

COMPANY REGISTRATION NUMBER 04339257

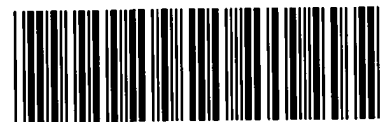
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SIMPLICITY MARKETING LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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SIMPLICITY MARKETING LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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SIMPLICITY MARKETING LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Mr J. Meeks
Mr J. Seigler
Mr J. Nardone

Company Secretary

Vistra Company Secretaries Limited

Registered office

Suite 1
3rd Floor
11-12 St. James's Square
London
SW1Y 4LB

Independent auditors

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

SIMPLICITY MARKETING LIMITED

STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2019

The directors present their strategic report for Simplicity Marketing Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2019.

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 the leading marketers and their advertising agency partners. Regional offices are located in London, Leeds, New York, San Francisco, Los Angeles, Chicago, Cologne, Paris, Madrid, Milan and Sydney.

RESULTS AND PERFORMANCE

The results for the Group, as set out on pages 10 to 55, show a profit on ordinary activities before tax of £4,383,792 (2018 £2,318,541). The total equity of the Group is £33,391,688 (2018 £29,459,801).

The financial performance of the Group during 2019 has been successful. The Group continued to demonstrate growth, with revenues growing by 24% year-on-year whilst protecting the operating margin. The management believes the Group is well positioned to grow further in the future by utilising its experience and technology to deliver high quality services to its growing customer base.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's performance is impacted by the general economic climate in the USA, UK, mainland Europe 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. Standard financial statements (Income Statement, Balance Sheet Statement and Cash Flow Statement) are sufficient to provide information about the financial position, performance and changes in financial position of the business that is useful to a wide range of stakeholders.

BUSINESS ENVIRONMENT

The digital advertising industry is maturing and changing as relevant and useful marketing to customers is balanced against consumers privacy concerns. In May of 2018 the EU introduced the General Data Protection Regulation (GDPR) that set guidelines and rules for advertisers in the control and ownership of customer data for all individual citizens across EU and EEA. The US is poised to follow suit by introducing its version of e-privacy legislation. The introduction of the GDPR privacy legislation resulted in Google restricting access and portability of its ad server log data. This has challenged many European advertisers in their ability to track and analyse customer data and make informed marketing decisions. Google has indicated that they may take similar actions in North America as well as the rest of the world. The management believes that this creates an opportunity for Flashtalking. The company is the industry's only independent ad server. As such it can work with all ecosystem players creating a single platform for sophisticated advertisers across the globe who want to own and control their data and analytics.

Over the past four years, Flashtalking has invested heavily in its products and organizational capabilities to create the industry's leading advertising management platform servicing its clients across four areas: primary ad serving, personalisation, identity orchestration and advanced analytics. With all these investments the Group is well positioned to provide an alternative to "walled gardens" for customers that value media independence, ownership and control of data, creative relevance and enterprise-level customer service. The company will continue to invest in the technology platform and improve its service offering to provide high quality services to its customers. Furthermore, the Group is planning to expand to new markets in 2020 by opening offices and hiring people across several jurisdictions in order to meet the growing demands of its global clients.

SIMPLICITY MARKETING LIMITED

STRATEGIC REPORT (continued)

YEAR ENDED 31 DECEMBER 2019

DIRECTORS' SECTION 172 STATEMENT

The Directors of the company must act in accordance with a set of general duties, as detailed in section 172 of the UK Companies Act 2006, summarised as follows:

'A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long-term;
- the interest of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between the shareholders of the company.'

The directors fulfil these duties as follows:

Risk management

The company has a long-term strategic plan that effectively identifies, evaluates and mitigates the risks which the company faces, ensuring they are sufficiently considered and, if applicable, hedged against for the future. The directors will invariably delegate day-to-day management and decision making to executive management, but will ensure that management is acting in accordance with the strategy and plans agreed by the board.

The interest of the company's employees

The board recognises that employees are central to the long-term success of the company. The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in maintaining its prosperity. The Company encourages the involvement of employees by means of regular meetings to keep them informed of the Company's progress. The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or sexual orientation.

Business relationships with suppliers, customers and others

The directors appreciate the importance of fostering business relationships with key stakeholders, such as customers and suppliers, and focus on the maintenance and growth of these relationships in their decision-making and strategic planning. The company employs dedicated relationship managers to foster these relationships which also ensures the board has a high degree of visibility to take stakeholder considerations into account.

Community and environment

The company's approach is to use its position of strength to ensure it is an asset to the communities and people with which it interacts. The board ensures significant consideration is given to the impact of the company's operations on the community and environment in their decision-making. The company strives to create positive change in reducing the environmental impact of its businesses and to meet the highest level of health and safety and environmental standards, whilst maintaining effective and continuing business practices.

Shareholders

The board recognises the importance of regular and open dialogue with the shareholders and the need to ensure the strategy and goals of the company are effectively communicated to them. Feedback on these plans and objectives is welcomed by the directors and major business decisions are made closely and with the approval of the shareholders.

Signed on behalf of the Board of Directors

Mr J. Nardone

Company Director

Approved by the Board of Directors on 9 October 2020.

SIMPLICITY MARKETING LIMITED

DIRECTORS' REPORT YEAR ENDED 31 DECEMBER 2019

The directors present their report and the audited financial statements of the Group and Company for the year ended 31 December 2019.

RESULTS

The profit for the financial year amounted to £2,572,229 (2018 £1,454,601). The directors recommend that there should be no dividend payment to shareholders.

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 derivative financial instruments to manage the risk of fluctuating exchange rates, so no hedge accounting is applied. The Group has in place a foreign exchange policy and will reconsider the appropriateness of this policy should the Group's operations change in size or nature.

CREDIT RISK

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

LIQUIDITY RISK

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

INTEREST RISK

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

DIRECTORS

The directors who served the Company who were in office during the year and up to the date of signing the financial statements were: Mr J. Meeks, Mr J. Seigler and Mr J. Nardone

STRATEGIC REPORT

Please refer to the Strategic Report on pages 2 to 3.

FUTURE DEVELOPMENTS

The Group continues to invest in the development of staff and new technology in order to position the company for future growth. With GDPR coming into effect the Group remains well positioned to provide an alternative to "walled gardens" as the only independent ad server for sophisticated advertisers who want to own and control their data and analytics. The management believes that there are several growth opportunities in the market, organic and through acquisitions, that the Company will continue to explore in the future.

COVID-19.

The directors are acutely aware of the Coronavirus pandemic and the impact that this is having on economies Worldwide. The Flashtalking group saw reduced demand in March and April 2020, but subsequently volumes have increased and the Board expect to deliver further growth in the business in 2020 and 2021. As such, management are confident that the pandemic will not significantly affect the company or group in the foreseeable future.

SIMPLICITY MARKETING LIMITED

DIRECTORS' REPORT (continued) YEAR ENDED 31 DECEMBER 2019

EMPLOYMENT OF DISABLED PERSONS

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability. The Group did not employ any disabled persons during the financial year ended 31 December 2019.

EMPLOYEE INVOLVEMENT

Consultation with employees or their managers has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests. All employees are aware of the objectives, targets and performance of their department and of financial performance of the Group as a whole and are rewarded according to the results of both through an annual bonus scheme. Communication with all employees continues through email, internal open meetings, briefing groups and video conferencing.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and 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 company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

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

The directors are also responsible for safeguarding the assets of the group and 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 group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

DIRECTORS' INDEMNITY

As permitted by the Articles of Association, each of the directors has the benefit of an indemnity, which is a qualifying third-party indemnity as defined by section 234 of the Companies Act 2006. The indemnity was in force throughout the tenure of each director during 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.

AUDITOR RE-APPOINTMENT

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.

SIMPLICITY MARKETING LIMITED

DIRECTORS' REPORT (continued)
YEAR ENDED 31 DECEMBER 2019

DIRECTORS' CONFIRMATIONS

In the case of each director in office at the date the Directors' Report is approved:

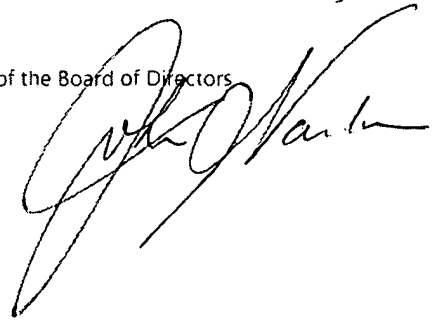
- i. so far as the director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- ii. They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish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

The financial statements on pages 10 to 55 were approved by the Board of Directors on 9 October 2020 and signed on its behalf by Mr J. Nardone.

Registered office:
Suite 1
3rd Floor
11-12 St. James's Square
London

Signed on behalf of the Board of Directors

Mr J. Nardone
9 October 2020.

A handwritten signature in black ink, appearing to read 'J. Nardone', written over the printed name and date.

