

COMPANY REGISTRATION NUMBER 04339257

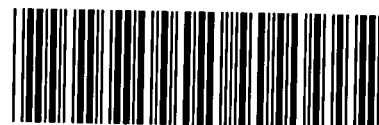
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SIMPLICITY MARKETING LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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SIMPLICITY MARKETING LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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SIMPLICITY MARKETING LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

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 2020

The director presents his strategic report for Simplicity Marketing Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2020.

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 56, show a profit before tax of £8,859,328 (2019: £4,383,792). The total equity of the group is a deficit of £9,848,196 (2019 shareholders' funds of £33,391,668).

The financial performance of the group during 2020 has been successful. The group continued to demonstrate growth, with revenues growing by 10% 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.

Flash Topco Limited (the group parent company) undertook two share buy-back transactions in February and March 2020. Owing to a failure by a third party to make certain Companies House filings in connection with steps related to the buy-back transactions, Flash Topco Limited had insufficient distributable reserves at the point at which the buy-back transactions were undertaken and they were, therefore, ineffective. Dividends declared were conditional upon the aforementioned filings having taken effect. As a result of foreign exchange driven losses having been incurred by Simplicity Marketing Limited between the date of the dividend being declared and the filing date, part of the distribution paid by Simplicity Marketing Limited to Flash Bidco Limited was deemed unlawful.

As is conventional in this type of situation, Flash Topco Limited applied to the Court for an order sanctioning a reduction of capital cancelling the A Ordinary Shares and B1 Ordinary Shares which were the subject of the buy-back transactions on the basis that any liability which might have existed on the part of sellers to repay the sums received by them in connection with the buy-back transactions be released. The Court Order was granted on the 9th of March 2021 and registered at Companies House on the 17th of March 2021, at which point the buy-back transactions were formally cancelled.

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 continues to mature and evolve, with advertisers continuing to place increasing emphasis on owning the data that they use to recognize and communicate with their consumers. The increased focus on data ownership, and the unwillingness of walled gardens to provide ownership of or access to data, provides substantial momentum for the company as the independent alternative to walled gardens like Google, Facebook, or Amazon.

Additionally, Google's announcement in respect of ending support for 3rd party cookies in Chrome from 2023 has created further interest in the company's offering. As the only independent ad server not reliant on cookies, management believes that the company will be well positioned to capture share among advertisers who require granular insight into advertising delivery and performance.

The company is seeing an increase in clients shifting towards purchasing full-stack offerings that can meet all needs in a single package, rather than buying multiple "point solutions" that each serve a specific use.

SIMPLICITY MARKETING LIMITED

STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2020

BUSINESS ENVIRONMENT (continued)

With the company having invested substantially over the past four years in expanding its product set, management believes that this shift in buying pattern results in a competitive advantage, as the company now has competitive products across DCO, primary ad serving, video, identity, advanced analytics, and verification.

On 31 August 2021, Mediaocean LLC completed the share purchase acquisition of Flash Topco Limited. Mediaocean LLC are long standing and well established in the AdTech industry, employing 1,200 people across 20 global offices. Mediaocean LLC are a successful AdTech company providing a platform for omnichannel advertising, with more than \$200 billion in annualised media spend managed through their platform. Refer to the Directors' report for further consideration of the impact of the acquisition on the director's going concern assessment.

DIRECTORS' SECTION 172 STATEMENT

The Director 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 director 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

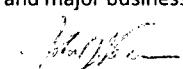
The director appreciates the importance of fostering business relationships with key stakeholders, such as customers and suppliers, and focus on the maintenance and growth of these relationships in his decision-making and strategic planning. The company employs dedicated relationship managers to foster 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 director 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 30 September 2021.

SIMPLICITY MARKETING LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2020

The director presents his report and the audited financial statements of the group and company for the year ended 31 December 2020.

RESULTS

The profit for the financial year amounted to £5,650,094 (2019 £2,572,229).

The net liabilities position at the year end was driven by the issuance of a dividend from Simplicity Marketing Limited to Flash Bidco Limited, Flash Bidco Limited being Simplicity Marketing Limited's parent, in connection with the elimination of the upstream loan. This has not affected the company's underlying operations or cashflow, as the dividend issued was netted off against an intercompany balance due. We do not believe that this has had any impact on going concern of the group or its ability to meet liabilities as and when they fall due.

GOING CONCERN

The director is 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! While the Group is in a net liability position at the balance sheet date as a result of dividends that were issued to Flash Bidco Limited in connection with elimination of the Upstream Loan, the Group had positive cash flow both at the balance sheet date and date of signing the financial statements. In addition, Group borrowings were repaid on 31 August 2021 in connection with the acquisition, please refer to note 27. Management has prepared cash flow forecasts through to September 2022 that show the Group will continue to generate positive cash flow over this period. These forecasts have been stress tested to include a severe but plausible downside scenario, even under these conditions the Group remains able to fund ongoing trading liquidity requirements from within existing cash resources for a period of at least 12 months from the date of signing the financial statements. The director therefore has no concerns with regards to the Group's ability to continue as a going concern.

As disclosed in note 27, the Group was acquired by Mediaocean LLC in August 2021. As a direct result of the acquisition, a material uncertainty is created which may cast significant doubt over the Group and Company's ability to continue as a going concern beyond the date of sale. The director of the Company cannot fully assess whether the going concern basis of accounting will now remain appropriate for the Group and Company after the acquisition by Mediaocean LLC as not all future events or conditions can be predicted, and the acquirer's future plans are not yet known. The financial statements do not include adjustments that would result if the Group and Company were unable to continue as a going concern.

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 director has 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.

SIMPLICITY MARKETING LIMITED

DIRECTORS' REPORT YEAR ENDED 31 DECEMBER 2020

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 (Resigned on 31st August 2021)

Mr J. Seigler (Resigned on 31st August 2021)

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. The company intends to continue to expand its product capabilities, with investments being made in areas seen as offering strategic importance and growth. Management believes that there are various growth opportunities in the market, both organic and through acquisitions, which they will continue to explore in the year ahead.

In August 2021, Mediaocean LLC completed the acquisition of all of the issued share capital of Flash Topco Limited. As a result of this acquisition, the new ultimate parent company of the group is Poseidon Holding LLC, a limited liability company in the United States of America. Mediaocean LLC are a successful AdTech company providing a platform for omnichannel advertising, with more than \$200 billion in annualised media spend managed through their platform.

COVID-19.

The director is 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, with volumes recovering in the remainder of 2020 and the company delivering growth year on year. As such, management are confident that the pandemic will not significantly affect the company or group in the foreseeable future with further growth forecast in 2021.

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 2020.

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 director is 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 and the company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law the director must not approve the financial statements unless he is 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 director is required to:

SIMPLICITY MARKETING LIMITED

DIRECTORS' REPORT YEAR ENDED 31 DECEMBER 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS (CONTINUED)

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The director is 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 director is also 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, the director 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.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

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


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

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

The financial statements on pages 10 to 56 were approved by the Board of Directors on 30 September 2021 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
30 September 2021

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 2020 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements 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 2020; 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.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the group's and the company's ability to continue as a going concern. The group was acquired by Mediaocean LLC in August 2021. The director of the company cannot fully assess whether the going concern basis of accounting will now remain appropriate for the group and company after the acquisition by Mediaocean LLC as not all future events or conditions can be predicted, and the acquirer's future plans are not yet known. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the director with respect to going concern are described in the relevant sections of this report.

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 director is 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

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2020 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

Responsibility of the director for the financial statements

As explained more fully in the statement of directors' responsibilities in respect of the financial statements, the director is 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 director is 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 director is 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 director either intends to liquidate the group or the company or to cease operations, or has 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

SIMPLICITY MARKETING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIMPLICITY MARKETING LIMITED

- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Addressing the risk of management override of internal controls, including testing of journal entries (in particular, journal entries posted with an unusual account combination);
- Evaluating and, where appropriate, challenging assumptions and judgements made by management in determining significant accounting estimates; and
- Reviewing relevant board of directors meeting minutes.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

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 obtained 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 director's 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.



