Mirriad

# ENGAGEMENT REIMAGINED

**Mirriad Advertising plc**
Annual report and accounts 2018

Mirriad is an established computer vision and AI-powered platform company, built on Academy Award-winning entertainment tech, with 29 patents and patents pending. Using sophisticated technologies, Mirriad connects people with brands, through seamless ad insertions in popular linear and digital content. Advertisers can now reach very large target audiences in a contextually relevant way without interrupting the viewing experience.

# Value for the entire ecosystem

## For people

To experience brands in the content they're passionate about

p 4 and 5

## For broadcasters /digital publishers

To offer a new high-impact advertising format that scales

p 6 and 7

## For advertisers

To come to life where it matters most to audiences

p 8 and 9

# Highlights

## Financial highlights

**Revenue** (£000)

# £416k

2017: £874k

**Earnings per share** (p)

# (14)p

2017: (19)p

**Net assets** (£m)

# £15.6m

2017: £27.9m

## Operational highlights

- Appointment of new CEO and President on 1 October
- Signature of deal with Tencent in China
- £2 million equity investment by Jinhua Puhua Tianqin Equity Investment Fund Partnership ("Puhua")
- Signature of deal with TF1 in France
- Awarded the Best Video Marketing and Advertising Platform in the Digiday Technology Awards in September
- Cash and cash equivalents at 31 December 2018 were £15.2m. The Company has sufficient cash to fund activities through the financial year but will need to raise funds within the next 12 months

The Strategic Report contained on pages 1 to 27 was approved by the Board on 10 May 2019.

**John Pearson**
Non-executive Chairman

## Contents

# DRIVING THE NEXT LEVEL OF ENGAGEMENT

**Connecting brands with people, through seamless ad insertions in linear and digital content**

116 staff worldwide

Technology and R&D based in UK

Production centre of excellence in India

Offices in London, Paris, Munich, New York, Shanghai and Mumbai

**Multi-award-winning computer vision and AI-powered platform company**

WINNER
Best Video Marketing and Advertising Platform
DIGIDAY TECHNOLOGY AWARDS

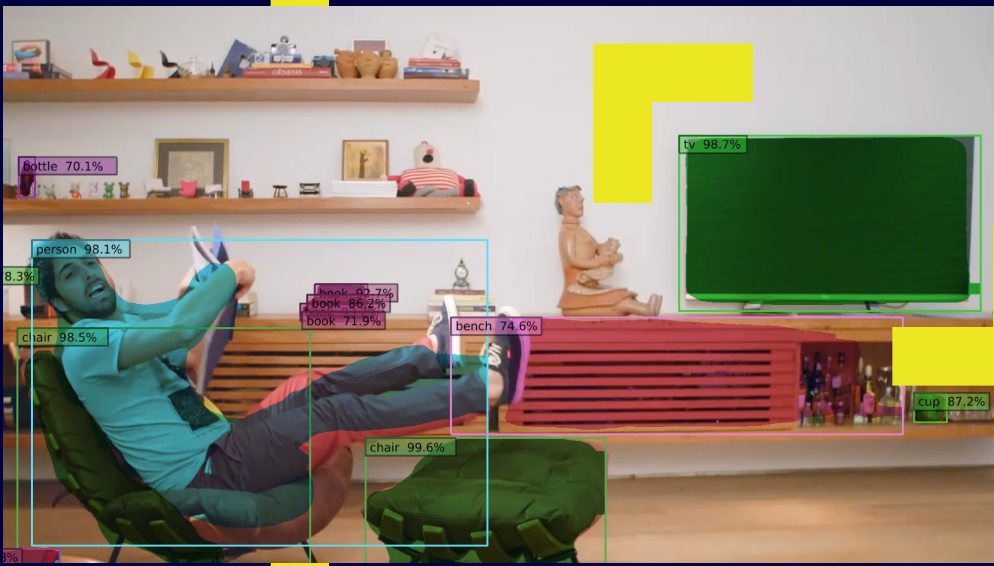
WINNER
Next Generation Advertising
CONTENT INNOVATION AWARDS 2018

# 29

Protected by 29 patents and patents pending in the US, Europe and Asia

# 11

Broadcasters/digital publisher partners




## How we do it

**Fast, flexible and efficient**

**1**
Analyse content with AI to identify new ad inventory in content

**2**
Combine new ad inventory with data insights

**3**
Create brand insertions (signage, product and video)

**4**
Deliver brand-enhanced content

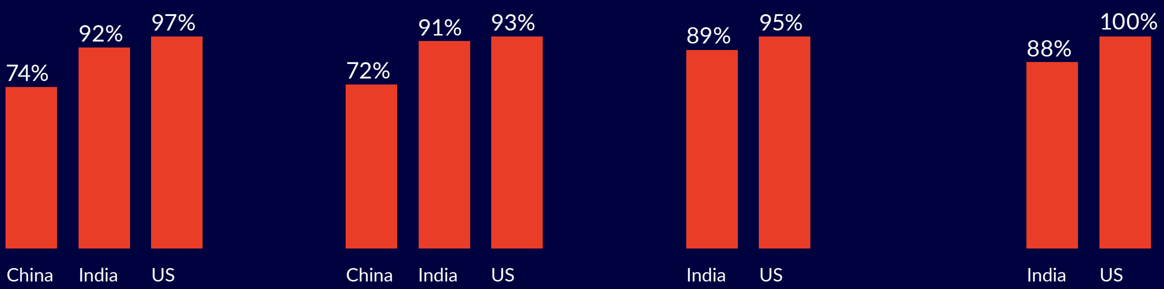
**5**
Post-campaign reporting and research

**All managed in one platform**

# MIRRIAD PROVIDES UNINTERRUPTED VIEWING EXPERIENCES

## Viewers like the format and see it as a natural fit with content

**Natural fit into the programme/show** | **Made the programme look more realistic** | **Was innovative** | **Creative likeability**