SIMPLICITY MARKETING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIMPLICITY MARKETING LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, Simplicity Marketing Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's profit and the group's and the company's 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, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Financial Statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 December 2019; the consolidated income statement and consolidated statement of comprehensive income, the consolidated and company statements of cash flows, and the consolidated and company statements 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 group 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability 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.

SIMPLICITY MARKETING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIMPLICITY MARKETING 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 light of the knowledge and understanding of the group and company and their 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 in respect of the Financial Statements, 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 group's and 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 group or 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.

SIMPLICITY MARKETING LIMITED

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

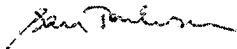
Other required reporting

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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Samuel Tomlinson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
9 October 2020

SIMPLICITY MARKETING LIMITED

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018
	Note	£	£
Revenue	18	56,670,301	45,747,710
Cost of Sales	19	(6,340,880)	(5,190,372)
Gross Profit		50,329,421	40,557,338
Selling and marketing costs	19	(7,687,564)	(7,127,695)
Administrative expenses	19	(13,885,959)	(12,152,820)
Technical support and development	19	(23,439,954)	(18,368,722)
Operating Profit		5,315,944	2,908,101
Finance income	19	1,525	1,989
Finance costs	19	(933,677)	(591,549)
Profit before income tax		4,383,792	2,318,541
Income tax expense	14	(1,811,563)	(863,940)
Profit for the financial year		2,572,229	1,454,601

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 Income statement.

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

SIMPLICITY MARKETING LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018
	Note	£	£
Profit for financial year		2,572,229	1,454,601
Other comprehensive (expense)/income items that may be reclassified to profit or loss:			
Foreign currency translation adjustments	17	(750,210)	1,319,873
Total comprehensive income for the year		1,822,019	2,774,474

SIMPLICITY MARKETING LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019

		31 December 2019	31 December 2018
	Note	£	£
ASSETS			
Non-current assets			
Intangible assets	4	12,948,272	14,187,898
Property, plant and equipment	5	1,026,291	674,179
Right-of-use assets	6	3,435,323	-
Deferred tax assets	14	2,718,058	3,066,564
<i>Total non-current assets</i>		<u>20,127,944</u>	<u>17,928,641</u>
Current Assets			
Trade and other receivables	8	44,467,023	30,500,766
Cash and cash equivalents	9	6,229,251	3,335,380
Current income tax assets	14	562,256	652,284
<i>Total current assets</i>		<u>51,258,530</u>	<u>34,488,430</u>
Total assets		<u>71,386,474</u>	<u>52,417,071</u>
LIABILITIES			
Non-current liabilities			
Borrowings	10	23,220,218	14,345,059
Deferred consideration	12	949,981	860,020
Deferred tax liabilities	14	1,003,080	777,889
Lease liabilities	6	2,221,561	-
<i>Total non-current liabilities</i>		<u>27,394,840</u>	<u>15,982,968</u>
Current liabilities			
Trade and other payables	13	9,110,551	6,624,302
Borrowings	10	334,382	350,000
Lease liabilities	6	1,155,013	-
<i>Total current liabilities</i>		<u>10,599,946</u>	<u>6,974,302</u>
Total liabilities		<u>37,994,786</u>	<u>22,957,270</u>
NET ASSETS		<u>33,391,688</u>	<u>29,459,801</u>
EQUITY			
Share capital and share premium	17	8,727,590	8,727,590
Share options reserve	17	6,830,352	4,979,840
Other reserves	17	1,578,105	2,328,315
Retained earnings	17	16,255,641	13,424,056
TOTAL EQUITY		<u>33,391,688</u>	<u>29,459,801</u>

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

The financial statements on pages 10 to 55 were approved and authorised for issue by the Board of Directors on 9 October 2020 and signed on its behalf by

Mr J. Nardone
9 October 2020

Company registration number: 04339257

SIMPLICITY MARKETING LIMITED

**COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2019**

		2019	2018
	Note	£	£
ASSETS			
Non-current assets			
Intangible assets	4	3,567,490	3,549,913
Property, plant and equipment	5	710,047	495,399
Right-of-use assets	6	1,678,054	-
Investments	7	8,707,513	8,669,641
Deferred tax asset	14	219,998	-
Total non-current assets		14,883,102	12,714,953
Current Assets			
Trade and other receivables	8	46,971,560	32,837,774
Cash and cash equivalents	9	534,770	899,586
Current income tax assets	14	-	37,254
Total current assets		47,506,330	33,774,614
Total assets		62,389,432	46,489,567
LIABILITIES			
Non-current liabilities			
Borrowings	10	23,220,218	14,345,059
Deferred consideration	12	949,981	860,020
Deferred tax liabilities	14	607,463	121,104
Lease liabilities	6	1,286,622	-
Total non-current liabilities		26,064,284	15,326,183
Current liabilities			
Trade and other payables	13	13,442,440	10,798,970
Borrowings	10	334,382	350,000
Corporation tax payable	14	90,023	-
Lease liabilities	6	299,684	-
Total current liabilities		14,166,529	11,148,970
Total liabilities		40,230,813	26,475,153
NET ASSETS		22,158,619	20,014,414
EQUITY			
Share capital and share premium	17	8,765,462	8,727,590
Share options reserve	17	345,685	256,657
Retained earnings	17	13,047,472	11,030,167
TOTAL EQUITY		22,158,619	20,014,414

The accompanying notes form an integral part of these financial statements. The parent company has elected to take the s408 exemption and as a result it is exempt from the requirement to publish its individual profit and loss account and the related notes. The company's profit for 2019 was £1,736,787.

The financial statements on pages 10 to 55 were approved and authorised for issue by the Board of Directors on 9 October 2020 and signed on its behalf by

Mr J. Nardone
9 October 2020

Company registration number 04339257

SIMPLICITY MARKETING LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2019**

		Share capital and share premium	Share option reserve	Other reserves	Retained earnings	Total equity
	Note	£	£	£	£	£
Balance at 1 January 2018		85,899	3,196,909	1,008,442	11,969,455	16,260,705
Issue of 1,000,000 ordinary shares		8,641,691	-	-	-	8,641,691
Total share issuances		8,641,691	-	-	-	8,641,691
Profit for financial year		-	-	-	1,454,601	1,454,601
Other comprehensive income		-	-	1,319,873	-	1,319,873
Total comprehensive income for the year		-	-	1,319,873	1,454,601	2,774,474
Share-based schemes charge		-	1,782,931	-	-	1,782,931
Balance at 31 December 2018		8,727,590	4,979,840	2,328,315	13,424,056	29,459,801
Adjustment on adoption of IFRS 16	2.1	-	-	-	259,356	259,356
Balance at 1 January 2019		8,727,590	4,979,840	2,328,315	13,683,412	29,719,157
Issue of ordinary shares		-	-	-	-	-
Total share issuances		-	-	-	-	-
Profit for financial year		-	-	-	2,572,229	2,572,229
Other comprehensive income		-	-	(750,210)	-	(750,210)
Total comprehensive income for the year		-	-	(750,210)	2,572,229	1,822,019
Share-based schemes charge	16	-	1,850,512	-	-	1,850,512
Balance at 31 December 2019		8,727,590	6,830,352	1,578,105	16,255,641	33,391,688

SIMPLICITY MARKETING LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

		Share capital and share premium	Share option reserve	Retained earnings	Total equity
	Note	£	£	£	£
Balance at 1 January 2018		85,899	184,257	9,768,033	10,038,189
Issue of 1,000,000 ordinary shares		8,641,691	-	-	8,641,691
Total share issuances		8,641,691	-	-	8,641,691
Profit for financial year		-	-	1,262,134	1,262,134
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	1,262,134	1,262,134
Share-based schemes charge		-	72,400	-	72,400
Balance at 31 December 2018		8,727,590	256,657	11,030,167	20,014,414
Adjustment on adoption of IFRS16		-	-	122,973	122,973
Balance at 1 January 2019		8,727,590	256,657	11,153,140	20,137,387
Prior year adjustment in relation to Spongecell acquisition	7	37,872	-	157,545	195,417
Total prior year adjustment		37,872	-	157,545	195,417
Profit for financial year		-	-	1,736,787	1,736,787
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	1,736,787	1,736,787
Share-based schemes charge	16	-	89,028	-	89,028
Balance at 31 December 2019		8,765,462	345,685	13,047,472	22,158,619

SIMPLICITY MARKETING LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018
	Note	£	£
Cash flows from operating activities			
Cash generated from operations	21	(1,273,613)	3,525,711
Income taxes paid		(1,235,178)	(1,109,947)
Net cash (outflow)/inflow from operating activities		(2,508,791)	2,415,764
Cash flows from investing activities			
Acquisition of business	11	-	(3,263,983)
Payments for property, plant and equipment	5	(965,765)	(624,662)
Payment for software development costs	4	(2,069,441)	(1,316,698)
Interest received		1,525	1,989
Net cash outflow from investing activities		(3,033,681)	(5,203,354)
Cash flows from financing activities			
Proceeds from borrowings	10	10,807,190	5,027,406
Repayment of borrowings	10	(390,909)	(883,945)
Principal element of lease payments		(1,099,798)	-
Interest paid		(880,140)	(518,823)
Net cash inflow from financing activities		8,436,343	3,624,638
Net increase in cash and cash equivalents		2,893,871	837,048
Cash and cash equivalents at the beginning of the financial year		3,335,380	2,498,332
Cash and cash equivalents at end of financial year	9	6,229,251	3,335,380