David Braddy (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 September 2021

SIMPLICITY MARKETING LIMITED

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
	Note	£	£
Revenue	17	62,391,635	56,670,301
Cost of Sales	18	(7,559,976)	(6,340,880)
Gross Profit		54,831,659	50,329,421
Selling and marketing costs	18	(6,725,232)	(7,687,564)
Administrative expenses	18	(12,794,339)	(13,885,959)
Technical support and development	18	(23,865,939)	(23,439,954)
Operating Profit		11,446,149	5,315,944
Finance income	18	1,104	1,525
Finance costs	18	(2,587,925)	(933,677)
Profit before income tax		8,859,328	4,383,792
Income tax expense	13	(3,209,234)	(1,811,563)
Profit for the financial year		5,650,094	2,572,229

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 2020**

		2020	2019
	Note	£	£
Profit for financial year		5,650,094	2,572,229
Other comprehensive expense items that may be reclassified to profit or loss:			
Foreign currency translation adjustments	16	(645,173)	(750,210)
Total comprehensive income for the year		5,004,921	1,822,019

SIMPLICITY MARKETING LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2020

		31 December 2020	31 December 2019
	Note	£	£
ASSETS			
Non-current assets			
Intangible assets	4	12,844,499	12,948,272
Property, plant and equipment	5	823,420	1,026,291
Right-of-use assets	6	2,155,013	3,435,323
Deferred tax assets	13	2,223,819	2,718,058
<i>Total non-current assets</i>		<u>18,046,751</u>	<u>20,127,944</u>
Current Assets			
Trade and other receivables	8	20,278,706	44,467,023
Cash and cash equivalents	9	10,347,686	6,229,251
Current income tax assets	13	-	562,256
<i>Total current assets</i>		<u>30,626,392</u>	<u>51,258,530</u>
Total assets		<u>48,673,143</u>	<u>71,386,474</u>
LIABILITIES			
Non-current liabilities			
Borrowings	10	42,967,497	23,220,218
Deferred consideration	11	1,076,663	949,981
Deferred tax liabilities	13	1,125,213	1,003,080
Lease liabilities	6	1,204,825	2,221,561
<i>Total non-current liabilities</i>		<u>46,374,198</u>	<u>27,394,840</u>
Current liabilities			
Trade and other payables	12	10,307,533	9,110,551
Borrowings	10	428,731	334,382
Lease liabilities	6	958,647	1,155,013
Corporation tax payable		452,230	-
<i>Total current liabilities</i>		<u>12,147,141</u>	<u>10,599,946</u>
Total liabilities		<u>58,521,339</u>	<u>37,994,786</u>
NET (LIABILITIES)/ASSETS		<u>(9,848,196)</u>	<u>33,391,688</u>
EQUITY			
Share capital and share premium	16	415	8,727,590
Share options reserve	16	7,427,240	6,830,352
Other reserves	16	(27,267,068)	1,578,105
(Accumulated losses)/Retained earnings	16	9,991,217	16,255,641
TOTAL SHAREHOLDERS' (DEFICIT)/EQUITY		<u>(9,848,196)</u>	<u>33,391,688</u>

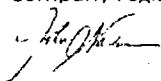
The accompanying notes form an integral part of these financial statements.

The financial statements on pages 10 to 56 were approved and authorised for issue by the Director on 30 September 2021 and signed on its behalf by

Mr J. Nardone

30 September 2021

Company registration number: 04339257



SIMPLICITY MARKETING LIMITED

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2020

		2020	2019 Restated
	Note	£	£
ASSETS			
Non-current assets			
Intangible assets	4	4,336,118	3,567,490
Property, plant and equipment	5	634,579	710,047
Right-of-use assets	6	1,239,314	1,678,054
Investments	7	43,074,205	38,741,708
Deferred tax asset	13	269,836	219,998
<i>Total non-current assets</i>		<u>49,554,052</u>	<u>44,917,297</u>
Current Assets			
Trade and other receivables	8	25,130,483	46,971,560
Cash and cash equivalents	9	5,698,909	534,770
<i>Total current assets</i>		<u>30,829,392</u>	<u>47,506,330</u>
Total assets		<u>80,383,444</u>	<u>92,423,627</u>
LIABILITIES			
Non-current liabilities			
Borrowings	10	42,967,497	23,220,218
Deferred consideration	11	1,076,663	949,981
Deferred tax liabilities	13	887,622	607,463
Lease liabilities	6	767,055	1,286,622
<i>Total non-current liabilities</i>		<u>45,698,837</u>	<u>26,064,284</u>
Current liabilities			
Trade and other payables	12	16,770,262	13,442,440
Borrowings	10	428,731	334,382
Lease Liabilities	6	417,188	299,684
Corporation tax payable		228,630	90,023
<i>Total current liabilities</i>		<u>17,844,811</u>	<u>14,166,529</u>
Total liabilities		<u>63,543,648</u>	<u>40,230,813</u>
NET ASSETS		<u>16,839,796</u>	<u>52,192,814</u>
EQUITY			
Share capital and share premium	16	415	8,765,462
Share options reserve	16	407,491	345,685
Other reserves	16	6,157,690	30,034,195
Retained earnings	16	10,274,200	13,047,472
TOTAL EQUITY		<u>16,839,796</u>	<u>52,192,814</u>

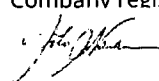
The accompanying notes form an integral part of these financial statements. The parent company has elected to take the s408 exemption and as a result it is exempt from the requirement to publish its individual profit and loss account and the related notes. The company's profit for 2020 was £9,039,299.

The financial statements on pages 10 to 56 were approved and authorised for issue by the Director on 30 September 2021 and signed on its behalf by

Mr J. Nardone

30 September 2021

Company registration number: 04339257



SIMPLICITY MARKETING LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Share capital and share premium	Share option reserve	Other reserves	Retained earnings	Total equity
		£	£	£	£	£
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		-	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
Prior year adjustment		37,872	-	-	(91,860)	(53,988)
Restated balance at 31 December 2019		8,765,462	6,830,352	1,578,105	16,163,781	33,337,700
Profit for financial year		-	-	-	5,650,094	5,650,094
Other comprehensive income		-	-	(645,173)	-	(645,173)
Total comprehensive income for the year		-	-	(645,173)	5,650,094	5,004,921
Bonus issue of shares	16	28,200,000	-	(28,200,000)	-	-
Reduction in capital	16	(36,965,047)	-	-	36,965,047	-
Share-based schemes charge	16	-	596,888	-	-	596,888
Dividends paid		-	-	-	(48,777,618)	(48,777,618)
Cumulative translation adjustment		-	-	-	(10,087)	(10,087)
Balance at 31 December 2020		415	7,427,240	(27,267,068)	9,991,217	(9,848,196)

SIMPLICITY MARKETING LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

		Share capital and share premium £	Share option reserve £	Other reserves £	Retained earnings £	Total equity £
	NOTE					
Balance at 1 January 2019		8,765,462	256,657	-	11,310,685	20,323,804
Fair value adjustment at 1 January 2019 – Revaluation reserve	7	-	-	38,232,105	-	38,232,105
Restated balance at 1 January 2019		8,765,462	256,657	38,232,105	11,310,685	58,555,909
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 scheme charges		-	89,028	-	-	89,028
Restated Balance at 31 December 2019		8,765,462	345,685	38,232,105	13,047,472	60,390,724
Fair value adjustment at 31 December 2019 – Other comprehensive income	7	-	-	(8,197,910)	-	(8,197,910)
Restated Balance at 31 December 2019		8,765,462	345,685	30,034,195	13,047,472	52,192,814
Profit for the financial year		-	-	-	9,039,299	9,039,299
Fair value gain at 31 December 2020 – other comprehensive income	7	-	-	4,323,495	-	4,323,495
Total Other comprehensive Income		-	-	4,323,495	9,039,299	13,362,794
Reduction in capital	16	(36,965,047)	-	-	36,965,047	-
Bonus issue – Revaluation reserve	16	28,200,000	-	(28,200,000)	-	-
Dividends		-	-	-	(48,777,618)	(48,777,618)
Share-based Scheme charge	16	-	61,806	-	-	61,806
Balance at 31 December 2020		415	407,491	6,157,690	10,274,200	16,839,796