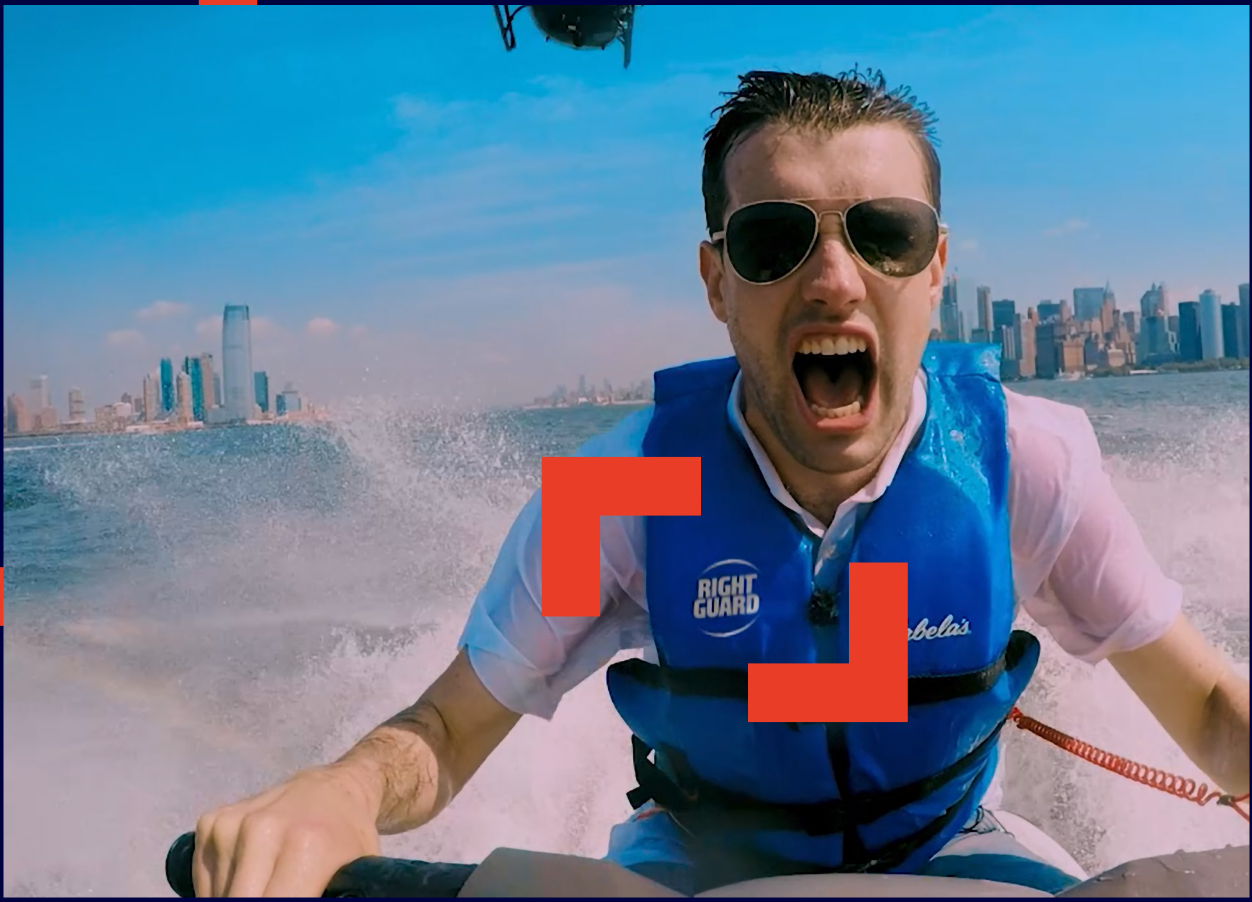



Source: Kantar/Miaozhen.

# 61%

**of viewers globally say they skip ads when possible**

Source: Kantar study, 2018.




Right Guard, signage in-video ad

## Engagement reimagined: for broadcasters/digital publishers

T-Mobile, signage in-video ad

**"Mirriad insertions help the network monetise programming… and allows brands to expose themselves to audiences in a way that is meaningful, authentic and simple to execute."**

**Luis De La Parra,**
SVP Partner Solutions, Univision

# NEW INVENTORY TO DRIVE INNOVATION

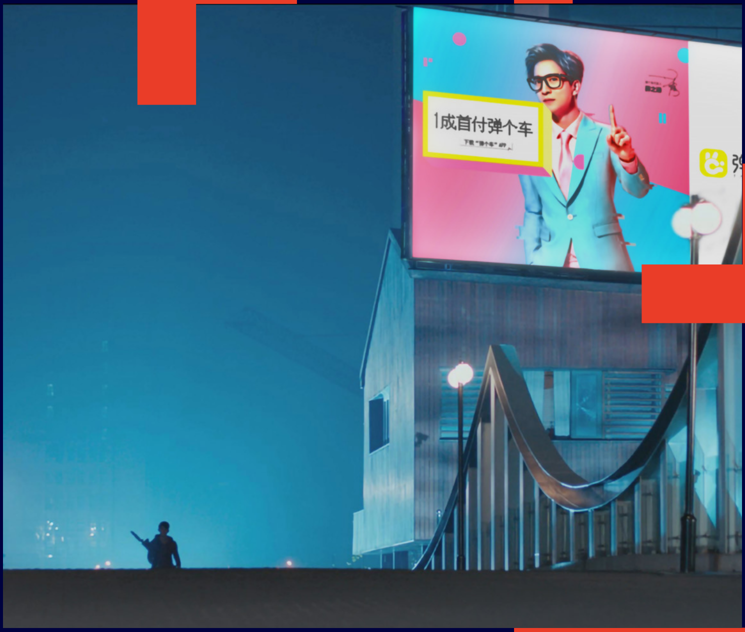
## New high-impact ad format that scales

- Engage viewers with uninterrupted viewing
- Generate new inventory driving revenue
- Cinematic quality ads inserted seamlessly after content is produced
- Push innovation with a new genre of advertising
- Run campaigns with minimal lead times in content

## Engagement reimagined: for advertisers

**"We successfully reached our target audience and hit measurable results in brand lift."**

**Chen Qi,**
VP, Tangeche




Tangeche, signage in-video ad

### Reaching new levels of impact

**Captures people's minds and hearts**

**+26** PPT
Awareness

**+20** PPT
Consideration

**88%**
Creative likeability

Note: Uplifts between control vs. exposed/test groups. | Sources: Awareness 8 brands (MEC UK, Ipsos US), Consideration 3 brands (Miaozhen China, Ipsos US, Sky UK) Source: Kantar Nov 18 / US Telecommunications brand / 21 Units.