SIMPLICITY MARKETING LIMITED

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018
	Note	£	£
Cash flows from operating activities			
Cash generated from/(used in) operations	21	(6,619,010)	(1,881,418)
Income taxes (paid)/received		(562,220)	211,170
Net cash (outflow) from operating activities		(7,181,230)	(1,670,248)
Cash flows from investing activities			
Payments for property, plant and equipment	5	(691,106)	(554,848)
Payment for software development costs	4	(2,071,359)	(1,316,698)
Interest received		782	1,979
Net cash outflow from investing activities		(2,761,682)	(1,869,567)
Cash flows from financing activities			
Proceeds from borrowings	10	10,807,190	5,027,406
Repayment of borrowings	10	(390,909)	(883,945)
Principal element of lease payments		(260,216)	-
Interest paid		(577,970)	(518,119)
Net cash inflow from financing activities		9,578,096	3,625,342
Net (decrease)/increase in cash and cash equivalents		(364,816)	85,527
Cash and cash equivalents at the beginning of the financial year	9	899,586	814,059
Cash and cash equivalents at end of financial year		534,770	899,586

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

The operating businesses within the Group, trading as "Flashtalking", are independent ad serving, measuring and technology companies providing best-in-class digital advertising products, service and support for online advertisers, key media buying and creative agencies. The Company is a private limited company limited by shares, incorporated on 12 December 2001 and domiciled in United Kingdom, with a registered address at Suite 1, 3rd Floor, 11-12 St. James's Square, London, SW1Y4LB.

These Group and Company financial statements were authorised for issue by the Board of Directors on 9 October 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. BASIS OF PREPARATION

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

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

Going concern

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

Changes in accounting policy and disclosures

(a) New and amended standards and interpretations effective in the year for the Group and Company

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing January 1, 2019:

- IFRS 16 "Leases" refer to further information below.
- IFRIC 23 "Uncertainty over Income Tax Treatments" refer to further information below.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9). There was no impact on the application of this amendment.
-

Certain new accounting standards, interpretations and amendments have been published that are not effective for December 31, 2019 reporting period and have not been early adopted by the Group. They are:

Definition of a Business (Amendments to IFRS 3).

Definition of Material (Amendments to IAS 1 and IAS 8).

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

None of the above amendments to standards are expected to have a material effect on the Group's financial statements.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

Changes in accounting policy and disclosures (continued)

(b) New and amended standards adopted by the Group

IFRS 16 "Leases"

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019.

- IFRS 16 'Leases', which addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors.

The group has been required to change its accounting policy as a result of the adoption of IFRS 16. The group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed below.

The group has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassification and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet as at 1 January 2019. The new accounting policies are disclosed in note 6.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.4%.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the group has used the following expedients permitted by the standard:

- Accounting for operating leases with an annual cost, or an asset value when new, of less than \$5,000 as short-term leases.
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review. There were no onerous contracts at 1 January 2019.
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.
- Excluding initial direct costs for the measurement of the right-of-use assets at the date of the initial application, and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the group relied on its assessment made applying IAS 17 and interpretation 4 "Determining whether an arrangement contains a lease".

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

(b) New and amended standards adopted by the Group (continued)

(ii) Measurement of Lease Liabilities

Group	2019 £
Operating lease commitments disclosed at 31 December 2018	3,661,938
Discounted using the leases incremental borrowing rate at the date of initial application	(292,401)
Less: GmbH leases excluded from IFRS opening balances	(113,232)
Add: Uplift due to rent review	240,480
Less: Rent review and prepayment	(214,104)
Lease liability recognised at 1 January 2019:	3,282,681

Of which are:

Non-current lease liabilities	2,021,074
Current lease liabilities	1,261,607

Company	2019 £
Operating lease commitments disclosed at 31 December 2018	1,582,110
Discounted using the leases incremental borrowing rate at the date of initial application	(201,141)
Add: Uplift due to rent review	240,480
Less: Rent review and prepayment	(214,104)
Lease liability recognised at 1 January 2019:	1,407,345

Of which are:

Non-current lease liabilities	1,084,430
Current lease liabilities	322,915

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

(b) New and amended standards adopted by the Group (continued)

(ii) Measurement of Lease Liabilities (continued)

Group	31 December 2018 As originally presented	IFRS 16	1 January 2019 Restated
	£	£	£
Balance sheet (extract)			
Current Assets			
Rent prepayment	86,286	(86,286)	
Non-current Assets			
Property, plant and equipment	674,179	-	674,179
Right-of use assets	-	3,368,967	3,368,967
Current Liabilities			
Lease liability	-	1,261,607	1,261,607
Non-current Liabilities			
Borrowings	14,345,059	-	14,345,059
Lease Liability	-	2,021,074	2,021,074
Net Assets	29,459,801	-	29,459,801

Company	31 December 2018 As originally presented	IFRS 16	1 January 2019 Restated
	£	£	£
Balance sheet (extract)			
Current Assets			
Rent prepayment	86,287-	(86,287)	
Non-current Assets			
Property, plant and equipment	495,399	-	495,399
Right-of use assets	-	1,493,632	1,493,632
Current Liabilities			
Lease Liability	-	322,915	322,915
Non-current Liabilities			
Borrowings	14,345,059	-	14,345,059
Lease Liability	-	1,084,430	1,084,430
Net Assets	20,014,414	-	20,014,414

IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 (effective January 1, 2019) provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty that affect the application of IAS 12 Income Taxes. The Interpretation requires:

- The Group to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

The Group has applied IFRIC 23 Uncertainty over Income Tax Treatment as January 1, 2019 and elected to apply it retrospectively with any cumulative effect recorded in retained earnings as at the date of initial application. The adoption of IFRIC 23 has no impact on the Group's and Company's financial statements.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 BASIS OF CONSOLIDATION

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

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

2.3. REVENUE RECOGNITION

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

2.4. SEGMENT REPORTING

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

2.5. INTANGIBLE ASSETS

(a) Research and development expenditure

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

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

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

(b) Computer software

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

(c) Goodwill

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

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

2.5. INTANGIBLE ASSETS (*continued*)

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

2.6. PROPERTY, PLANT AND EQUIPMENT

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

- Leasehold property: over the term of the lease
- Computer Equipment: 2 years
- Fixtures and fittings: 3 years

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

2.7. TAXATION

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

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

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

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

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

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

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8. TRADE RECEIVABLES

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

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

2.9. ACCRUED INCOME

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

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

2.10. EMPLOYEE BENEFITS

(a) Pension obligations

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

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

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

(b) Share-based payment transactions

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

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

(c) Accrued annual leave

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

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

2.11. FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

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

(b) Transaction balances

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

(c) Group companies

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

(i) assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transaction; and

(iii) all resulting exchange differences are recognised as a separate component of equity.

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

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

2.12. CAPITAL MANAGEMENT

Both the company and group's objectives, when managing capital, are to safeguard the 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 company and group can adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, both the company and 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 balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the company balance sheet and the consolidated balance sheet plus net debt.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

2.12. CAPITAL MANAGEMENT (*continued*)

During 2019, the group's strategy, which was unchanged from 2018, was to maintain the gearing ratio within 25% to 50%.

	2019	2018
	£	£
Total borrowings	23,554,600	14,695,059
Less: cash and cash equivalents	(6,229,251)	(3,335,380)
Net debt	17,325,349	11,359,679
Total equity	33,391,688	29,459,801
Total capital	50,717,037	40,819,480
Gearing ratio	34.16%	27.8%

The increase in the gearing ratio during 2019 has been predominantly caused by a restructuring of the group's borrowing facilities in September 2019. The movement is due to both the movement in the underlying debt sitting within the group and the corresponding currency which the debt is denominated in.

2.13. LEASES

As explained in note 2.1, the group has changed its accounting policy for leases where the group is a lessee. Under the new IFRS 16, the recognition of leases has changed, and the company adopted the new IFRS 16 rules in the opening balance sheet on 1 January 2019. The new policy is described in further detail in note 2.1 and in note 6.

Until 31 December 2018, leases of property, plant and equipment, in which a significant portion of risks and rewards of ownership were not transferred to the group as lessee, were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit loss on a straight-line basis over the period of the lease.

The group had no finance leases at 31 December 2018.