SIMPLICITY MARKETING LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
	Note	£	£
Cash flows from/ (used in) operating activities			
Cash generated from/ (used in) operations	20	15,755,171	(1,273,613)
Income taxes paid		(1,980,152)	(1,235,178)
Net cash (outflow)/inflow from operating activities		13,775,019	(2,508,791)
Cash flows from investing activities			
Payments for property, plant and equipment	5	(556,312)	(965,765)
Payment for software development costs	4	(3,355,208)	(2,069,441)
Interest received		1,104	1,525
Net cash outflow from investing activities		(3,910,416)	(3,033,681)
Cash flows from financing activities			
Proceeds from borrowings	10	24,868,888	10,807,190
Repayment of borrowings	10	(3,075,796)	(390,909)
Principal element of lease payments		(1,210,268)	(1,099,798)
Interest paid		(2,562,335)	(880,140)
Dividends paid		(23,766,657)	-
Net cash inflow from financing activities		(5,746,168)	8,436,343
Net increase in cash and cash equivalents		4,118,435	2,893,871
Cash and cash equivalents at the beginning of the financial year		6,229,251	3,335,380
Cash and cash equivalents at end of financial year	9	10,347,686	6,229,251

SIMPLICITY MARKETING LIMITED

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
	Note	£	£
Cash flows from operating activities			
Cash generated from/ (used in) operations	20	9,981,924	(6,619,010)
Income taxes (paid)/received		(532,050)	(562,220)
Net cash (outflow) from operating activities		9,449,874	(7,181,230)
Cash flows from investing activities			
Payments for property, plant and equipment	5	(475,792)	(691,106)
Payment for software development costs	4	(3,355,208)	(2,071,359)
Interest received		581	782
Net cash outflow from investing activities		(3,830,419)	(2,761,682)
Cash flows from financing activities			
Proceeds from borrowings	10	24,868,888	10,807,190
Repayment of borrowings	10	(3,075,796)	(390,909)
Principal element of lease payments		(396,916)	(260,216)
Interest paid		(2,430,906)	(577,970)
Dividends paid		(23,766,657)	-
Dividends received		4,346,072	-
Net cash inflow from financing activities		(455,315)	9,578,096
Net (decrease)/increase in cash and cash equivalents		5,164,140	(364,816)
Cash and cash equivalents at the beginning of the financial year	9	534,770	899,586
Cash and cash equivalents at end of financial year		5,698,909	534,770

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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, SW1Y 4LB.

These group and company financial statements were authorised for issue by the Director on 30 September 2021.

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 International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial statements are presented in Pounds Sterling and have been prepared under the historical cost convention and fair value model 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 director is 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. While the Group is in a net liability position at the balance sheet date as a result of dividends that were issued to Flash Bidco Limited in connection with elimination of the Upstream Loan, the Group had positive cash flow both at the balance sheet date and date of signing the financial statements. In addition, Group borrowings were repaid on 31 August 2021 in connection with the acquisition, please refer to note 27. Management has prepared cash flow forecasts through to September 2022 that show the Group will continue to generate positive cash flow over this period. These forecasts have been stress tested to include a severe but plausible downside scenario, even under these conditions the Group remains able to fund ongoing trading liquidity requirements from within existing cash resources for a period of at least 12 months from the date of signing the financial statements. The director therefore has no concerns with regards to the Group's ability to continue as a going concern.

As disclosed in note 27, the Group was acquired by Mediaocean LLC in August 2021. As a direct result of the acquisition, a material uncertainty is created which may cast significant doubt over the Group and Company's ability to continue as a going concern beyond the date of sale. The director of the Company cannot fully assess whether the going concern basis of accounting will now remain appropriate for the Group and Company after the acquisition by Mediaocean LLC as not all future events or conditions can be predicted, and the acquirer's future plans are not yet known. The financial statements do not include adjustments that would result if the Group and Company were unable to continue as a going concern.

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, 2020:

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

2.1. BASIS OF PREPARATION (*continued*)

Changes in accounting policy and disclosures (continued)

- Amendments to References to Conceptual Framework in IFRS Standards
- 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)

The above new standards and amendments applicable for the year are not deemed to have a material impact on the financial statements of Simplicity Marketing Limited.

Certain new accounting standards, interpretations and amendments have been published that are not effective for the 31 December 2020 reporting period and have not been early adopted by the group.

(b) New and amended standards adopted by the group

The group has had a change in accounting policy during the year in accordance with IAS 8 and has changed from accounting for investments using the historic cost model to now using the fair value model. Please see note 2.16 and note 3 for further information on the change in accounting policy.

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 years 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.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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. Research and Development expenditure is amortised over the useful economic life of 3 years.

(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 12 months and 3 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.

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 segment (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.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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.

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.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on the payment profiles of sales over a period of 36 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect the current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivable.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(a) Pension obligations (continued)

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.

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.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11. FOREIGN CURRENCY TRANSLATION (CONTINUED)

(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.

During 2020, the group's strategy, which was unchanged from 2019, was to maintain the gearing ratio within 25.00% to 50.00%.

	2020	2019
	£	£
Total borrowings	43,396,228	23,554,600
Less: cash and cash equivalents	(10,347,686)	(6,229,251)
Net debt	33,048,542	17,325,349
Total equity	(9,848,196)	33,391,688
Total capital	23,200,346	50,717,037
Gearing ratio	142.45%	34.16%

The increase in the gearing ratio during 2020 is a function of the amendments to the group's borrowing facilities in February 2020. The movement in the group's borrowing facilities is due to both the movement in the underlying debt sitting within group entities and the corresponding currency which the debt is denominated in.

The increase in the gearing is also attributable to a reorganisation of the equity of the company through share cancellations and share buybacks.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13. LEASES

From 2019, the group changed its accounting policy for leases where the group is lessee. Under IFRS 16, the recognition of leases changed, and the company adopted the new IFRS 16 rules in the opening balance sheet on 1 January 2019.

At inception of a contract, it is assessed whether a contract is, or contains a lease. A contract, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The group, and entity will recognise a right-of-use and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for the short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the group and company recognises the lease payments as an operating expense on a straight line basis over the term of the lease, unless another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group uses its incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the asset.

Please see note 6 for additional information on leases.

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

Prior to 1 January 2020, investments in equity shares in subsidiaries included in the company balance sheet were stated at cost less provision for impairment, with impairment losses recognised in the income statement as the amount by which the asset's carrying amount exceeds its recoverable amount.

From 1 January 2020, there was a change in the accounting policy for accounting for investments in Subsidiaries in accordance with IAS 39, under the fair value method of accounting. This change was applied retrospectively, such that the comparative figures at 1 January 2019 and 31 December 2019 were updated accordingly as if this policy had been in force at those dates.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

The change in accounting policy is considered to provide the users of the financial statements with more relevant and reliable information, in accordance with IAS 8 by more accurately reflecting the value of the company's investments. The change in policy is also deemed to provide the entity with greater flexibility with regards to managing capital, including debt and equity funding and shareholders returns. As the group is a privately owned tech company, the investment values can fluctuate very rapidly when compared to publicly traded competitors and/or market activity. Thus, it is deemed that carrying these assets at fair value will provide a more accurate reflection of the investments' fair market value when compared to historic cost.

The fair value of investments were measured at the reclassification date of 31st December 2020 and this was applied retrospectively. The difference between the amortised cost and the fair value was measured at 31st December 2018, with the difference between them recognised in the revaluation reserve. This was also measured at 31st December 2019 and 31st December 2020 with the fair value movement at these dates recognised as other comprehensive income.