# DRIVE INNOVATION AND REACH NEW LEVELS OF IMPACT

## High-quality in-video ad format ensures value for brands

**Fast, flexible and efficient**

- Engage viewers with uninterrupted viewing experiences
- Reach audiences on both linear and digital
- Drive significant uplift across key brand and campaign KPIs
- Amplify current spot, digital or out-of-home campaigns
- Run campaigns with minimal lead times in premium content

> "At heart, Mirriad is a technology company, and it will continue to invest in automation and further develop its artificial intelligence capability."

**John Pearson**
Non-executive Chairman

# STRATEGIC REFOCUS GATHERS PACE

I am delighted to present Mirriad's Annual Report following my recent appointment as Chairman.

## Looking back

2018 was a year of transition for Mirriad. Although there were operational and technological achievements to be proud of, the financial results were not what the Board and I had expected. That said, businesses such as Mirriad that are looking to disrupt established business models require the ability to pivot their strategies to break through. The Board deemed this necessary, in both leadership and strategy in 2018.

Mirriad's DNA is based on Academy Award-winning computer vision and image mapping technology. The Company has developed and evolved this technology to become a solution for advertisers by allowing the insertion of branding, messaging and products at an unprecedented level of quality and speed. Mirriad is currently the only solution in the market that can deliver high impact experiences with 100% realism across linear TV and digital video. It is a technology that has huge potential as a new solution to create inventory and add revenue for broadcasters and digital publishers.

However, the Company had consistently been unable to grow revenues at the pace that reflected its potential. The Board therefore decided that a new perspective and market experience were needed to drive the business forward. As a consequence, at the beginning of the fourth quarter we changed senior management, bringing in Stephan Beringer as CEO to review the Company, its technology and its go-to-market strategy.

Stephan quickly and decisively reset the Company's strategy, repositioned its presence in the market, reviewed its cost base and refocused its technology road map to better serve its customers. The Board fully endorses Stephan's new strategy and believes strongly that while there is much to do the business is now on the right track to deliver on its promise. Mirriad has never had difficulty getting potential customers excited about its technology. Now we firmly believe we have a team and a go-to-market strategy that will deliver on the financial potential brought by those customers. We look forward to the impact of the new strategy on the Company's results during 2019.

## Corporate governance

I have set out a full Corporate Governance Statement later in this report. Shareholders will be aware that, during 2018, companies were required to formally adopt a corporate governance code. The Board has chosen to fully adopt the Quoted Companies Alliance Corporate Governance Code. As a result there are number of changes in this Annual Report compared to the 2017 Annual Report, and the Board and management have been active in implementing the new code during 2018.

## Board

In October 2018 we made a significant change in the leadership of the organisation, appointing Stephan Beringer as Chief Executive Officer and subsequently appointing Jana Eisenstein as President. Stephan joined the Board on appointment and Mark Popkiewicz stepped down. I would like to thank Mark for all his work in the evolution of the Company.

Shortly before the publication of this report we also announced that Roger Faxon had decided to step down as Chairman having steered the business through its IPO and subsequent management changes. The rest of the Board and I are very grateful for his hard work, passion and dedication in getting Mirriad to its current stage.

## Culture

The new management team, with support from the Board, is renewing the cultural and skill mix of the organisation. The organisation is being right-sized and the markets it operates in are changing. Mirriad needs to hire the best senior talent, with the right skills, that it can economically justify. It needs to fill in advertising industry knowledge skill gaps, which is why we have brought Stephan and Jana into the organisation. I also want to see the business develop and retain its top talent in the extremely competitive markets in which it operates.

## Engaging with our stakeholders

The Board and I take our responsibilities to shareholders and other stakeholders seriously. Each of the Board members brings a different set of skills to the business, along with a different network of contacts, and so has something different to offer stakeholders. Shortly after Stephan's appointment, he met with a range of major shareholders to understand their perceptions of the Company their expectations and their concerns. These meetings were followed up in late March with presentations, including a webinar open to investors and analysts, setting out the Company's new strategy and giving an overview of performance since Stephan joined. The Company intends to engage more frequently with shareholders now that the management transition is complete. The Company itself continues to engage actively with its employees via regular biannual staff surveys and bimonthly Town Hall meetings. The management team is also well advanced in a programme to meet with key customers to discuss how the business can better address their needs.

## The year ahead

The Company is changing its market focus as we believe it had stretched across too many geographies. The emphasis now is on the US, Germany, France, the UK and China, which the Company considers to be the highest value media markets. The Company is also changing its go-to-market strategy to enable it to scale more quickly and aligning its product with industry nomenclature and metrics. At heart, Mirriad is a technology company, and it will continue to invest in automation and further develop its artificial intelligence capability. I, along with the rest of the Board, believe that the development of these foundations in 2019 will set the business up for growth in 2020.

**John Pearson**
Non-executive Chairman
10 May 2019

**Read more about our sustainability.**

p 26 and 27

**Read more about our corporate governance and see how we engage with our stakeholders.**

p 36

# How we create value for our stakeholders

## Our key relationships

### Using sophisticated technologies, Mirriad connects people with brands, through seamless ad insertions in popular linear and video on-demand content.

**For people**
We provide a new form of non-interruptive advertising allowing people to experience brands in the content they're passionate about, which viewers see as enhancing that content.

**For broadcasters/digital publishers**
We create advertising inventory where none existed before offering a new high-impact format that scales, providing a new revenue source for distributors.

**For brands**
We are the only true in-video solution that offers a cross-platform format which looks as real as the content it's integrated with, establishing a new model, bringing brands to life where it matters most to audiences.

## How we generate revenue

**Quality, time-sensitive service**
We are a technology company that provides a managed service to our clients, ensuring campaigns can be booked and delivered on short deadlines at highest quality.

**New inventory in content**
We analyse brand insertion opportunities across approved content, identifying the most appropriate advertising categories, the volume of inventory available and the timing of availability, so distributors can offer the best campaign options to advertisers.