2.14. CASH AND CASH EQUIVALENTS

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

2.15. SHARE CAPITAL

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

2.16. INVESTMENT IN SUBSIDIARIES

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

From 1 January 2020 onwards, the Group and Company will account for investments in subsidiaries in accordance with IAS 39 under the fair value model of accounting. The change in policy is considered to provide more relevant and reliable information to users of the financial statements in accordance with the requirements of IAS 8 by more accurately reflecting the value of the Company's investments. The change provides the Company with greater flexibility when managing capital, including debt and equity funding and shareholders returns.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17. TRADE PAYABLES

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

2.18. FINANCE INCOME AND EXPENSES

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

2.19. EXCEPTIONAL ITEMS

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

2.20. PROVISIONS

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

2.21. BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group or Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.22. BUSINESS COMBINATIONS

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

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

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

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

2.22. BUSINESS COMBINATIONS (*continued*)

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

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Capitalisation of development costs

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

(b) Establishing lives for amortisation purposes of intangible assets

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

Detail of the useful lives is included in note 2 and the related intangible assets are set out in note 4. Useful lives are based on management's estimate of the period over which the asset will generate revenue.

(c) Share based payments and other equity-based instruments

The Group and Company has used the Black Scholes valuation model to determine the fair value of share-based payments and convertible debt warrants. Any changes to volatility and assumptions made by management will impact the valuation. Please see note 16 for additional information.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

4. INTANGIBLE ASSETS

Group	Goodwill	Internally generated software	Acquired software	Customer Relationships	Acquired Technology	Non-Compete Agreements	Acquired Trade Names	Total
	£	£	£	£	£	£	£	£
At 1 January 2018								
Cost	150,372	4,751,800	2,410,617	-	-	-	-	7,312,789
Accumulated amortisation and impairment	-	(2,003,752)	(1,087,839)	-	-	-	-	(3,091,591)
Closing Net Book Amount	150,372	2,748,048	1,322,778	-	-	-	-	4,221,198
Year ending 31 December 2018								
Opening net book amount	150,372	2,748,048	1,322,778	-	-	-	-	4,221,198
Exchange differences	1,540	-	(47,178)	-	-	-	-	(45,638)
Exchange differences relating to acquisition	761,723	-	-	133,288	90,811	45,017	9,166	1,040,005
Additions	-	1,316,698	-	-	-	-	-	1,316,698
Acquisition of business	7,239,167	-	-	1,328,597	966,252	525,755	99,467	10,159,238
Reclassifications	-	-	(25,494)	-	-	-	-	(25,494)
Amortisation charge	-	(1,089,334)	(668,854)	(161,744)	(269,862)	(256,022)	(32,291)	(2,478,107)
Closing Net Book Amount	8,152,802	2,975,412	581,252	1,300,141	787,201	314,750	76,342	14,187,900
At 1 January 2019								
Cost	8,152,802	6,068,498	2,385,123	1,468,395	1,067,924	581,076	109,933	19,833,751
Accumulated amortisation and impairment	-	(3,093,086)	(1,803,871)	(168,254)	(280,723)	(266,326)	(33,591)	(5,645,851)
Closing Net Book Amount	8,152,802	2,975,412	581,252	1,300,141	787,201	314,750	76,342	14,187,900
Year ending 31 December 2019								
Opening net book amount	8,152,802	2,975,412	581,252	1,300,141	787,201	314,750	76,342	14,187,900
Exchange differences	(265,289)	-	(4,458)	(36,334)	(11,787)	(1,393)	(1,355)	(320,616)
Exchange differences relating to acquisition	-	-	-	-	-	-	-	-
Additions	-	1,613,350	456,090	-	-	-	-	2,069,440
Acquisition of business	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
Amortisation charge	-	(1,725,495)	(328,287)	(182,164)	(427,792)	(288,346)	(36,368)	(2,988,452)
Closing Net Book Amount	7,887,513	2,863,267	704,597	1,081,643	347,622	25,011	38,619	12,948,272
At 31 December 2019								
Cost	7,887,513	7,681,848	2,841,213	1,468,395	1,067,924	581,076	109,933	21,637,902
Accumulated amortisation and impairment	-	(4,818,581)	(2,136,616)	(386,752)	(720,302)	(556,065)	(71,314)	(8,689,630)
Net Book Amount	7,887,513	2,863,267	704,597	1,081,643	347,622	25,011	38,619	12,948,272

Amortisation of £2,988,452 (2018: £2,478,107) is included in administrative expenses in the income statement.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

4. INTANGIBLE ASSETS (continued)

Company	Internally generated software	Acquired software	Total
	£	£	£
At 1 January 2018			
Cost	4,751,798	2,407,108	7,158,906
Accumulated amortisation and impairment	(2,003,752)	(1,104,023)	(3,107,775)
Closing Net Book Amount	2,748,046	1,303,085	4,051,131
Year ending 31 December 2018			
Opening net book amount	2,748,046	1,303,085	4,051,131
Additions	1,316,698	-	1,316,698
Reclassifications	-	(59,729)	(59,729)
Amortisation charge	(1,089,334)	(668,853)	(1,758,187)
Closing Net Book Amount	2,975,410	574,503	3,549,913
At 1 January 2019			
Cost	6,068,496	2,347,379	8,415,875
Accumulated amortisation and impairment	(3,093,086)	(1,772,876)	(4,865,962)
Closing Net Book Amount	2,975,410	574,503	3,549,913
Year ending 31 December 2019			
Opening net book amount	2,975,410	574,503	3,549,913
Additions	1,613,352	458,007	2,071,359
Reclassifications	-	-	-
Amortisation charge	(1,725,495)	(328,287)	(2,053,782)
Closing Net Book Amount	2,863,267	704,223	3,567,490
At 31 December 2019			
Cost	7,681,848	2,805,386	10,487,234
Accumulated amortisation and impairment	(4,818,581)	(2,101,163)	(6,919,744)
Net Book Amount	2,863,267	704,223	3,567,490

Amortisation of £2,053,782 (2018: £1,758,187) is included in administrative expenses in the income statement.

GROUP

(i) Goodwill breakdown by entity:

2019	FTI	Gmbh	Total
	£	£	£
At 1 January	8,000,890	151,912	8,152,802
Foreign exchange movements	(257,571)	(7,718)	(265,289)
At 31 December 2019	7,743,319	144,194	7,887,513

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

4. INTANGIBLE ASSETS (continued)

GROUP (continued)

(i) Goodwill breakdown by entity (continued):

2018

	FTI	Gmbh	Total
	£	£	£
At 1 January	-	150,372	150,372
Additions	8,000,890	-	8,000,890
Foreign exchange movements	-	1,540	1,540
At 31 December 2018	8,000,890	151,912	8,152,802

(ii) Impairment test for goodwill

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

Management have used the following key assumptions when carrying out their Impairment test on Goodwill:

Terminal Growth Rate at 3%

Short term Growth Rate at 10%

Discount rate at 13.32%

Upon management stress testing the key assumptions, both terminal and short term growth rates would need to fall by 75%, and the weighted average cost of capital rise by 5.5%, for management to consider impairment of goodwill. The directors and management have considered and assessed reasonable possible changes for key assumptions and have not identified any instances that could cause the carrying amount to exceed its recoverable amount.

GROUP AND COMPANY

(iii) Impairment of internally generated software

The weighted average remaining amortisation period of the product development is 33 months (2018: 18 months). This increase in the amortisation period year on year is reflective of the significant increase in investments during 2019. In the year, research and development expenditure of £1,613,352 (2018: £1,316,698) was recognised as an expense in the income statement.

As at 31 December 2019, there were product development assets of £Nil (2018: £Nil) which are currently under development and are not yet ready for use. The amortisation of these assets had not started as at 31 December 2019.

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

Given there were product development costs for which amortisation had not yet started at 31 December 2019, an impairment test was carried out at 31 December 2019 and at 31 December 2018 by comparing the asset's recoverable amount (based on the higher of its value in use and fair value less costs to sell) with its carrying amount. The recoverable amount was calculated on the basis of value in use, using the discounted cash flow (DCF) method.

These calculations use pre-tax cash projections based on the Board management forecasts for 2020 to 2024. Projected revenue growth in this five-year period is delivered by projected growth in online penetration in both current and new markets.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

4. INTANGIBLE ASSETS *(continued)*

GROUP AND COMPANY *(continued)*

(iii) Impairment of internally generated software (continued)

The key assumptions used for value-in use calculations were EBITDA margin of 21% (2018: 19%), average growth rate of 10% (2018: 10%) and a discount rate of 13.32% (2018: 13.65%). Management determined the budgeted average revenue growth rate for the future period and the cash gross margin based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

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

(iv) Acquired software

The weighted average remaining amortisation period of acquired software is 10 months (2018: 8 months).

During 2019, the Group made software purchases of £458,007 (2018: £Nil).

As part of the acquisition of Spongecell Inc. at the start of 2018 the Group engaged an independent valuation expert to determine the fair market value of identified intangible assets at acquisition. Please see note 11 for additional information.