The fair value was measured and impacted the below financial statement line items as follows:

	INVESTMENTS IN SUBSIDIARIES £	OTHER RESERVES £
Investments held at historic cost less impairment at 1 January 2019	8,707,513	-
Fair value adjustment - To revaluation reserve	38,232,105	38,232,105
Investments restated at 1 January 2019	46,939,618	38,232,105
Fair value adjustment - Other comprehensive income	(8,197,910)	(8,197,910)
Restated Investments at 31 December 2019	38,741,708	30,034,195
Fair value gain recognised - Other comprehensive income	4,332,497	4,332,497
Fair value of investments Closing balance at 31 December 2020	43,074,205	34,366,692

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 one-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.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 higher degree of judgement or complexity 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.

(b) Fair value of investments

The change in accounting policy during the year from historic cost to fair value involved the use of estimates and judgements when arriving at the fair value for the investments held.

In assessing the fair market value, both the market approach and income approach have been adopted with a 50% weighting applied to each. The income approach is based on a discounted cash flow methodology, the key inputs which you'll find outlined below. In terms of the market approach, guideline public company method has been adopted. A 2.75x multiple was applied to LTM revenue with a 2.5x multiple applied to NTM revenue. A weighting of 50% was then applied to both LTM and NTM to arrive at a weighted business enterprise value. For 31 December 2019 a 2.5x multiple was applied to LTM revenue with a 2.35x multiple applied to NTM revenue. For 1 January 2019 a 2.35x multiple was applied to NTM.

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.

(c) 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.

(d) 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 2020

4. INTANGIBLE ASSETS

Group	Goodwill	Internally generated software	Acquired software	Customer Relationships	Acquired Technology	Non-Compete Agreements	Acquired Trade Names	Total
	£	£	£	£	£	£	£	£
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)
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)
Additions	-	1,613,350	456,090	-	-	-	-	2,069,440
Acquisition of business	-	-	-	-	-	-	-	-
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 1 January 2020								
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
Year ending 31 December 2020								
Opening net book amount	7,887,513	2,863,267	704,597	1,081,643	347,622	25,011	38,619	12,948,272
Exchange differences	(275,708)	-	(369)	(28,938)	6,353	145	718	(297,799)
Additions	-	3,355,208	-	-	-	-	-	3,355,208
Amortisation charge	-	(2,187,695)	(398,885)	(182,775)	(330,181)	(25,156)	(36,490)	(3,161,182)
Closing Net Book Amount	7,611,805	4,030,780	305,343	869,930	23,794	0	2,847	12,844,499
At 31 December 2020								
Cost	7,887,513	11,037,056	2,841,213	1,468,395	1,067,924	581,076	109,933	24,993,110
Accumulated amortisation and impairment	(275,708)	(7,006,276)	(2,535,870)	(598,465)	(1,044,130)	(581,076)	(107,086)	(12,148,611)
Net Book Amount	7,611,805	4,030,780	305,343	869,930	23,794	0	2,847	12,844,499

Amortisation of £3,161,182 (2019: £2,988,452) is included in administrative expenses in the income statement.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4. INTANGIBLE ASSETS (CONTINUED)

Company	Internally generated software	Acquired software	Total
	£	£	£
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)
Net Book Amount	2,975,410	574,503	3,549,913
Year ended 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 1 January 2020			
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
Year ended 31 December 2020			
Opening net book amount	2,863,267	704,223	3,567,490
Additions	3,355,208	-	3,355,208
Reclassifications	-	-	-
Amortisation charge	(2,187,695)	(398,885)	(2,586,580)
Closing Net Book Amount	4,030,780	305,338	4,336,118
At 31 December 2020			
Cost	11,037,056	2,805,386	13,842,442
Accumulated amortisation and impairment	(7,006,276)	(2,500,048)	(9,506,324)
Net Book Amount	4,030,780	305,338	4,336,118

Amortisation of £2,586,580 (2019: £2,053,782) is included in administrative expenses in the income statement.

GROUP

(i) Goodwill breakdown by entity:

2020	FTI £	Gmbh. £	Pty Ltd £	Total £
At 1 January 2020	7,743,319	144,194	-	7,887,513
Foreign exchange movements	(283,625)	7,917	-	(275,708)
At 31 December 2020	7,459,694	152,111	-	7,611,805

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4. INTANGIBLE ASSETS (continued)

GROUP (continued)

(i) Goodwill breakdown by entity (continued):

2019

	FTI	Gmbh	Total
	£	£	£
At 1 January 2019	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

(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 has used the following key assumptions when carrying out its Impairment test on Goodwill:

Terminal Growth Rate at 3%
Short term Growth Rate at 10%
Discount rate at 14% (pre-tax)

Upon management stress testing the key assumptions, the short-term growth rate would need to fall by more than 4.00%, the cost of debt and the cost of equity to increase by more than 1.25% and revenue to fall by more than 4.00% for management to consider the 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 (2019: 33 months). In the year, research and development expenditure of £3,355,208 (2019: £1,613,352) was recognised as an expense in the income statement.

As at 31 December 2020, there were product development assets of £Nil (2019: £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 2020.

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 2020, an impairment test was carried out at 31 December 2020 and at 31 December 2019 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 2021 to 2025. 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 2020

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 22% (2019: 21.00%), average growth rate of 10% (2019: 10.00%) and a discount rate of 14% (pre-tax) (2019: 13.32%). 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 24 months (2019: 10 months).

During 2020, the group made software purchases of £nil (2019: £458,007).

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 2020

5. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
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 ended 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 1 January 2020				
Cost	353,009	254,925	3,660,969	4,268,903
Accumulated depreciation	(330,949)	(190,205)	(2,721,458)	(3,242,612)
Closing Net Book Amount	22,060	64,720	939,511	1,026,291
Year ended 31 December 2020				
Opening net book amount	22,060	64,720	939,511	1,026,291
Exchange differences	120	(365)	2,660	2,415
Additions	-	1,056	555,256	556,312
Depreciation charge	(12,301)	(33,269)	(716,028)	(761,598)
Closing Net Book Amount	9,879	32,142	781,399	823,420
At 31 December 2020				
Cost	353,009	255,981	4,216,225	4,825,215
Accumulated depreciation	(343,130)	(223,839)	(3,434,826)	(4,001,795)
Net Book Amount	9,879	32,142	781,399	823,420

Depreciation of £2,095,950 (2019: £1,866,877) 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 £1,334,352 (2019: £1,249,693).

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

Company	Leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
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 1 January 2020				
Cost	230,162	29,524	2,650,502	2,910,188
Accumulated depreciation	(222,114)	(28,470)	(1,949,557)	(2,200,141)
Closing Net Book Amount	8,048	1,054	700,945	710,047
Year ending 31 December 2020				
Opening net book amount	8,048	1,054	700,945	710,047
Exchange differences	-	-	-	-
Additions	-	-	475,792	475,792
Reclassifications	-	-	-	-
Depreciation charge	(2,640)	(323)	(548,297)	(551,260)
Closing Net Book Amount	5,408	731	628,440	634,579
At 31 December 2020				
Cost	230,162	29,524	3,126,294	3,385,980
Accumulated depreciation	(224,754)	(28,793)	(2,497,854)	(2,751,401)
Net Book Amount	5,408	731	628,440	634,579

Depreciation of £990,000 (2019: £828,674) 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 £438,740 (2019: £352,216).