**Viewer experience and reaction**
Advertising messages are embedded into content seamlessly, ensuring no interruption in the programmes when viewers are highly engaged. Viewers react positively to this form of advertising, giving it exceptional scores for likeability.

**Partner relationships**
We partner with distributors. In return for giving them access to our technology, creative services, and management and reporting of campaigns, we earn a share of the revenue generated from their advertisers.

Discover more about our strategy.

p 18 and 19

## What sets us apart

**Award-winning technology company with 29 patents and patents pending**
We have unique, award-winning technology protected by a patent portfolio in key markets around the world.

**High creative and ethical standards**
The quality of our work is a key differentiator from competitor products. Our advertising appears in high-calibre entertainment content, offering safety to brands and media agencies.

**Global workforce with progressive culture**
We maintain a consistent workplace culture across the countries we operate in to ensure equality of opportunity to all our employees and prospective employees.

# How we create value

**For business partners**
We create ad inventory where none existed, offering a new revenue stream from existing assets.

**11**
broadcasters and digital distributors under contract

**For viewers**
Up to 97% of viewers see the Mirriad inserts as naturally fitting into the content they are watching and up to 93% of viewers say the insertions make programmes more realistic.

**For advertisers**
A new way to engage with audiences increasing awareness by up to 26% and consideration by up to 20%.

**For colleagues**
We are refreshing and rebuilding the organisation's culture following our recent change in senior management.

**116**
staff worldwide

**For shareholders**
We are committed to strengthening our relationship with shareholders following the change in senior management.

**20+ meetings**
held with shareholders during 2018

# A STRATEGY FOR SUSTAINABLE GROWTH

"We're accelerating across all areas of activity with an extreme focus on scale and impact."

**Stephan Beringer**
Chief Executive Officer

**Read more about our strategy and how it aligns to our KPIs.**

p 18 and 19

## Engagement reimagined

Mirriad: the global connector of people and brands through content and entertainment, driving new levels of engagement.

# Q&A

## As Mirriad's new CEO tell us how you've managed to get up to speed?

I came to Mirriad with a plan to assess the business within my first 100 days. Revenues were significantly below expectations due to sporadic campaign work. I wanted to assess where the business had come from and what I saw it needed to be in the future. I also wanted the entire team to own that plan so that it wasn't just my vision of where we need to go but the whole Company's. We've actively involved all departments in looking at how they work, what their issues are, how they can better address our customers, what potentially blocks them from delivering excellence and what ideas they have to make a leap forward from a technology and solution standpoint. At the same time we've been very actively engaged with the external market and stakeholders. We've talked to very many C-level executives at brands, media agencies and broadcasters/distributors to get their view on our product, the opportunities it opens and how we change the way we engage with the market. I've also met and talked to many of our key shareholders to get their perspective on the business.

We were very active in the market before we formally announced our new strategy. I quickly concluded that Mirriad has many unique strengths and areas of competitive advantage and that Mirriad's core proposition is actually more powerful than ever. Mirriad is the only cross-platform solution that offers a true in-video format which looks as real as the content it integrates with. However, the business had been taken on a path to market that was not ideal: it stretched itself too thin, it had been relying on too few market opportunities, the strategy was not followed through the way it should have been and, foremost, the Company was significantly out of touch with its content and distribution partners as well as advertisers and their agencies. A reset is clearly needed.

Corona, product in-video ad

## What have been your highlights of FY18?

First and foremost I'd like to mention the research studies that have proved two quintessential things: viewers love the format – they think it makes content richer and better, they regard it as innovative and prefer it over other forms of advertising; and secondly, and this is the logical consequence of the first point, the same research has also proven that presence in content makes brands more desirable and score much higher in terms of consideration. The lift we're seeing is staggering. There were also some great successes in 2018. The Company continued to develop its core video technology such as that for delivering new machine learning solutions to compute proximity and prominence ("hero status") values. The Company also continued to develop the platform it uses to manage and automate the different processes and workflows introducing new automated "buy orders" so that we make the solution work better for all our customers. Our product is really unique in the entertainment space as we are the only company that we know of that embeds images into any content our partners supply. This is a key distinction as our advertising looks like it's always been part of the programme and not overlaid afterwards. I have been really impressed by the way our teams have embraced the refocused strategy and how open they and our clients are to accelerating the business and achieving real growth. We have signed or renewed deals with key distribution partners such as Tencent, Univision, TF1 and RTL and we have had a range of new engagements with the demand side of the market, particularly the media agencies.

## How has the state of marketing effected your strategy?

Audiences are shifting and moving across platforms, devices and applications, and they're increasingly rejecting intrusive advertising. At the same time, engagement with consumers is being more and more controlled and dominated by the major platforms and developments such as GDPR and e-privacy regulations are adding to advertisers' constraints in terms of differentiation, ownership and growth. Brands need to be hyper-relevant for everybody, deliver fully connected experiences, engage at scale and ensure their messages are high quality and do all of this with maximum efficiency. This is where Mirriad can make a difference and support advertisers, agencies and media partners. We are a desirable format which becomes part of the entertainment content that people are most passionate about. We can leverage this passion for the benefit of any brand. We can travel with the content wherever it goes, whether in linear, digital, mobile or on demand. We're safe in terms of the content we're using for the inventory we create. We can address some of the challenges that the content industry is facing in terms of the experience it offers and the way it generates revenue as well as offering a product which is future proof.

# Q&A continued

## How would you summarise the new strategy?

I'd summarise it in four key points:

**Align with the market; don't reinvent it:** We have to become part of the media buying ecosystem, not expect the ecosystem to adapt to us. We have to speak the same language, use the same metrics, integrate with the same systems as the media world in which we operate in order to achieve scale and give both the demand and supply side an easy path to the solution's benefits.

**Build scale:** Mirriad is not a niche tool; our technology can deliver the widest possible reach. We must continue developing our core computer vision and AI technology to, ultimately, allow total automation, further build our content partnerships across platforms, and offer inventory at scale to the agencies and the advertisers they're in charge of.

**Focus on core markets:** To live up to our ambition and to deliver growth for all stakeholders, we must allocate resources to activities and geographies that are most central to our development.