Acquired software products have an estimated useful life of between 12 months and three years.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

5. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
At 1 January 2018				
Cost	339,153	227,983	2,111,340	2,678,476
Accumulated depreciation	(237,268)	(146,010)	(1,878,728)	(2,262,006)
Closing Net Book Amount	101,885	81,973	232,612	416,470
Year ending 31 December 2018				
Opening net book amount	101,885	81,973	232,612	416,470
Exchange differences	(4,942)	(6,093)	22,371	11,336
Additions	6,967	12,003	605,692	624,662
Depreciation charge	(61,260)	(20,314)	(296,715)	(378,289)
Closing Net Book Amount	42,650	67,569	563,960	674,179
At 1 January 2019				
Cost	346,120	239,986	2,717,032	3,303,138
Accumulated depreciation	(303,470)	(172,417)	(2,153,072)	(2,628,959)
Closing Net Book Amount	42,650	67,569	563,960	674,179
Year ending 31 December 2019				
Opening net book amount	42,650	67,569	563,960	674,179
Exchange differences	(508)	(1,266)	5,306	3,532
Additions	6,888	14,939	943,937	965,764
Depreciation charge	(26,970)	(16,522)	(573,692)	(617,184)
Closing Net Book Amount	22,060	64,720	939,511	1,026,291
At 31 December 2019				
Cost	353,009	254,925	3,660,969	4,268,903
Accumulated depreciation	(330,949)	(190,205)	(2,721,458)	(3,242,612)
Net Book Amount	22,060	64,720	939,511	1,026,291

Depreciation of £1,866,879 (2018: £378,289) has been charged in administrative expenses in the income statement. This includes the depreciation of Right-of-use assets (note 6) for an amount of £1,249,693.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

5. PROPERTY, PLANT AND EQUIPMENT (*continued*)

Company	Leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
At 1 January 2018				
Cost	223,394	28,397	1,411,529	1,663,320
Accumulated depreciation	(169,094)	(28,397)	(1,282,208)	(1,479,699)
Closing Net Book Amount	54,300	-	129,321	183,621
Year ending 31 December 2018				
Opening net book amount	54,300	-	129,321	183,621
Exchange differences	122	23	(1,058)	(913)
Additions	0	-	554,848	554,848
Reclassifications	(122)	(23)	1,058	913
Depreciation charge	(42,408)	-	(200,662)	(243,070)
Closing Net Book Amount	11,892	-	483,507	495,399
At 1 January 2019				
Cost	223,272	28,374	1,967,436	2,219,082
Accumulated depreciation	(211,380)	(28,374)	(1,483,929)	(1,723,683)
Closing Net Book Amount	11,892	-	483,507	495,399
Year ending 31 December 2019				
Opening net book amount	11,892	-	483,507	495,399
Exchange differences	-	-	-	-
Additions	6,890	1,150	683,066	691,106
Reclassifications	-	-	-	-
Depreciation charge	(10,734)	(96)	(465,628)	(476,458)
Closing Net Book Amount	8,048	1,054	700,945	710,047
At 31 December 2019				
Cost	230,162	29,524	2,650,502	2,910,188
Accumulated depreciation	(222,114)	(28,470)	(1,949,557)	(2,200,141)
Net Book Amount	8,048	1,054	700,945	710,047

Depreciation of £828,674 (2018: £243,070) has been charged in administrative expenses in the income statement. This includes the depreciation of Right-of-use assets (Note 6) for an amount of £352,216.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

6. LEASES

(i) Amounts recognised in the balance sheet (group)

The balance sheet shows the following amounts relating to leases:

Group

	Buildings	Vehicles	Equipment	Total
	£	£	£	£
Right-of-use assets				
At 1 January 2019	3,496,785	-	-	3,496,785
Rent review and prepayment	(127,818)	-	-	(127,818)
Closing net book amount	3,368,967	-	-	3,368,967

Year ending 31 December 2019

Opening net book amount	3,368,967	-	-	3,368,967
Exchange differences	(35,746)	-	-	(35,746)
Additions	1,349,934	23,578	7,970	1,381,482
Disposals	(29,687)	-	-	(29,687)
Depreciation charge	(1,235,360)	(13,835)	(498)	(1,249,693)
Closing net book amount	3,418,108	9,743	7,472	3,435,323

Lease Liabilities

	31 December 2019 £	1 January 2019 £
Non-current liabilities		
Lease liability	2,221,561	2,021,074
Current liabilities		
Lease liability	1,155,013	1,261,607
	3,376,574	3,282,681

	Buildings	Vehicles	Equipment	Total
	£	£	£	£
Lease liabilities				
At 1 January 2019	3,496,785	-	-	3,496,785
Rent review and prepayment	(214,104)	-	-	(214,104)
Closing net book amount	3,282,681	-	-	3,282,681

Year ending 31 December 2019

Opening net book amount	3,282,681	-	-	3,282,681
Exchange differences	(60,372)	-	-	(60,372)
Additions	1,349,934	23,578	7,970	1,381,482
Disposals	(29,957)	-	-	(29,957)
Payments	(1,215,528)	(14,415)	(1,389)	(1,231,332)
Interest expense	130,687	801	45	131,533
Modifications	(97,461)	-	-	(97,461)
Closing net book amount	3,359,984	9,964	6,626	3,376,574

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

6. LEASES (continued)

(ii) Ageing analysis of lease commitments (group)

	2019		1 January 2019	
Group	Land and buildings £	Other items £	Land and buildings £	Other items £
Commitments for minimum lease payments in relation to non-cancellable leases are payable as follows:				
Within one year	1,145,049	9,964	1,261,607	-
Later than one year but not later than five years	2,214,935	6,626	2,021,074	-
	3,359,984	16,590	3,282,681	-

Company

(iii) Amounts recognised in the balance sheet (company)

The balance sheet shows the following amounts relating to leases:

	Buildings £
Right-of-use assets	
At 1 January 2019	1,621,449
Rent review and prepayment	(127,818)
Closing net book amount	1,493,632

Year ending 31 December 2019

Opening net book amount	1,493,632
Additions	536,638
Depreciation charge	(352,216)
Closing net book amount	1,678,054

Lease Liabilities

	31 December 2019 £	1 January 2019 £
Non-current liabilities		
Lease liability	1,286,622	1,084,430
Current liabilities		
Lease liability	299,684	322,915
	1,586,306	1,407,345

	Buildings £
Lease liabilities	
At 1 January 2019	1,621,449
Rent review and prepayment	(214,104)
Closing net book amount	1,407,345

Year ending 31 December 2019

Opening net book amount	1,407,345
Additions	536,637
Payments	(322,915)
Interest expense	62,699
Modifications	(97,460)
Closing net book amount	1,586,306

For adjustments recognised on adoption of IFRS 16 please see note 2.1 (b).

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

6. LEASES (*continued*)

(iv) *Ageing analysis of lease commitments (company)*

Company

	2019		1 January 2019	
	Land and buildings £	Other items £	Land and buildings £	Other items £
Commitments for minimum lease payments in relation to non-cancellable leases are payable as follows:				
Within one year	299,684	-	322,915	-
Later than one year but not later than five years	1,286,622	-	1,084,430	-
	1,586,306	-	1,407,345	-

(v) *Amounts recognised in Profit or loss*

The statement of profit or loss shows the following amounts relating to leases:

Group

	2019 £
Depreciation charge of right-of-use assets:	
Buildings	1,235,360
Vehicles	13,835
Equipment	498
Total depreciation charge	1,249,693
Interest expense (included in finance costs)	133,513

Total cash outflows for leases for the group in 2019 was £1,233,311.

Company

	2019 £
Depreciation charge of right-of-use assets:	
Buildings	352,216
Total depreciation charge	352,216
Interest expense (included in finance costs)	62,699

Total cash outflows for leases for the company in 2019 was £322,915.

(vi) *The groups leasing activities and how these are accounted for*

The group leases various offices, vehicles and equipment. Rental contracts are typically made for fixed periods of 12 months to 5 years but may have extension options as described in (vii) below.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than security interests in the leased assets that are held by the lessor. Lease assets may not be used as security for borrowing purposes.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

6. LEASES (continued)

(vi) The groups leasing activities and how these are accounted for (continued)

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases, see note 25 for details.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable

Lease payments to be made under reasonably certain extension options are also not included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value of the right-of-use asset in a similar economic environment with similar terms, security and conditions. The discount rate applied to the leases varied between 3.88% and 4.95%

To determine the incremental borrowing rate, the group:

- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held, and
- Makes adjustments specific to the lease, e.g. term, country, currency and security.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term and low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

6. LEASES (continued)

(vii) Extension and termination options

Extension and termination options are included in a number of property leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

7. INVESTMENTS

	Group companies £
At 1 January 2018	
Cost	28,503
Additions	8,641,691
Disposals	(553)
Closing Net Book Amount at 31 December 2018	8,669,641
At 1 January 2019	
Cost	8,669,641
Prior year correction	37,872
Disposals	-
Closing Net Book Amount at 31 December 2019	8,707,513

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

The Company has investments in the following subsidiary undertakings at 31 December 2019:

Company name	Ordinary Shares	Nature of Activity	Registered Office
Flashtalking Inc.	100%	Internet advertising	142 W. 36th Street, 10th Floor, New York, NY 10018, USA
Spongecell Inc.	100% (subsidiary of Flashtalking Inc.)	Internet advertising	142 W. 36th Street, 10th Floor, New York, NY 10018, USA
Flashtalking GmbH	100%	Internet advertising	Schanzenstraße 35, 51063 Cologne, Germany
Flashtalking Pty Ltd	100%	Internet advertising	Studio 6, 8 Hercules Street, Surry Hills, Sydney NSW 2010, Australia

Investments – prior year correction

The prior year correction relates to an adjustment relating to the acquisition of Spongecell Inc ('SCI') in 2018.