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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				
Year ending 31 December 2019				
Opening net book amount	3,368,967	-	-	3,368,967
Exchange difference	(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

Year ending 31 December 2020				
Opening net book amount	3,418,108	9,743	7,472	3,435,323
Exchange differences	2,254	535	(274)	2,515
Additions	-	38,739	-	38,739
Disposal	-	-	-	-
Depreciation charge	(1,316,792)	(14,654)	(2,905)	(1,334,352)
Rent review and prepayment	12,694	-	93	12,787
Closing net book amount	2,116,263	34,364	4,386	2,155,013

Lease Liabilities

	Buildings £	Vehicles £	Equipment £	Total £
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

Year ending 31 December 2020				
Opening net book amount	3,359,984	9,964	6,626	3,376,574
Exchange differences	(59,843)	547	(243)	(59,539)
Additions	-	38,739	-	38,739
Payment	(1,325,593)	(15,392)	(2,700)	(1,343,685)
Interest expense	132,476	746	194	133,416
Rent review and prepayments	17,874	-	93	17,967
Closing net book amount	2,124,898	34,604	3,970	2,163,472

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

6. LEASES (*continued*)

GROUP	31 December 2020 £	31 December 2019 £
Non-current liabilities		
Lease liability	1,204,825	2,221,561
Current liabilities		
Lease liability	958,647	1,155,013
	2,163,472	3,376,574

(ii) Ageing analysis of lease commitments (group)

Group	2020		2019	
	Buildings	Other items	Buildings	Other items
	£	£	£	£
Commitments for minimum lease payments in relation to non-cancellable leases are payable as follows:				
Within one year	941,364	17,283	1,145,049	9,964
Later than one year but not later than five years	1,183,533	21,292	2,214,935	6,626
	2,124,897	38,575	3,359,984	16,590

Company

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

Right-of-use assets

Year ending 31 December 2019	Buildings £
Opening net book amount	1,493,632
Additions	536,638
Depreciation charge	(352,216)
Closing net book amount	1,678,054

Year ending 31 December 2020

Opening net book amount	1,678,054
Depreciation charge	(438,740)
Closing net book amount	1,239,314

Lease Liabilities

Year ending 31 December 2019	Buildings £
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

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

6. LEASES (*continued*)

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

Company

Year ending 31 December 2020	Buildings £
Opening net book amount	1,586,306
Payments	(473,256)
Interest expense	76,340
Modifications	(5,147)
Closing net book amount	1,184,243

Lease Liabilities

	31 December 2020 £	31 December 2019 £
Non-current liabilities		
Lease liability	767,055	1,286,622
Current liabilities		
Lease liability	417,188	299,684
	1,184,243	1,586,306

(iv) Ageing analysis of lease commitments (company)

	2020		2019	
Company	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	417,188	-	299,684	-
Later than one year but not later than five years	767,055	-	1,286,622	-
	1,184,243	-	1,586,306	-

(v) Amounts recognised in the Income Statement

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

Group

	2020 £	2019 £
Depreciation charge of right-of-use assets:		
Buildings	1,316,793	1,235,360
Vehicles	14,654	13,835
Equipment	2,905	498
Total depreciation charge	1,334,352	1,249,693

Interest expense (included in finance costs) £133,416 (2019: £133,513)

Total cash outflows for leases for the group in 2020 was £1,343,685 (2019: £1,231,332).

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

6. LEASES (*continued*)

(v) Amounts recognised in the Income Statement

Company

	2020	2019
	£	£
Depreciation charge of right-of-use assets:		
Buildings	438,740	352,216
Total depreciation charge	438,740	352,216

Interest expense (included in finance costs) £76,340 (2019: £62,699)

Total cash outflows for leases for the company in 2020 was £473,256 (2019: £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.

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.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

6. LEASES (*continued*)

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

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.

(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 £
Investments held at historic cost - at 1 January 2019	8,707,513
Fair value adjustment at 1 January 2019 - recognised in revaluation reserve	38,232,105
Restated balance at 1 January 2019	46,939,618
Fair value adjustment recognised at 31 December 2019 – other comprehensive income	(8,197,910)
Restated balance at 31 December 2019	38,741,708
Fair value gain at 31 December 2020 – other comprehensive income	4,332,497
Balance as at 31 December 2020	43,074,205

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

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

7. INVESTMENTS (CONTINUED)

The company has investments in the following subsidiary undertakings at 31 December 2020:

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
Flashtalking Brasil Marketing Ltda	100%	Internet advertising	448, Conj 82 B Portaria 454, Rua Rego Freitas, Replublica, Sao Paulo, 01220-010, Brazil
Flashtalking Pte Ltd	100%	Internet advertising	135 Cecil Street, #10-01, Singapore, 069536

Fair value measurement

From 1 January 2020, the group and company commenced accounting for investments in accordance with IAS 39 and IFRS 13 under the Fair Value method of accounting.

The change in policy from the cost model to the fair value model is considered to provide more relevant and reliable information for 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.

Please see note 2.16 for further information on the change in accounting policy.

The fair value of investments were measured at the reclassification date of 1st January 2021 and were applied retrospectively. The difference between the amortised cost and the fair value was measured at 31st December 2018, with the difference between them recognised in the revaluation reserve. This was also measured at 31st December 2019 and 31st December 2020 with the balance at these dates recognised as other comprehensive income.

In order to provide an indication about the reliability of the inputs used in determining the fair value, the group has classified investments as Level 3 due to the inclusion of unobservable inputs, as prescribed by IFRS 13. A level 3 classification is determined where one or more of the significant inputs is not based on observable market data, such as the case for unlisted equity securities.

The group has used an income approach as the valuation technique to determine the fair value of the investment, with the use of a discounted cash flow analysis.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

7. INVESTMENTS (CONTINUED)

(i) *Fair value measurements using significant unobservable inputs (level 3)*

The investments in subsidiaries table above represents the level 3 items for the years ended 31st December 2020 and 31st December 2019.

(ii) *Valuation inputs and relationships to fair value*

In assessing the fair market value, both the market approach and income approach have been adopted with a 50% weighting applied to each. The income approach is based on a discounted cash flow methodology, the key inputs which you'll find outlined below. In terms of the market approach, guideline public company method has been adopted. A 2.75x multiple was applied to LTM revenue with a 2.5x multiple applied to NTM revenue. A weighting of 50% was then applied to both LTM and NTM to arrive at a weighted business enterprise value.

For 31 December 2019 a 2.5x multiple was applied to LTM revenue with a 2.35x multiple applied to NTM revenue. For 1 January 2019 a 2.35x multiple was applied to NTM.

The following table summarises the quantitative information about the significant unobservable inputs used in the level 3 fair value measurements.

Fair value at:				Range of inputs			
	31st December 2020 £	31st December 2019 £	1 January 2019 £	Unobservable inputs	2020	2019	2018
Investment in Flashtalking Inc	39,817,307	34,991,806	40,840,116	Short-term growth rate	10.00%	10.00%	10.00%
Investment in Flashtalking GmbH	1,569,184	2,851,721	4,160,961	Terminal growth rate	3.00%	3.00%	3.00%
Investment in Flashtalking Pty Ltd	1,687,519	898,181	1,938,541	Weighted Average cost of capital	12.00%	13.15%	13.65%

Changes in the fair value of investments will be analysed and re-measured on a recurring basis at the end of each reporting period, with movements in the fair value impacting Other Comprehensive Income.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

8. TRADE AND OTHER RECEIVABLES

Group	2020	2019
	£	£
Trade receivables	20,118,081	18,258,762
Less: provision for impairment	(424,070)	(360,319)
Trade receivables - net	19,694,011	17,898,443
Amounts owed by Group undertakings	-	25,370,963
Prepayments	372,011	756,469
Accrued income	143,828	188,240
Other receivables	68,856	252,908
	20,278,706	44,467,023

Company	2020	2019
	£	£
Trade receivables	1,649,669	1,483,809
Less: provision for impairment	(163,879)	(160,400)
Trade receivables - net	1,485,790	1,323,409
Amounts owed by Group undertakings	23,173,672	44,829,843
Prepayments	223,798	473,861
Accrued income	98,525	123,485
Other receivables	148,698	220,962
	25,130,483	46,971,560

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 £411,237 (2019: £452,737) falling due after more than six months. The group has made a provision for receivables of £424,070 (2019: £360,319) 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.