**The right kind of revenue:** Revenue is a key focus for Mirriad, but not at the expense of the long-term size and health of the business. Our leading position in the ecosystem will in part be determined by the partnerships, deals and integrations we do today, so all of them must reflect the company we want to be in the future.

## Tell us about the culture of a leading, multi-award-winning, technology company.

One of my key tasks has been to start a process of cultural change to foster agility, speed, innovation and passion to succeed in all staff. We have a great starting point as we have many staff who have served the business loyally and diligently over the last years. We're tapping into that talent pool and making sure that that pride in the "brilliance" of what we deliver as a product is fully aligned with our new pace and strategy. That means open and frank communication across the business so we can learn from the past while preparing for the future. We want staff to have the freedom to innovate, get on with what they are doing without interference, feel free to speak out and who aren't afraid to fail. This is how we win.

## You mention moving from supply to demand – where is Mirriad on this journey?

We are pivoting the Company so that it now focuses much more on the needs and requirements of advertisers and their agencies and consultancies – of course, not at the expense of our programme and content partners (broadcasters, digital distributors and content providers), but as well as. We started that journey in December 2018 and it will take some time to complete, but we began to make first changes at the end of last year and have accelerated to do that in the first quarter of 2019. I'd say we are part of the way there and would hope to see the fruits of that work towards the end of 2019.

## What is your outlook for 2019?

We're accelerating across all areas of activity with an extreme focus on scale and impact.

Of course, this means an acceleration in development of our technology and platform. Also we need to apply ourselves to the development of our go-to-market strategy and that means adding more supply partners, delivering research cases that prove superior results and ultimately building up the business to become a "line item" in clients' media plans in 2020. We're ensuring that the organisation has the right skills, in the right places. We have taken some tough decisions and exited the market in Brazil and commercially in India which are low per capita advertising markets so that we can put our efforts into the markets which have the highest sophistication and investment levels. These are the USA, Germany, France, the UK and China. We're all extremely ambitious for this business; it has the capability to build on its artificial intelligence skills to connect brands and people in a wholly new way and own a new paradigm. It's people who made Google, because they loved it. The same happened with YouTube and Netflix. Now people love what Mirriad does, so we believe they will make us win big too…

**Stephan Beringer**
Chief Executive Officer
10 May 2019

**Read more about our strategy and how it aligns to our KPIs.**

p 18 and 19

**Read more about our sustainability.**

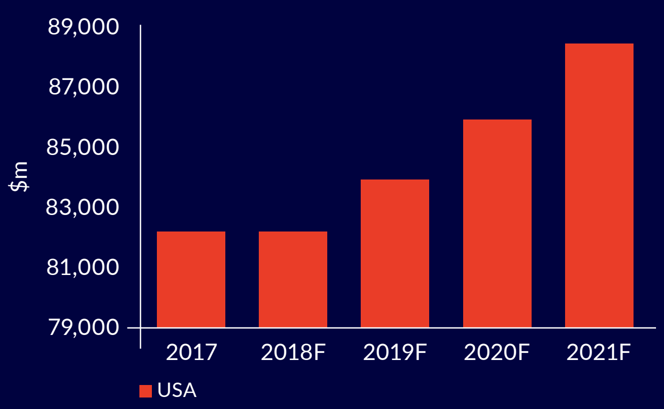
p 26 and 27

# Market trends

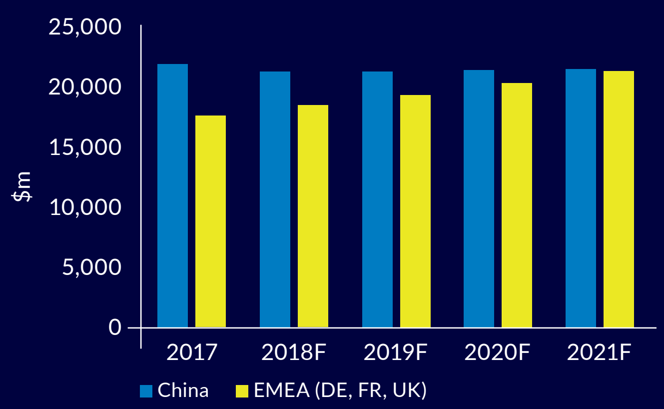
## The market opportunity remains substantial: TV and online video

The USA, China and EMEA top three (France, Germany, UK) are the most significant addressable markets with 7.6% growth forecast from 2017 to 2021 in the US, 21.2% for EMEA and China flat.

**TV and online video market**




**TV and online video market**




### Our response

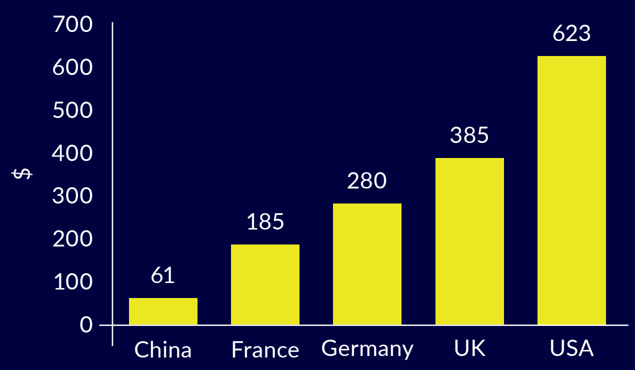
Mirriad has refocused its activities to focus on markets where it sees the biggest opportunity. This means we have ceased activities in Brazil and, commercially, in India.

## Focus on our core markets

We are allocating resources to activities and geographies that push most value, growth and scale:

- USA
- UK
- France
- Germany
- China

**Advertising spending per capita in 2018**




### Our response

We have used advertising spend per capita as a proxy for the most valuable markets with a full engagement model in use in the USA, France, Germany and the UK and a service provision model in China.

Source: Advertising Expenditure Forecasts, December 2018, Zenith Optimedia.

# We've identified six strategic priorities for the business

## A Align with the market; don't reinvent it

Adopt the language, metrics and principles of the industry.

Define and articulate a clear position and promise.

### What we did in 2018
Started media agency engagement to demonstrate how we fit into their ecosystem.

Addressed measurement and ad unit construct.

### Our plans for 2019
Build the opportunity story for media agencies.

Sell on reach and frequency with first focus on linear broadcasters and report accordingly.