The acquisition transaction included a Net Working Capital calculation, whereby if the target was not achieved would result in shares being returned and cancelled. The target was not met and consequently shares were returned and cancelled.

An adjustment was made for this return and cancellation to share premium in 2018. Upon further review, management have identified that this was not correct, and share premium should not have been affected.

The correction above increases share premium and the related investment to the appropriate balance post transaction.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

8. TRADE AND OTHER RECEIVABLES

Group	2019	2018
	£	£
Trade receivables	18,258,762	16,956,779
Less: provision for impairment	(360,319)	(410,450)
Trade receivables - net	17,898,443	16,546,329
Amounts owed by Group undertakings	25,370,963	12,911,370
Prepayments	756,469	503,646
Accrued income	188,240	91,073
Other receivables	252,908	448,348
	44,467,023	30,500,766

Company	2019	2018
	£	£
Trade receivables	1,483,809	1,844,074
Less: provision for impairment	(160,400)	(188,656)
Trade receivables - net	1,323,409	1,655,418
Amounts owed by Group undertakings	44,829,843	30,365,748
Prepayments	473,861	404,677
Accrued income	123,485	50,387
Other receivables	220,962	361,544
	46,971,560	32,837,774

The fair value of trade receivables approximates to the values shown above. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The group does not hold collateral as security. Amounts owed by Group undertakings are unsecured, interest free and repayable upon demand.

Trade receivables includes £452,737 (2018: £309,361) falling due after more than six months. The Group has made a provision for receivables of £360,319 (2018 £410,450) due from customers, the collectability of which is in doubt.

Other receivables comprise costs paid on behalf of Flashtalking Singapore, security deposits, VAT receivable and provisions for pass-through costs. In 2018 other receivables also included research and development tax credits receivable.

9. CASH AND CASH EQUIVALENTS

Group	2019	2018
	£	£
Cash at bank and in hand	6,229,251	3,335,380
	6,229,251	3,335,380

The Group's currency exposure is set out below. Such exposure comprises the cash and cash equivalents of the group that are denominated other than in GBP. As at 31 December 2019 and 2018 these exposures were as follows:

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

9. CASH AND CASH EQUIVALENTS (continued)

Non-GBP denominated monetary assets	2019	2018
	£	£
US dollar	4,356,982	2,157,963
Euro	817,024	362,500
Australian dollar	473,181	36,673
Total non-GBP	5,647,187	2,557,136

Company	2019	2018
	£	£
Cash at bank and in hand	534,770	899,586
	534,770	899,586

The Company's currency exposure is set out below. Such exposure comprises the cash and cash equivalents of the group that are denominated other than in GBP. As at 31 December 2019 and 2018 these exposures were as follows:

Non-GBP denominated monetary assets	2019	2018
	£	£
US dollar	55,008	481,020
Euro	19,225	22,209
Total non-GBP	74,233	503,229

10. BORROWINGS

Group and Company	2019			2018		
	Current £	Non-current £	Total £	Current £	Non-current £	Total £
Term loan facility	334,382	15,731,152	16,065,534	350,000	6,230,000	6,580,000
Asset backed loan facility	-	7,701,713	7,701,713	-	8,200,000	8,200,000
Prepaid loan fees	-	(212,647)	(212,647)	-	(84,941)	(84,941)
Total borrowings	334,382	23,220,218	23,554,600	350,000	14,345,059	14,695,059

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

10. BORROWINGS (continued)

Group and Company

At 31 December 2018

	Less than a year £	Between 1 and 2 years £	Between 2 and 5 years £	Over 5 years £	Total £
Term loan facility	350,000	6,230,000	-	-	6,580,000
Asset backed loan facility	-	8,200,000	-	-	8,200,000
Prepaid loan fees	-	(84,941)	-	-	(84,941)
Total borrowings	350,000	14,345,059	-	-	14,695,059

At 31 December 2019

Term loan facility	334,382	-	15,731,152	-	16,065,534
Asset backed loan facility	-	-	7,701,713	-	7,701,713
Prepaid loan fees	-	(212,647)	-	-	(212,647)
Total borrowings	334,382	(212,647)	23,432,865	-	23,554,600

A revolving facility loan was entered into with Silicon Valley Bank by Simplicity Marketing Limited in October 2014 for £5,000,000. An amended agreement was entered into in July 2015, when Simplicity Marketing Limited borrowed an additional £4,000,000. A second amendment was entered into in March 2016 when the Company borrowed an additional £1,500,000. A third amendment was entered into in May 2017 providing a facility of up to £14,000,000 constituting a term loan facility of £7,000,000 and a multicurrency asset backed loan (ABL) facility up to a maximum of £7,000,000. A fourth amendment was entered into in February 2018 increasing the ABL facility from £7,000,000 to £11,000,000.

Borrowing facilities were restructured in September 2019 with a fifth amendment agreed with Silicon Valley Bank, providing a facility of up to \$24,500,000 constituting a term loan facility of \$11,000,000 and a multicurrency asset backed loan (ABL) facility up to a maximum of \$13,500,000. In addition, West River Group provided a mezzanine facility of \$10,250,000. Funds raised were used to pay down the subordinated loan note facility.

At 31 December 2019, the Group had advanced £7,701,713, in British Pounds, under the ABL facility. The loan is secured by guarantee from Flashtalking Inc. The loan is repayable on 4 September 2022.

The Silicon Valley Bank term loan outstanding at 31 December 2019 is £7,941,572 with repayments of \$110,000 quarterly. The remainder of the term loan is repayable on 4 September 2022.

West River Group mezzanine loan outstanding at 31 December 2019 is £7,789,560. The term loan is repayable on 4 March 2023.

Interest accrues on the term loan facility at a rate of 3.00% above LIBOR and is payable in arrears. Interest accrues on Euros at ECB Base Rate plus 3.75% p.a. when in Streamline Period, otherwise ECB Base Rate plus 4.75% p.a., GBP at Bank of England Base Rate plus 3.00% p.a. when in Streamline Period, otherwise Bank of England Base Rate plus 4.00% p.a. and USD at Wall Street Prime Rate less 1.25% p.a. when in Streamline Period, otherwise Wall Street Prime Rate less 0.75% p.a.

The minimum rate per annum that will apply to any ABL advance will be 3.00% p.a. An unused fee of 0.35% applies to the unused portion of the ABL facility, payable monthly in arrears.

The amount unused at 31 December 2019 was \$3,365,620. Interest accrues on the mezzanine loan facility at a rate of 7.75% above LIBOR and is payable in arrears.

As part of the acquisition of Spongecell Inc. the Group recognised short term revolving loan in the amount of £673,945 (see note 11) which was repaid in full at the end of January 2019.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

11. BUSINESS COMBINATION

On 29 January 2018 Flashtalking Inc. acquired 100% of the issued share capital of Spongecell Inc., a US-based advertising technology company. The acquisition and subsequent successful integration of the acquired business created a new market leader in data driven dynamic creative that is able to provide brands and agencies with the vital knowledge, technology and scale to operate data driven creative in a programmatic world.

Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

Purchase consideration	£
Cash paid	3,552,398
Ordinary shares issued	8,641,691
Deferred consideration	350,342
Total purchase consideration	12,544,431

The fair value of the 7,201,709 shares issued as part of the consideration paid for Spongecell Inc. was based on the valuation performed of Flash Topco Limited as of 31 December 2017 which resulted in value of £1.20 per share.

The deferred consideration payment becomes due in the event of a sale of the Company and consist of the equivalent of the fair market value of 291,952 B1 Ordinary Shares of the Company on the date of sale. At the date of the acquisition the fair market value of the Company's shares was £1.20.

The assets and liabilities recognised as a result of the acquisition were as follows:

	Fair value £
Plant and equipment	936
Deferred tax assets	3,178,914
Trade and other receivables	2,289,533
Cash and cash equivalents	288,415
Deferred tax liabilities	(773,819)
Trade and other payables	(1,924,841)
Short Term Borrowings	(673,945)
Net identifiable assets acquired	2,385,193
Add:	
Customer Relationships	1,328,597
Acquired Technology	966,252
Non-Compete Agreements	525,755
Acquired Trade Names	99,467
Goodwill	7,239,167
Net Assets acquired	12,544,431

Outflow of cash to acquire the subsidiary was as follows:

	£
Cash paid	3,552,398
Less: cash balance acquired	(288,415)
Net outflow of cash – investing activities	3,263,983

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

12. DEFERRED CONSIDERATION

Group and Company	2019			2018		
	Current	Non-current	Total	Current	Non-current	Total
	£	£	£	£	£	£
Deferred consideration	-	949,981	949,981	-	860,020	860,020
Total deferred consideration	-	949,981	949,981	-	860,020	860,020

The deferred consideration held in Simplicity Marketing Limited's accounts is in relation to the acquisition of Encore Media Metrics LLC. The deferred consideration in relation to the acquisition of Spongecell, as per note 11, is held in Flash Topco Limited.