9. CASH AND CASH EQUIVALENTS

Group	2020	2019
	£	£
Cash at bank and in hand	10,347,686	6,229,251
	10,347,686	6,229,251

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 2020 and 2019 these exposures were as follows:

Non-GBP denominated monetary assets	2020	2019
	£	£
US dollar	7,696,128	4,356,982
Euro	1,748,745	817,024
Australian dollar	503,843	473,181
Brazilian real	102	-
Singapore dollar	2,980	-
Total non-GBP	9,951,798	5,647,187

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

9. CASH AND CASH EQUIVALENTS (CONTINUED)

Company	2020	2019
	£	£
Cash at bank and in hand	5,698,909	534,770
	5,698,909	534,770

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 2020 and 2019 these exposures were as follows:

Non-GBP denominated monetary assets	2020	2019
	£	£
US dollar	4,207,567	55,008
Euro	1,215,915	19,225
Total non-GBP	5,423,482	74,233

10. BORROWINGS

Group and Company	2020			2019		
	Current £	Non-current £	Total £	Current £	Non-current £	Total £
Term loan facility	428,731	32,004,318	32,433,049	334,382	15,731,152	16,065,534
Asset backed loan facility	-	11,315,495	11,315,495	-	7,701,713	7,701,713
Prepaid loan fees	-	(352,316)	(352,316)	-	(212,647)	(212,647)
Total borrowings	428,731	42,967,497	43,396,228	334,382	23,220,218	23,554,600

At 31 December 2019	Less than a year £	Between 1 and 2 years £	Between 2 and 5 years £	Over 5 years £	Total £
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
At 31 December 2020					
Term loan facility	428,731	-	32,004,318	-	32,433,049
Asset backed loan facility	-	-	11,315,495	-	11,315,495
Prepaid loan fees	-	(352,316)	-	-	(352,316)
Total borrowings	428,731	(352,316)	43,319,813	-	43,396,228

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.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

10. BORROWINGS (CONTINUED)

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.

In February 2020, there was a further amendment to the agreement with Silicon Valley Bank. There was an increase in the term loan facility of \$3,750,000 and an increase in the asset base loan facility of \$4,390,000 in order to facilitate the buyback of shares during the year.

At 31 December 2020, the group had advanced £11,315,495 (2019: £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 2023.

The Silicon Valley Bank term loan outstanding at 31 December 2020 is £9,857,597 (2019: £7,941,572) with repayments of \$110,000 quarterly. The remainder of the term loan is repayable on 4 September 2023.

West River Group mezzanine loan outstanding at 31 December 2020 is £22,146,721 (2019: £7,789,560). There was a further increase in the mezzanine loan facility in February 2020 of \$20,000,000 in order to finance the repurchase of shares. There was also an extension to the repayment date of one year, meaning the term loan is now repayable on 4 March 2024.

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. (2019: 3.00%). An unused fee of 0.35% (2019: 0.35%) applies to the unused portion of the ABL facility, payable monthly in arrears.

The amount unused at 31 December 2020 was \$2,544,270 (2019: \$3,365,620). Interest accrues on the mezzanine loan facility at a rate of 8.00% (2019: 7.75%) above LIBOR and is payable in arrears.

11. DEFERRED CONSIDERATION

Group and Company	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
	£	£	£	£	£	£
Deferred consideration	-	1,076,663	1,076,663	-	949,981	949,981
Total deferred consideration	-	1,076,663	1,076,663	-	949,981	949,981

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 Inc., 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.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

11. DEFERRED CONSIDERATION (CONTINUED)

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 £367,140 at 31 December 2020) 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 2020, the fair market value of the company's shares was £1.87 (2019: £1.50).

12. TRADE AND OTHER PAYABLES

Group	2020	2019
	£	£
Trade payables	1,746,366	1,835,730
Amounts owed to Group undertakings	939,154	1,071,584
Accruals	6,518,358	5,773,604
Social security and other taxes	1,103,655	429,633
	10,307,533	9,110,551

Company	2020	2019
	£	£
Trade payables	1,420,844	1,244,903
Amounts owed to Group undertakings	13,461,788	10,752,907
Accruals	1,589,015	1,266,473
Social security and other taxes	224,713	178,157
Deferred revenue	73,902	-
	16,770,262	13,442,440

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.

13. INCOME TAX EXPENSE

(I) INCOME TAX

Current tax	2020	2019
	£	£
Corporation tax for the year	1,030,573	632,687
Adjustments in respect of current and prior periods	(130,034)	585,996
Foreign tax for the year	1,768,249	96,760
Total current tax	2,668,788	1,315,443
Deferred tax		
Recognition of deferred tax liabilities and utilisation of deferred tax asset	508,256	83,641
Adjustments in respect of prior periods	32,190	412,479
Income tax charge	3,209,234	1,811,563

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

13. INCOME TAX EXPENSE (CONTINUED)

Factors affecting current tax charge	2020	2019
	£	£
Profit before income tax (after deducting dividend income)	8,859,330	4,383,792
Profit before income tax at the standard rate of tax in the United Kingdom of 19.00% (2019: 19%)	1,683,273	832,920
Recognition of deferred tax liability	198,132	(146,119)
Utilisation of deferred tax asset recognised at acquisition	310,125	229,759
Expenses not deductible	68,729	559,651
Group relief	(43,067)	(111,475)
Difference tax rates on overseas earnings	1,089,887	(62,414)
Other overseas tax charges	-	-
Adjustments in respect of current and prior periods	(97,844)	509,239
Total tax charge	3,209,234	1,811,563

The tax assessed on the profit on ordinary activities for the year is higher (2019: higher) than the standard rate of corporation tax in the UK of 19.00% (2019: 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.

(II) DEFERRED TAX LIABILITIES

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

Group	2020	2019
	£	£
Provision brought forward	1,003,080	777,889
Increase/(decrease) in provision due to excess of taxation allowances over depreciation on fixed assets	280,159	(51,991)
Increase in provision due to excess of taxation allowances over amortisation on acquired intangible assets at acquisition	-	-
Decrease in provision due to amortisation of acquired intangible assets in the period	(144,039)	(240,024)
Net exchange differences	-	(21,144)
Prior period adjustments	(13,987)	538,350
Provision carried forward	1,125,213	1,003,080

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

13. INCOME TAX EXPENSE (*continued*)

Company	2020	2019
	£	£
Provision brought forward	607,463	121,104
Increase/(Decrease) in provision due to excess of taxation allowances over depreciation on fixed assets	280,159	(51,991)
Prior period adjustment	-	538,350
Provision carried forward	887,622	607,463

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

Group	2020		2019	
	Provided £	Unprovided £	Provided £	Unprovided £
Excess of taxation allowances over depreciation on fixed assets	887,622	-	607,463	-
Excess of taxation allowances over amortisation on acquired intangible assets	237,591	-	395,617	-
	1,125,213	-	1,003,080	-

The group expects to settle £52,410 in no more than twelve months after the reporting period, and £1,072,803 in more than twelve months after the reporting period.