Continue to automate our technology.

**Links to risks**

**1** 2 3 4 5
**6** 7 **8** 9

**Links to KPIs**
- Revenue
- Cash consumption
- Customers under contract

## B Build scale

Pursue more supply partners and activate the demand side of the market.

Mirriad can help monetise all types of content in one platform.

Media agencies are the main channel; we are not competitors.

### What we did in 2018
Signed/renewed key supply deals in France, Germany, the USA and China.

Started demand-side engagement with key media agencies and brands.

### Our plans for 2019
Iterate between agencies/brands and the content industry to push the marketplace.

Add new areas with new publishers.

Add second party inventory from peers.

Build supply-side platform to aggregate entire inventory.

**Links to risks**

**1** 2 3 **4** 5
**6** 7 **8** 9

**Links to KPIs**
- Revenue
- Cash consumption
- Customers under contract

## C Focus on core markets

Concentrate on geographies which will drive growth.

### What we did in 2018
Re-evaluated market potential based on advertising spend per capita rather than absolute size of market or growth rate.

Commenced restructuring in core markets.

### Our plans for 2019
Build and partner to develop commercially in Europe and the USA.

Develop a "white label" service for the Chinese market.

Complete internal restructuring.

**Links to risks**

1 **2** 3 4 5
6 **7** 8 **9**

**Links to KPIs**
- Revenue
- Cash consumption

### Key to risk links

1. Failure to break through with product – insufficient demand creation
2. Ability to attract and retain staff
3. Delay in getting product to state needed for wide adoption
4. Lack of content supply – reliance on supply partners to clear content
5. Platform reliability – platform is complex and 24/7 support needed

Read more about our KPIs and how we measure our performance.

p 22

Read more about the risks associated with our business.

p 23 to 25

## D Go after the right kind of revenue

Revenue continues to be a key focus for Mirriad. Deals must reflect the company we want to be in the future.

### What we did in 2018

Stratified markets into two tiers:

- Model 1, focusing on "full service" agency engagement; and
- Model 2 focusing on "SaaS" type model.

### Our plans for 2019

#### Model 1

Set up agency engagement programme that provides a clear path from test phase to media plan "line item".

Provide managed service until agencies are self-service enabled.

Invest in research to prove impact and effectiveness during test phase.

#### Model 2

Establish SaaS model white labelling Mirriad to select partners.

### Links to risks

1 2 3 4 5
6 7 8 9

### Links to KPIs

- Revenue
- Cash consumption
- Customers under contract

## E Make our value proposition simple to grasp

Mirriad is a next-generation technology company enabling transactions to take place in content. We are a platform for the market to use.

### What we did in 2018

Created new go-to-market strategy and supporting materials.

Continued to develop technology platform.

### Our plans for 2019

Make our platform easier to use and operate and ultimately self-service.

Integrate the platform with the planning, buying, measurement and reporting platforms of agencies and sales and distribution platforms of the supply side.

Train external users to be proficient and provide 24/7 support.

### Links to risks

1 2 3 4 5
6 7 8 9

### Links to KPIs

- Revenue
- Cash consumption

## F Drive organisational change

Technology and science are key to success (position, model, adoption and scale).

Our culture must encourage a high-growth mentality.

### What we did in 2018

Continued to build staff in our technology team.

Commenced refocusing of the culture and skills from Q4 onwards.

### Our plans for 2019

Withdraw from Brazil and commercially from India.

Invest more in commercial staff in Europe and the USA.

Focus on operational excellence.

### Links to risks

1 2 3 4 5
6 7 8 9

### Links to KPIs

- Revenue
- Cash consumption

6
Supply partner dependency for revenue generation – revenues flow from supply partners

7
Working capital risk – the business will need to raise capital within 12 months

8
Reputational risk – concern that advertising embedded in content can be seen as subliminal and require further regulation

9
Foreign exchange risk – many costs and revenues transacted in foreign currencies

# FOCUSED FOR FUTURE GROWTH

**David Dorans**
Chief Financial Officer

**Revenue**
**£416k** -52%

**Cash consumption**
**£13,106k** +45%

**Customers under contract**
**11** +38

Read more about our KPIs.

p 22

## Introduction

2018 was a challenging year for the Company as the Board concluded that the Company's go-to-market strategy was not going to deliver the revenue growth the Board and shareholders expected. The Board took the decision to change senior management during the second half of the year. From October onwards the Group's senior management team was engaged in a process to review and refresh the strategy. The new strategy was shared with investors in March 2019. The second half of 2018 showed an improvement in revenue compared to the first half of 2018. Of the Company's KPIs, customers under contract showed an improvement year on year while both revenue and cash consumption weakened.

## Current year results

Revenue for the year was £415,886 (2017: £874,191) following lower than anticipated results in all of the Group's markets as commercialisation lagged behind what was originally expected. During the year the Group continued to focus on developing its operations and delivered its first substantive campaign in the USA in Q4 for T-Mobile on Univision.

While 2018 revenue reduced in all markets there were particular reductions in India and China. In India, although the Group renewed its deal with Star, this renewal did not include a revenue guarantee as in the prior year. Regrettably, campaigns did not scale as anticipated and post year end the Group has exited the Indian commercial market as management elected to focus on markets with higher per capita advertising spend. In China the Group announced the signing of a key new deal with Tencent. We did not expect this to generate meaningful revenue during 2018 as its implementation is reliant on the development of a more video specific technology allowing a segmented delivery of programme elements to Tencent rather than the entire programme as is done with other clients. At the time of this report that technology was in final testing. The introduction of this innovative technology should allow revenues to scale.

As a result of the reduced volume of campaigns gross margin reduced to £272,338 (2017: £693,604). A significant part of the Company's cost of sales relates to staff who, along with the Company's technology, are responsible for analysing content and producing the advertising imagery which is ultimately inserted into that content. The staff element of this work is largely fixed and since activity did not scale as anticipated margin deteriorated. Management is confident that the business can handle a significantly greater volume of campaigns than were actually delivered during 2018 and that future margins will improve.