In November 2015, Simplicity Marketing Limited purchased the assets of Encore Media Metrics LLC, a US based company. The aggregate consideration for the purchase comprised \$350,000 in cash at the time of purchase, a deferred payment and a contingent performance payment of \$100,000. The deferred payment becomes due in the event of a sale of the Company and consists of \$500,000 cash (£328,693 at purchase date and revalued to £379,980 at 31 December 2019) plus the equivalent of the fair market value of 460,000 B Ordinary Shares of the Company on the date of sale which was reduced by 80,000 shares in 2018 due to the performance obligation not being met during the year. At 31 December 2019, the fair market value of the Company's shares was £1.50 (2018 £1.23).

13. TRADE AND OTHER PAYABLES

Group	2019	2018
	£	£
Trade payables	1,835,730	1,234,583
Amounts owed to Group undertakings	1,071,584	872,491
Accruals	5,773,604	3,975,311
Social security and other taxes	429,633	407,137
VAT payable	-	134,780
	9,110,551	6,624,302

Company	2019	2018
	£	£
Trade payables	1,244,903	621,756
Amounts owed to Group undertakings	10,752,907	8,848,158
Accruals	1,266,473	978,707
Social security and other taxes	178,157	251,607
VAT payable	-	98,742
	13,442,440	10,798,970

The fair values of trade and other payables approximate to the values shown above. Amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

14. INCOME TAX EXPENSE

(I) INCOME TAX

Current tax	2019	2018
	£	£
Corporation tax for the year	632,687	34,024
Foreign tax for the year	585,996	535,145
Adjustments in respect of prior periods	96,760	-
Total current tax	1,315,443	569,169
Deferred tax		
Recognition of deferred tax liabilities and utilisation of deferred tax asset	83,641	294,771
Adjustments in respect of prior periods	412,479	-
Income tax charge	1,811,563	863,940

Factors affecting current tax charge	2019	2018
	£	£
Profit before income tax	4,383,792	2,318,541
Profit before income tax at the standard rate of tax in the United Kingdom of 19.00% (2018: 19%)	832,921	440,523
Recognition of deferred tax liability	(146,119)	46,385
Utilisation of deferred tax asset recognised at acquisition	229,759	248,386
Expenses not deductible	559,651	258,706
Group relief	(111,475)	(188,788)
Difference tax rates on overseas earnings	(62,414)	24,704
Other overseas tax charges	-	-
Adjustments in respect of prior periods	509,240	34,024
Total tax charge	1,811,563	863,940

The tax assessed on the profit on ordinary activities for the year is higher (2018: higher) than the standard rate of corporation tax in the UK of 19.00% (2018: 19%).

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 19%.

The Group's overseas tax rates are higher than those in the UK, primarily because the profits earned in the United States of America are taxed at a federal rate of 21% and additional state taxes are payable.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

14. INCOME TAX EXPENSE (continued)

(II) DEFERRED TAX LIABILITIES

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

Group	2019	2018
	£	£
Provision brought forward	777,889	74,719
(Decrease)/increase in provision due to excess of taxation allowances over depreciation on fixed assets	(51,991)	46,385
Increase in provision due to excess of taxation allowances over amortisation on acquired intangible assets at acquisition	-	773,819
Decrease in provision due to amortisation of acquired intangible assets in the period	(240,024)	(198,457)
Net exchange differences	(21,144)	81,423
Prior period adjustments	538,350	-
Provision carried forward	1,003,080	777,889

Company	2019	2018
	£	£
Provision brought forward	121,104	74,719
(Decrease)/ Increase in provision due to excess of taxation allowances over depreciation on fixed assets	(51,991)	46,385
Prior period adjustment	538,350	-
Provision carried forward	607,463	121,104

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

Group	2019		2018	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	607,463	-	121,104	-
Excess of taxation allowances over amortisation on acquired intangible assets	395,617	-	656,785	-
	1,003,080	-	777,889	-

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

Company	2019		2018	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	607,463	-	121,104	-
	607,463	-	121,104	-

The Group expects to settle £157,647 in no more than twelve months after the reporting period, and £845,433 in more than twelve months after the reporting period.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

14. INCOME TAX EXPENSE (continued)

(III) DEFERRED TAX ASSETS

Group	2019	2018
	£	£
Prior year capital losses carried forward as a result of acquisitions	3,066,564	3,178,914
Capital tax losses utilised during the period	(469,783)	(446,843)
Increase in provision due to timing differences	94,128	-
Adjustments in respect of prior periods	125,870	-
Net exchange differences	(98,721)	334,493
Total deferred tax assets	2,718,058	3,066,564

The Group expects to settle £497,070 in no more than twelve months after the reporting period, and £2,220,988 in more than twelve months after the reporting period.

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

Group	2019		2018	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Tax losses	2,498,060	-	3,066,564	-
Movement in provision due to timing differences	94,128	-	-	-
Adjustments in respect of prior periods	125,870	-	-	-
	2,718,058	-	3,066,564	-

Company	2019	2018
	£	£
Provision brought forward	-	-
Increase in provision due to timing differences	94,128	-
Adjustments in respect of prior periods	125,870	-
Total deferred tax assets	219,998	-

15. SHARE CAPITAL

Group and Company

Allotted, called up and fully paid:

	2019		2018 (restated)		2018	
	Number	£	Number	£	Number	£
Ordinary A shares of £0.00001 each	13,102,058	131	13,102,058	131	14,102,058	141
Ordinary B shares of £0.00001 each	245,050	2	245,050	2	245,050	2
Ordinary shares at £1 each	1,000,000	1,000,000	1,000,000	1,000,000	0	0
	14,347,108	1,000,133	14,347,108	1,000,133	14,347,108	143

The allocation of total allotted, called up and fully paid shares has been corrected for a misallocation in the 2018 statutory accounts. There is no impact on the prior year accounts, save for this misclassification contained within this note to the financial statements. The total number of shares allotted, called up and paid remains as reported in the 2018 statutory accounts.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

16. SHARE-BASED PAYMENTS

Group and Company Share Option and Grant Plans

Under the 2013, 2015, 2016 and 2017 Share Option and Grant schemes, 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 is shown below.

	2019		2018	
	Number	WAEP £	Number	WAEP £
Outstanding at the beginning of the year	6,802,781	0.8	4,447,535	1.05
Granted during the year	3,009,286	1.25	2,425,246	0.33
Cancelled during the year	-	-	-	-
Forfeited during the year	(115,000)	0.98	(70,000)	1.25
Outstanding at the end of the year	9,697,067	0.93	6,802,781	0.79

In the year ended 31 December 2019, no options were exercised (2018: 0).

Share options under the 2013 Share Option Grant Plan outstanding at the end of the year had an exercise price of £1.00. Share options under the 2015 Share Option Grant Plan outstanding at the end of the year had an exercise price of £0.75. Share options granted to employees in November 2015 outstanding at the end of the year had an exercise price of £1.20. Share options granted in March 2016 had an exercise price of £1.20 and £0.75. Share options granted in October 2016 had an exercise price of £1.40. Share options granted in 2017 and 2018 had an exercise price of £1.20. Share options granted in 2019 had an exercise price of £1.23 and £1.25.

The weighted average remaining contracted life of the options outstanding at the end of the year was 7.5 years.

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

Assumptions made:	2019
Weighted average share price (2018 - £1.20)	£1.23
Weighted average exercise price (2018 - £0.33)	£1.25
Expected volatility (2018 – 49%)	60%
Expected life (in years) (2018 – 2 years)	3
Risk free rate (2018 – 2%)	3%

The share-based payment charge for share option schemes for the year ended 31 December 2019 is £1,850,512 (2018: £1,782,931).

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

17. OTHER RESERVES

Group	Share capital and share premium	Share option reserve	Other reserves	Retained earnings
	£	£	£	£
Balance brought forward at 1 January 2019	8,727,590	4,979,840	2,328,315	13,424,056
Adjustment on adoption of IFRS 16	-	-	-	259,356
Issue of ordinary shares	-	-	-	-
Profit for the year	-	-	-	2,572,229
Exchange differences on retranslation of net assets of subsidiary undertakings	-	-	(750,210)	-
Recognition of equity-settled share-based payments in the year	-	1,850,512	-	-
Balance carried forward at 31 December 2019	8,727,590	6,830,352	1,578,105	16,255,641

Company	Share capital and share premium	Share option reserve	Retained earnings
	£	£	£
Balance brought forward at 1 January 2019	8,727,590	256,657	11,030,167
Adjustment on adoption of IFRS 16	-	-	122,973
Prior year adjustment	37,872	-	157,545
Profit for the year	-	-	1,736,787
Recognition of equity-settled share-based payments in the year	-	89,028	-
Balance carried forward at 31 December 2019	8,765,462	345,685	13,047,472

Prior year adjustment – The prior year adjustment is in relation to the acquisition of Spongecell Inc in 2018, whereby share premium was adjusted and cancelled in 2018 due to obligations not being met; however, the share premium should not have been cancelled. Please see note 7 for further information on this adjustment.