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

Company	2020		2019	
	Provided £	Unprovided £	Provided £	Unprovided £
Excess of taxation allowances over depreciation on fixed assets	887,622	-	607,463	-
	887,622	-	607,463	-

(III) DEFERRED TAX ASSETS

Group	2020	2019
	£	£
Prior year capital losses carried forward as a result of acquisitions	2,718,058	3,066,564
Capital tax losses utilised during the period	(454,163)	(469,783)
Increase in provision due to timing differences	82,027	94,128
Adjustments in respect of prior periods	(32,190)	125,870
Net exchange differences	(89,913)	(98,721)
Total deferred tax assets	2,223,819	2,718,058

The group expects to settle £452,576 in no more than twelve months after the reporting period, and £1,771,243 in more than twelve months after the reporting period.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

13. INCOME TAX EXPENSE (*continued*)

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

Group	2020		2019	
	Provided £	Unprovided £	Provided £	Unprovided £
Tax losses	2,173,982	-	2,498,060	-
Movement in provision due to timing differences	82,027	-	94,128	-
Adjustments in respect of prior periods	(32,190)	-	125,870	-
	2,223,819	-	2,718,058	-

Company	2020	2019
	£	£
Provision brought forward	219,998	-
Increase in provision due to timing differences	82,028	94,128
Adjustments in respect of prior periods	(32,190)	125,870
Total deferred tax assets	269,836	219,998

14. SHARE CAPITAL AND SHARE PREMIUM

Group and Company

Allotted, called up and fully paid:

	No. of shares	Nominal Value £	Share premium £
As at 31 December 2019:			
Ordinary shares at £0.00001	13,347,108	133	85,766
Ordinary shares at £1	1,000,000	1,000,000	7,641,691
Total shares as at 31st December 2019	14,347,108	1,000,133	7,727,457
Prior year adjustment	-	-	37,872
Adjusted shares at 31st December 2019	14,347,108	1,000,133	7,765,329
Year ended 31st December 2020:			
Cancellation of shares @£0.00001	(47,108)	-	(85,766)
Cancellation of shares @ £1	(999,990)	(£999,990)	(7,641,691)
Bonus issue of shares @ £1	28,200,000	28,200,000	-
Reduction in nominal value from £1 to £0.00001	-	(28,199,728)	28,199,728
Cancellation of share premium	-	-	(28,237,600)
Shares at 31st December 2020:			
Ordinary shares at £0.00001	13,300,000	133	-
Ordinary shares at £1	28,200,010	282	-
Total shares as at 31st December 2020	41,500,010	415	-

In February and March 2020, the company completed share buy backs pertaining to certain share capital. In order to affect the buy back, a number of steps took place namely (1) Simplicity Marketing Limited, Flash Bidco Limited and Flash Topco Limited undertook share capital reductions (2) Simplicity Marketing Limited issued a dividend to Flash Bidco Limited, with Flash Bidco Limited then issuing a dividend to Flash Topco Limited (3) Flash Topco Limited then undertook the buy backs of share capital in February and March.

Owing to a failure by a third party to make certain Companies House filings in connection with steps related to the buy-back transactions, Flash Topco Limited had insufficient distributable reserves at the point at which the buy-back transactions were undertaken and they were, therefore, ineffective. Dividends declared were conditional upon the aforementioned filings having taken effect. As a result of foreign exchange driven losses having been incurred by Simplicity Marketing Limited between the date of the dividend being declared and the filing date, part of the distribution paid by Simplicity Marketing Limited to Flash Bidco Limited was deemed unlawful.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

14. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

As is conventional in this type of situation, Flash Topco Limited applied to the Court for an order sanctioning a reduction of capital cancelling the A Ordinary Shares and B1 Ordinary Shares which were the subject of the buy-back transactions on the basis that any liability which might have existed on the part of sellers to repay the sums received by them in connection with the buy-back transactions be released.

15. 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.

	2020		2019	
	Number	WAEP £	Number	WAEP £
Outstanding at the beginning of the year	9,697,067	0.93	6,802,781	0.8
Granted during the year	130,000	1.88	3,009,286	1.25
Cancelled during the year	-	-	-	-
Forfeited during the year	(115,000)	1.07	(115,000)	0.98
Outstanding at the end of the year	9,712,067	0.94	9,697,067	0.93

In the year ended 31 December 2020, no options were exercised (2019: 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.

Share options granted in 2020 had an exercise price of £1.50 and £2.25.

The weighted average remaining contracted life of the options outstanding at the end of the year was 6.5 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:	2020	2019
Weighted average share price	£1.50	£1.23
Weighted average exercise price	£1.88	£1.25
Expected volatility	60%	60%
Expected life (in years)	2	2
Risk free rate	0.16%	3%

The share-based payment charge for share option schemes for the year ended 31 December 2020 is £596,888 (2019: £1,850,512).

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

16. 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
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 brought forward at 1 January 2020	8,727,590	6,830,352	1,578,105	16,255,641
Adjustment in respect of prior year	37,872	-	-	(91,860)
Restated balance at 1st January 2020	8,765,462	6,830,352	1,578,105	16,163,781
Profit for the year	-	-	-	5,650,094
Exchange differences on retranslation of net assets of subsidiary undertakings	-	-	(645,173)	-
Recognition of equity-settled share-based payments in the year	-	596,888	-	-
Capital reduction – cancellation of ordinary shares	(999,989)	-	-	999,989
Capital reduction – cancellation of share premium	(7,765,330)	-	-	7,765,330
Bonus issue of shares at £1	28,200,000	-	(28,200,000)	-
Capital reduction – reduction in nominal value from £1 to £0.00001	37,872	-	-	-37,872
Capital reduction – reduction in share premium	(28,237,600)	-	-	28,237,600
Cumulative translation adjustment	-	-	-	(10,087)
Dividends paid	-	-	-	(48,777,618)
Balance carried forward at 31 December 2020	415	7,427,240	(27,267,068)	9,991,217

Company	Share capital and share premium £	Share option reserve £	Other Reserves £	Retained earnings £
Balance brought forward at 1 January 2019	8,765,462	256,657	-	11,310,685
Fair value adjustment at 1 January 2019	-	-	38,232,105	-
Restated balance at 1 January 2019	8,765,462	256,657	38,232,105	11,310,685
Profit for the year	-	-	-	1,736,787
Recognition of equity-settled share-based payments in the year	-	89,028	-	-
Restated Balance at 31 December 2019	8,765,462	345,685	38,232,105	13,047,472
Fair value adjustment at 31 December 2019	-	-	(8,197,910)	-
Restated balance brought forward at 31 December 2019	8,765,462	345,685	30,034,195	13,047,472

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

16. OTHER RESERVES (CONTINUED)

Company (continued)	Share capital and share premium £	Share option reserve £	Other Reserves £	Retained earnings £
Restated balance brought forward at 31 December 2019	8,765,462	345,685	30,034,195	13,047,472
Profit for the year	-	-	-	9,039,299
Recognition of equity-settled share-based payments in the year	-	61,806	-	-
Capital reduction – cancellation of ordinary shares	(999,989)	-	-	999,989
Capital reduction – cancellation of share premium	(7,727,458)	-	-	7,727,458
Bonus issue of shares	28,200,000	-	(28,200,000)	-
Capital reduction – cancellation of share premium	(28,237,600)	-	-	28,237,600
Fair value gain recognised on investments	-	-	4,323,495	-
Dividends	-	-	-	(48,777,618)
Balance carried forward at 31 December 2020	415	407,491	6,157,690	10,274,200

Other reserves – Group

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

Other reserves – Company

Other reserves relates to the fair value gains and losses recognised on investments.

17. REVENUE

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

Group	2020 £	2019 £
United Kingdom	6,455,110	6,570,850
USA	50,581,174	44,998,305
Germany	4,002,274	3,980,446
Australia	1,347,029	1,120,700
Brazil	6,048	-
	62,391,635	56,670,301

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

18. EXPENSES BY NATURE

Group	2020	2019
	£	£
Employee benefit expense (see Note 20)	33,650,597	34,408,811
Hosting	6,193,980	4,792,030
Operating lease costs, including office leases	17,103	101,614
Travel and entertainment	504,927	1,045,768
Consultants and contractors	970,211	1,245,055
Establishment costs	1,840,059	1,947,944
Professional fees	1,930,167	1,977,804
Amortisation - product development	2,212,924	1,849,355
Amortisation - acquired IA	549,372	810,810
Amortisation - software	398,885	328,287
Other employee related costs	108,682	435,970
Depreciation	2,095,950	1,866,879
Marketing and advertising	397,831	768,381
Auditors'/consultancy remuneration		
- as auditors	109,000	74,040
- tax compliance services	306,631	211,982
-Soc 2	147,894	226,413
-Potential acquisition advice	-	12,000
-Accounting advice	111,561	-
Bad debt expense	82,765	(35,327)
Unrealized loss	(1,658,482)	(1,566,269)
Other expense	975,429	852,810
	50,945,486	51,354,357