The Group's principal cost is staff. Its administrative expenses increased to £14,872,725 (2017: £12,067,393) as the Group's average headcount expanded compared to the prior year and after taking into account the write down noted below. The income statement includes £1,461,112 (2017: £1,179,148) related to research and development ("R&D") activity. In total gross expenditure on the Company's technology team (including the capitalised element, see below) increased by £318,454. Administrative expenses include an impairment charge of £1,230,275 relating to internally generated software that was previously capitalised in accordance with International Financial Reporting Standards ("IFRS"). While management believes that this software remains critical to the future success of the business and the software continues to be used with the Group's clients, the slower than anticipated pace of revenue growth means that we believe it appropriate to take an impairment charge against the asset. Accordingly we have written the carrying value down to zero. We will continue to monitor this area of the business and ensure we continue to fully comply with the accounting standard in future periods.

EBITDA loss increased to £11,930,715 (2017: £10,359,484). This measure does not include the impairment charge and therefore we believe gives a truer picture of the Group's current cost base. The loss for the year before tax increased to £14,370,986 (2017: £11,271,298) as a result of this expansion in headcount.

## Tax

The Group has not recognised any tax assets in respect of trading losses arising in the current financial year or accumulated losses in previous financial years. The tax credit recognised in the current and previous financial years arises from the receipt of R&D tax credits.

## Earnings per share

Loss per share was 14p per share (2017: loss of 19p per share) as a result of increased staff costs over the period balanced by the increase in the Company's issued share capital. This calculation is based on the weighted average number of shares in issue during the financial year.

## Dividend

No dividend has been proposed for the year ended 31 December 2018 (2017: £nil).

## Cash flow

Net cash used in operations was £11,921,131 (2017: £7,524,445) as average headcount increased over the year. During the year £878,500 (2017: £842,010) of development costs were capitalised as required under IFRS. As noted above the Group has taken an impairment against the whole of this capitalised cost due to slower than anticipated revenue growth. The Group also incurred £137,386 (2017: £466,627) of capital expenditure on tangible assets. Net proceeds from the issue of shares in May 2018 totalled £1,925,834 (2017: £25,068,671) relating to the investment by Puhua.

## Balance sheet

Net assets decreased to £15.6 million (2017: £27.9 million) as a result of the losses for the year net of the proceeds from the issue of shares and after taking into account the impairment of software assets discussed above. Cash and cash equivalents at 31 December 2018 was £15.2 million (2017: £26.4 million).

## Accounting policies

The Group's consolidated financial information has been prepared in accordance with International Financial Reporting Standards as adopted in the EU. The Group's significant accounting policies, which have been applied consistently throughout the year, are set out on pages 54 to 59.

## Going concern

The financial statements have been prepared on a going concern basis. After making enquiries and producing cash flow forecasts, the Directors have reasonable expectations, as at the date of approving the financial statements, that the Company and the Group will have adequate resources to fund the activities of the Company and the Group for the next nine months from the date of the financial statements. Albeit that the financial statements are prepared on a going concern basis, there is a material uncertainty in relation to going concern as this is dependent on raising additional external funds from new or existing shareholders within 12 months of the date of this report.

## Events after the balance sheet date

The Company presented its revised strategy to shareholders in March 2019. The strategy recommended exiting the market in Brazil and exiting India commercially (the Group's production operation remains in Mumbai). In anticipation of changes to the operating model in China the Group also reduced staff in its Shanghai office. A number of staff were also made redundant from the London office. The costs for these changes will be presented in 2019 as the decision to enact changes was made after the year end.

The changes resulting from the strategy review will be neutral to the Group's cost base in 2019.

## Principal risks and uncertainties

The principal risks and uncertainties facing the Group are set out on pages 24 and 25.

## Cautionary statement

The Strategic Report, comprising the Business and Financial Reviews, has been prepared for the shareholders of the Company, as a body, and no other persons. Its purpose is to assist shareholders of the Company to assess the strategies adopted by the Group and the potential for those strategies to succeed, and for no other purpose. The Strategic Report, containing the Business and Financial Reviews, contains forward-looking statements that are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in the sector and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated. No assurances can be given that the forward-looking statements in the Strategic Report, comprising the Business and Financial Reviews, will be realised. The forward-looking statements reflect the knowledge and information available at the date of preparation.

**David Dorans**
Chief Financial Officer
10 May 2019

# KPIs

## Revenue (£000)

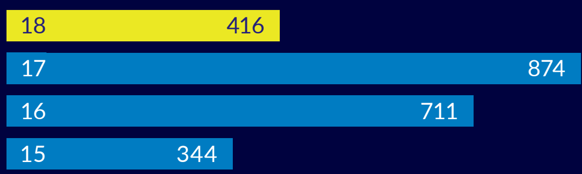
### Definition

Revenue is the sum of all sales as included in the Group's financial statements.

### Performance

2018 revenue was below 2017's in the context of the previously flagged challenges with the Group's go-to-market strategy. Trading improved in H2 with revenue of £296k (H1 £120k).

**£416k** -52%




## Cash consumption (£000)

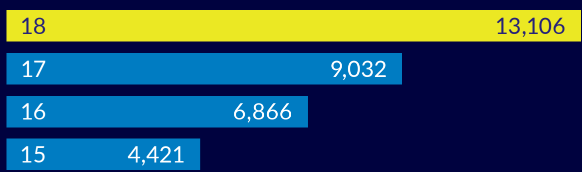
### Definition

The sum of net cash used in operating activities and the net cash used in investing activities (see Consolidated statement of cash flows).

### Performance

Cash consumption increased year-on-year as average headcount rose leading to a higher value for cash used in operating activities. This was balanced by a fall of £323k in the net cash used in investing activities.

**£13,106k** +45%




## Customers under contract

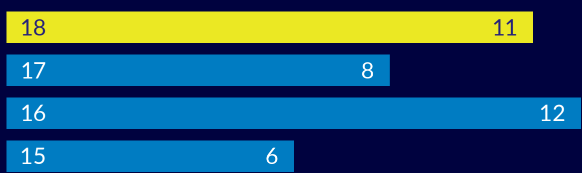
### Definition

The total number of broadcasters and digital distributors operating under signed contracts at the end of the financial year.

### Performance

This measure increased by 38% following contract wins with NBCU, TF1, RTL2 and Tencent.

