves £</b>	<b>Share options reserve £</b>	<b>Profit and loss account £</b>
Balance brought forward	85,766	(307,615)	269,000	13,104,883
Profit for the year	–	–	–	3,493,794
Equity dividends paid	–	–	–	(8,203,492)
Exchange differences on retranslation of net assets of subsidiary undertakings	–	115,059	–	–
Recognition of equity-settled share-based payments in the year	–	–	408,923	–
Balance carried forward	<u>85,766</u>	<u>(192,556)</u>	<u>677,923</u>	<u>8,395,185</u>

<b>Company</b>	<b>Share premium account £</b>	<b>Profit and loss account £</b>
Balance brought forward	85,766	9,829,832
Profit for the year	–	3,597,052
Equity dividends paid	–	(8,203,492)
Balance carried forward	<u>85,766</u>	<u>5,223,392</u>

**22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>2014 £</b>	<b>2013 £</b>
Profit for the financial year	3,493,794	4,257,181
New equity share capital subscribed	–	33
Premium on new share capital subscribed	–	85,766
Acquisition of minority interests	–	589,340
Equity dividends paid	(8,203,492)	(1,250,000)
Recognition of equity-settled share-based payments in the year	408,923	269,000
Exchange differences on retranslation of net assets of subsidiary undertakings	115,059	(181,621)
Net addition/(reduction) to shareholders' funds	<u>(4,185,716)</u>	<u>3,769,699</u>
Opening shareholders' funds	13,152,167	9,382,468
Closing shareholders' funds	<u>8,966,451</u>	<u>13,152,167</u>

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**23. NOTES TO THE CASH FLOW STATEMENT**

**RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Operating profit	<b>4,575,664</b>	5,980,380
Amortisation	<b>37,783</b>	–
Depreciation	<b>479,145</b>	278,803
Loss on disposal of fixed assets	–	5,351
Increase in debtors	<b>(4,053,053)</b>	(2,386,892)
Increase/(decrease) in creditors	<b>1,352,011</b>	(44,129)
Equity-settled share-based payments	<b>408,923</b>	269,000
Net cash (outflow)/inflow from operating activities	<b><u>2,800,473</u></b>	<b><u>4,102,513</u></b>

**RETURNS ON INVESTMENTS AND SERVICING OF FINANCE**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Interest received	<b>723</b>	1,341
Net cash inflow from returns on investments and servicing of finance	<b><u>723</u></b>	<b><u>1,341</u></b>

**TAXATION**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Taxation	<b><u>(983,968)</u></b>	<b><u>(1,510,884)</u></b>

**CAPITAL EXPENDITURE**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Payments to acquire intangible fixed assets	<b>(1,017,021)</b>	–
Payments to acquire tangible fixed assets	<b>(392,173)</b>	(642,583)
Receipts from sale of fixed assets	–	554
Net cash outflow from capital expenditure	<b><u>(1,409,194)</u></b>	<b><u>(642,029)</u></b>

**FINANCING**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Issue of equity share capital	–	31
Share premium on issue of equity share capital	–	85,766
Increase in bank loans	<b>5,000,000</b>	–
Net cash inflow from financing	<b><u>5,000,000</u></b>	<b><u>85,797</u></b>

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

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	2014 £	2013 £
(Decrease)/increase in cash in the period	(2,795,458)	786,738
Net cash (inflow) from bank loans	(5,000,000)	—
	<u>(7,795,458)</u>	<u>786,738</u>
Change in net debt	(7,795,458)	786,738
Net funds at 1 January 2014	5,134,650	4,347,912
Net debt at 31 December 2014	<u>(2,660,808)</u>	<u>5,134,650</u>

**ANALYSIS OF CHANGES IN NET DEBT**

	At 1 Jan 2014 £	Cash flows £	At 31 Dec 2014 £
Net cash:			
Cash in hand and at bank	5,134,650	(2,795,458)	2,339,192
Debt:			
Debt due after 1 year	—	(5,000,000)	(5,000,000)
Net debt	<u>5,134,650</u>	<u>(7,795,458)</u>	<u>(2,660,808)</u>

**24. ULTIMATE PARENT COMPANY**

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

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

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

**25. POST BALANCE SHEET EVENTS**

In February 2015, the Group expanded its operations in Europe, establishing a subsidiary, Flashtalking B.V., in The Netherlands. The company is owned 100% by Simplicity Marketing Limited.

In April 2015, the Group appointed a new Chief Executive Officer (CEO), John Nardone, who will be based in the US. Former CEO and company founder, Paul Cunningham, was appointed Chairman of the Board of Directors.