Retained earnings - The adjustment is in relation to the write back of historical creditor sundry balances that are no longer considered to be payable.

Other reserves - other reserves relate to cumulative translation adjustments, these being a function of translating the balance sheets and summarising the gains and losses upon translation.

18. REVENUE

The Group has companies in the United Kingdom, the United States of America, Germany and Australia. An analysis of the Group's revenue by geographical region is given below:

Group	2019	2018
	£	£
United Kingdom	6,570,850	5,792,177
USA	44,998,305	35,651,374
Germany	3,980,446	3,336,946
Australia	1,120,700	935,368
The Netherlands	-	31,845
	56,670,301	45,747,710

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

19. EXPENSES BY NATURE

Group	2019	2018
	£	£
Employee benefit expense (see Note 20)	34,408,811	28,083,945
Hosting	4,792,030	3,779,054
Operating lease costs, including office leases	101,614	1,299,236
Travel and entertainment	1,045,768	818,642
Consultants and contractors	1,245,055	1,250,397
Establishment costs	1,947,944	1,947,098
Professional fees	1,977,804	1,248,846
Amortisation - product development	1,849,355	1,089,334
Amortisation - acquired IA	810,810	719,919
Other employee related costs	435,970	508,334
Depreciation	1,866,879	378,289
Marketing and advertising	768,381	336,189
Amortisation - software	328,287	668,854
Auditors' remuneration		
- as auditors	74,040	88,000
- tax compliance services	211,982	314,654
- SOC2	226,413	217,829
- potential acquisition advice	12,000	-
Bad debt expense	(35,327)	73,432
Unrealized loss	(1,566,269)	(325,882)
Other expense	852,810	343,439
	51,354,357	42,839,609

Disclosed as:

Cost of sales	6,340,880	5,190,372
Selling and marketing costs	7,687,564	7,127,695
Administrative expenses	13,885,959	12,152,820
Technical support and development	23,439,954	18,368,722
	51,354,357	42,839,609

Finance income and finance costs

Interest on revolving facility loan	933,510	588,450
Other interest expense	167	3,099
Interest income on bank deposits	(1,525)	(1,989)
	932,152	589,560

20. EMPLOYEE BENEFIT EXPENSE

Group	2019	2018
	£	£
Wages and salaries	29,618,953	23,711,587
Social security costs	2,252,676	2,072,032
Other pension costs	686,670	517,395
Equity settled share-based payments	1,850,512	1,782,931
Total	34,408,811	28,083,945

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

20. EMPLOYEE BENEFIT EXPENSE (continued)

Company	2019	2018
	£	£
Wages and salaries	9,588,269	6,128,159
Social security costs	465,708	441,062
Other pension costs	385,459	282,000
Equity settled share-based payments	89,028	72,400
Total	10,528,464	6,923,621

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

Group	2019 Number	2018 Number
Selling and marketing costs	59	47
Administrative expenses	85	64
Technical support and development	139	150
Total	283	261

The total number of people employed by the Group at 31 December 2019 was 292 (2018: 264).

The monthly average number of people employed by the Company during the year ended 31 December 2019 was 70 (2018: 71) and the total number of people employed by the Company at 31 December 2019 was 72 (2018: 70).

Directors' remuneration - Group

	2019 £	2018 £
Remuneration receivable	391,379	351,898
	391,379	351,898

Remuneration of highest paid director:

Total remuneration (excluding pension contributions)	391,379	351,898
--	----------------	----------------

Directors remuneration was paid through Flashtalking Inc., wholly owned subsidiary of Simplicity Marketing Limited only. There was no remuneration paid through the Company in financial year ended 31 December 2019.

During 2019 there were no share awards granted and the director did not exercise any options.

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

	2019 Number	2018 Number
Defined contribution schemes	1	1

Remuneration of key management personnel

Short-term benefits (including remuneration)	403,831	364,170
	403,831	364,170

Short-term benefits were paid Flashtalking Inc., wholly owned subsidiary of Simplicity Marketing Limited only. There were no short-term benefits paid through the Company in financial year ended 31 December 2019.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

21. CASH GENERATED FROM OPERATIONS

Group

Cash generated from operations	2019	2018
	£	£
Operating Profit	5,315,944	2,908,101
Adjustments for:		
Depreciation – property, plant and equipment	617,185	378,289
Depreciation – right of use asset	1,249,693	-
Amortisation	2,988,452	2,478,107
Non-cash post-employment benefits expense - share based payments	1,850,512	1,782,931
Net exchange differences	(2,164,709)	350,266
Adjustment on adoption of IFRS 9	-	(134,047)
Adjustment on adoption of IFRS 16	259,357	-
Change in operating assets and liabilities:		
Increase in trade debtors	(13,966,257)	(5,655,700)
Increase in trade creditors	2,486,249	1,480,103
Increase/(decrease) in other operating liabilities	89,961	(62,338)
Cash (used in)/generated from operations	(1,273,613)	3,525,711

Company

Cash generated from/(used in) operations	2019	2018
	£	£
Operating Profit	3,555,214	1,800,549
Adjustments for:		
Depreciation – property, plant and equipment	476,458	243,070
Depreciation – right of use assets	352,216	-
Amortisation	2,053,782	1,758,187
Non-cash post-employment benefits expense - share based payments	89,028	72,400
Net exchange differences	(1,686,377)	734,230
Adjustment on adoption of IFRS 9	-	(64,522)
Adjustment on adoption of IFRS 16	122,973	-
Change in operating assets and liabilities:		
Increase in trade debtors	(14,133,786)	(9,038,932)
Increase in trade creditors	2,461,521	2,675,938
Increase/(decrease) in other operating liabilities	89,961	(62,338)
Cash (used in) operations	(6,619,010)	(1,881,418)

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

22. MATERIAL ITEMS OF PROFIT OR LOSS

The group has identified items which are material due to the significance of the nature and/or amount. These are listed separately below in order to provide a better understanding of the financial performance of the group.

The below items are included within administrative expenses in the income statement.

	Note	2019	2018
		£	£
Potential acquisition related costs	(a)	552,992	421,058
Refinancing costs	(b)	273,330	66,587
Other material items	(c)	46,193	118,436
Total		872,515	606,081

(a) Potential acquisition related costs

In 2019 the potential arose to acquire a key competitor. Costs incurred were in relation to the potential acquisition of that business, which ultimately did not proceed.

(b) Refinancing costs

This expense is regarding the refinancing arrangement which took place across the group in September 2019, and prior. The expense is in relation to the fee charged in order to amend the finance facilities.

(c) Other material items

Other material items are in relation to one-off expenses incurred outside the normal course of business.

23. RELATED PARTY TRANSACTIONS

There were no related party transactions recorded during 2019 (no related party transactions during 2018).

24. CONTINGENCIES

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

25. COMMITMENTS

OPERATING LEASES

The group leases various offices, etc under non-cancellable operating leases expiring within 6 months to 8 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

From 1 January 2019, in accordance with IFRS 16, the group has recognised right-of-use assets for these leases, except for short-term leases and low-value leases.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

25. COMMITMENTS *(continued)*

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

Group	2019		2018	
	Land and buildings £	Other items £	Land and buildings £	Other items £
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	-	-	1,209,978	16,067
Later than one year but not later than five years	-	-	2,420,892	15,001
	-	-	3,630,870	31,068

Company	2019		2018	
	Land and buildings £	Other items £	Land and buildings £	Other items £
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	-	-	345,188	-
Later than one year but not later than five years	-	-	1,236,922	-
	-	-	1,582,110	-

26. ULTIMATE PARENT COMPANY

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

Consolidated financial statements for the largest Group within the Flashtalking group of companies are compiled by Flash Topco Limited, a company incorporated in England and Wales. Simplicity Marketing Limited prepares consolidated financial statements for the smallest group within the Flashtalking group of companies.

Copies of the Flash Topco Limited consolidated financial statements can be obtained from Companies House. Copies of Simplicity Marketing Limited consolidated financial statements can be obtained at the company's business address: 5th floor, 20 Rathbone Place, W1T 1HY, London, United Kingdom.

The ultimate parent and controlling party is TA XI, L.P. a limited partnership in the United States of America.

27. COMPANY ONLY INCOME STATEMENT

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company income statement.

28. SUBSEQUENT EVENTS

Adjusting events

Based upon managements evaluation, it was determined that no subsequent events occurred that require recognition or disclosure in the financial statements.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

28. SUBSEQUENT EVENTS *(continued)*

Non-adjusting events

Covid-19.

The directors are acutely aware of the Coronavirus pandemic and the impact that this is having on economies Worldwide.

The Flashtalking group saw reduced demand in March and April 2020, but subsequently volumes have increased and the Board expect to deliver further growth in the business in 2020 and 2021. As such, management are confident that the pandemic will not significantly affect the company or group in the foreseeable future.