	2020	2019
	£	£
Disclosed as:		
Cost of sales	7,559,976	6,340,880
Selling and marketing costs	6,725,232	7,687,564
Administrative expenses	12,794,339	13,885,959
Technical support and development	23,865,939	23,439,954
	50,945,486	51,354,357

	2020	2019
	£	£
Finance income and finance costs		
Interest on revolving facility loan	2,587,925	933,510
Other interest expense	-	167
Interest income on bank deposits	(1,104)	(1,525)
	2,586,821	932,152

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

19. EMPLOYEE BENEFIT EXPENSE

Group	2020	2019
	£	£
Wages and salaries	29,908,107	29,618,953
Social security costs	2,431,253	2,252,676
Other pension costs	714,349	686,670
Equity settled share-based payments	596,888	1,850,512
Total	33,650,597	34,408,811

Company	2020	2019
	£	£
Wages and salaries	9,870,854	9,588,269
Social security costs	628,330	465,708
Other pension costs	382,932	385,459
Equity settled share-based payments	61,806	89,028
Total	10,943,922	10,528,464

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

Group	2020	2019
	Number	Number
Selling and marketing costs	63	59
Administrative expenses	91	85
Technical support and development	145	139
Total	299	283

The total number of people employed by the group at 31 December 2020 was 305 (2019: 292).

The monthly average number of people employed by the company during the year ended 31 December 2020 was 72 (2019: 70) and the total number of people employed by the company at 31 December 2020 was 71 (2019: 72).

Directors' remuneration - Group

	2020	2019
	£	£
Remuneration receivable	453,916	391,379
	453,916	391,379
Remuneration of highest paid director:		
Total remuneration (excluding pension contributions)	453,916	391,379

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 2020.

During 2020 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:

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

19. EMPLOYEE BENEFIT EXPENSE (CONTINUED)

	2020 Number	2019 Number
Defined contribution schemes	1	1
Short-term benefits (including remuneration)	466,697	403,831
	466,697	403,831

Short-term benefits were paid through 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 2020.

20. CASH GENERATED FROM OPERATIONS

Group

Cash generated from/ (used in) operations	2020 £	2019 £
Operating Profit	11,446,149	5,315,944
Adjustments for:		
Depreciation – property, plant and equipment	761,598	617,185
Depreciation – right of use asset	1,334,352	1,249,693
Amortisation	3,161,182	2,988,452
Non-cash post-employment benefits expense - share based payments	596,888	1,850,512
Net exchange differences	(1,909,107)	(2,164,709)
Adjustment on adoption of IFRS 16	-	259,357
Change in operating assets and liabilities:		
Increase in trade debtors	(1,322,314)	(13,966,257)
Increase in trade creditors	1,559,741	2,486,249
Increase in other operating liabilities	126,682	89,961
Cash generated from/ (used in) operations	15,755,171	(1,273,613)

Company

Cash generated from/ (used in) operations	2020 £	2019 £
Operating Profit	8,337,079	3,555,214
Adjustments for:		
Depreciation – property, plant and equipment	551,260	476,458
Depreciation – right of use assets	438,740	352,216
Amortisation	2,586,580	2,053,782
Non-cash post-employment benefits expense - share based payments	61,806	89,028
Net exchange differences	(2,141,250)	(1,686,377)
Adjustment on adoption of IFRS 9	-	-
Adjustment on adoption of IFRS 16	-	122,973
Change in operating assets and liabilities:		
(Increase in trade debtors	(3,669,554)	(14,133,786)
Increase in trade creditors	3,690,581	2,461,521
Increase in other operating liabilities	126,682	89,961
Cash generated from/ (used in) operations	9,981,924	(6,619,010)

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

21. 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.

	Note	2020 £	2019 £
Potential acquisition	(a)	271,321	552,992
Refinancing costs	(b)	440,453	273,330
Stamp duty and Tax services	(c)	118,835	-
Other material items	(d)	71,137	46,193
Upstream Loan	(e)	85,363	-
Total		987,110	872,515

(a) Potential acquisition

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.

In 2020 there were acquisition costs in relation to advice received on the purchase of Flashtalking Brasil Marketing Ltda. and Protected Media Limited.

(b) Refinancing costs

This expense is regarding the refinancing arrangement which took place across the group in 2020, and prior. The expense is in relation to the fee charged in order to amend the finance facilities and the legal advice received in relation to the refinancing and the share buyback which took place in the year.

(c) Stamp duty and Tax

These are costs incurred for stamp duty payable on the dividends during the year and tax advice received in the year in relation Flashtalking Brasil Marketing Ltda. and the refinancing.

(d) Other material items

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

(e) Upstream Loan

The group engaged in the elimination of an upstream loan in 2020. These were the costs in conjunction with the elimination of the aforementioned loan.

22. RELATED PARTY TRANSACTIONS

GROUP AND COMPANY

During 2020, the following related party transaction took place in the company (no related party transactions during 2019):

(A) Purchase of Services from individual who is a close member of key management Personnel:

	Transaction value for the year ended 31 December 2020	Balance outstanding as at 31 December 2020
Services provided in relation to the development of reporting application	USD 7,500	USD 7,500

This transaction was for USD \$7,500 which was converted at the year-end rate of \$1.36188/£1 to give an amount of £5,507 still outstanding to be paid at the year-end and included in expenses in the Income Statement.

The amount was fully paid on 8th January 2021 and the full amount of the services provided were unsecured and priced at an arm's length basis.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(B) Repurchase of shares

During the year, there was a repurchase of shares for an amount of £23,766,657 by a number of related parties. The table below outlines the nature of the relationships involved in the repurchase and a description of the transaction.

Relationship of related party	Description of transaction
Founder	Shares acquired by Flash Topco Limited
Son of founder	Shares acquired by Flash Topco Limited
Wife of founder	Shares acquired by Flash Topco Limited
Private Equity investor	771,000 shares sold to WRG the remaining
Mezzanine lender (WRG)	Shares were acquired by Flash Topco Limited

The full amount of £23,766,657 was outstanding at the year-end. The repurchase of the shares were unsecured and priced at an arm's length basis, based on the fair value which was determined as per note 7.

23. 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.

24. COMMITMENTS

OPERATING LEASES

The group leases various offices, etc under non-cancellable 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.

Commitments for minimum lease payments in relation to non-cancellable operating leases for 2020 were £nil (2019: £nil).

25. 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.

SIMPLICITY MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

26. 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.

27. 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.

Non-adjusting events:

(i) Acquisition of Protected Media Ltd

In February 2021, the group acquired 'Protected Media Ltd', an Israeli based ad fraud detection specialist. The consideration paid for the acquisition consisted of a mix of cash and shares. consisted of a mix of cash and shares.

In February 2021, Simplicity Marketing Limited (a 100% Subsidiary of Flash Bidco Limited) acquired 100% of 'Protected Media', a global leader in ad fraud prevention and detection. The consideration paid on acquisition was in the form of both cash and shares.

The consideration at close was made up of \$4.5 million cash, 580,857 B1 shares in Flash Topco Limited (at 31 December 2020 409A valuation of £1.87 per share) and 375,000 warrants with a weighted value of £0.4402 per warrant.

An Earn-out arrangement was also entered into with a \$1million change of control provision, up to \$7.5million cash and up to 505,583 shares in Flash Topco Limited. This is dependent on the revenue generated and based on the First and second anniversary checkpoints.

At the time of the financial statements being authorised for issue, the group had not yet completed the accounting for the acquisition of Protected Media Ltd. In particular, the independent valuations of the fair values of the assets and liabilities have not been finalised. It is also not yet possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entity and any profit or loss information of the acquiree since the acquisition date.

(ii) Acquisition by Mediaocean LLC

In August 2021, Mediaocean LLC completed the acquisition of all of the issued share capital of Flash Topco Limited. As a result of this acquisition, the new ultimate parent company of the group is Poseidon Holding LLC, a limited liability company in the United States of America.