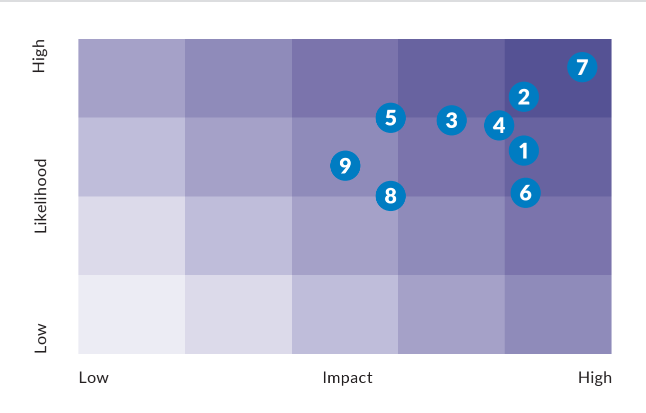
**11** +38%



# Managing risks efficiently

## Risk heat map

The table illustrates the key and significant risks identified and managed by the Company.




1. Failure to break through with product – insufficient demand creation
2. Ability to attract and retain staff
3. Delay in getting product to state needed for wide adoption
4. Lack of content supply – reliance on supply partners to clear content
5. Platform reliability – platform is complex and 24/7 support needed
6. Supply partner dependency for revenue generation – revenues flow from supply partners
7. Working capital risk – the business will need further capital to continue as a going concern
8. Reputational risk – concern that advertising embedded in content can be seen as subliminal and require further regulation
9. Foreign exchange risk – many costs and revenues transacted in foreign currencies

### Risk management process

During 2018 the Company adopted a formal risk management process. Risks were identified by all business functions and territories in a standardised format that required units to:

**1. identify and specify the risk;**

**2. assess its impact on a scale of 1 (low) to 3 (high);**

**3. assess its probability of occurring on a scale of 1 to 3;**

**4. assign a risk rating calculated as the product of the impact and probability ratings;**

**5. assess mitigating controls on a scale of 1 to 3; and**

**6. assign a residual risk rating calculated as the product of risk rating and mitigation.**

All risks with a residual risk rating of 12 or more were identified for review. These were further assessed to determine whether they were significant enough to be designated as overall Company risks as opposed to departmental or territorial risks.

The full risk register was presented to the Company's Audit Committee and after further refinement was debated by the full Board. Company residual risk ratings of 12 and above will receive regular Board/Audit Committee review and will be addressed where practical.

The CFO has been delegated to manage Company-level risks on a regular basis. The Company will update the risk register on a quarterly basis.

### Risk appetite

Mirriad is an early-stage business and therefore presents an inherently risky investment for shareholders. The Board has therefore agreed on a conservative approach to risk. Each risk identified in the risk register has an identified owner who is responsible for ensuring that the risk is mitigated as far as possible, taking into account that not all risks can be fully mitigated.

The Board holds executive management accountable to ensure that they manage the business on a day-to-day basis in a way that doesn't increase the risk profile of the Company without explicit acknowledgement and debate at the Board. As general guidance, executive management has been asked to run the business in such a way that the Company is not put at significant financial, operational or reputational risk.

### Impact of Brexit

While the eventual date for Brexit remains uncertain, the principal impact of Brexit on the business relates to staffing in its UK operations. In common with many UK businesses, the Company employs staff from many different nations, including mainland European nationals who currently have the right to live and work in the UK. The uncertainty caused by Brexit has significantly reduced the supply of potential employees from mainland Europe and made the UK a less attractive place for them to work. This means that it is taking longer and costing more to fill some UK vacancies, particularly on Mirriad's technology team.

# Principal risks

**Read more about our strategy.**

p 18 and 19

| Risk description | Mitigation | Change |
|---|---|---|
| **1 Failure to break through with product** — Link to strategy A B C D E F | | |
| Revenue generation is dependent on the demand from media agencies and brands. | The Company is adopting a new go-to-market strategy that addresses the demand side of the market and will demonstrate how media agencies and their clients can grow by using Mirriad. | No change |
| **2 Ability to attract and retain staff** — Link to strategy A B C D E F | | |
| Employee value proposition is under strain in many areas. Staff turnover is relatively low but could easily start to increase for employees with in-demand skills. Brexit has specifically impacted the UK. | The Company has adopted a retention strategy for key staff and is reviewing its culture and employee value proposition. The Company has obtained a Home Office sponsorship licence to allow it to recruit staff from outside the UK. | Increased risk |
| **3 Delay in getting product to state needed for wide adoption** — Link to strategy A B C D E F | | |
| The Company needs to focus on automating and simplifying its product and ensuring it makes full use of the AI/machine learning aspects of its technology. | The Company is reorganising its technology and aligning R&D and product functions under its new CTO to improve efficiency of technology development and deployment. | Reduced risk |
| **4 Lack of content supply – reliance on supply partners to clear content** — Link to strategy A B C D E F | | |
| The Company relies on its distribution partners to supply rights-cleared content that allows digital insertion. | The Company is actively engaging with distribution partners to discuss clearance issues and focus initially on content owned and controlled by partners. | No change |
| **5 Platform reliability – platform is complex and 24/7 support needed** — Link to strategy A B C D E F | | |
| The Company's platform must be reliable to operate at scale. | The Company is continuing to simplify and develop the platform, including creating a self-service option for customers. | Reduced risk |

**Key to strategy links**

- A Align with the market; don't reinvent it
- B Build scale
- C Focus on core markets
- D Go after the right kind of revenue
- E Make our value proposition simple to grasp
- F Drive organisational change

Read more about our strategy.
p 18 and 19

| Risk description | Mitigation | Change |
|---|---|---|
| **6 Supply partner dependency for revenue generation – revenues flow from supply partners** | | Link to strategy A B C D E F |
| The Company uses an indirect sales model whereby broadcaster/distributors sell campaigns using the Company's technology, which the Company then fulfils. | The Company is revising its go-to-market strategy to apply new focus on the demand side of the market, encouraging media agencies to move Mirriad to a "line item" in media plans. | Reduced risk |
| **7 Working capital risk – the business will need further capital to continue as a going concern** | | Link to strategy A B C D E F |
| Given the Company's financial performance in 2018, the Company will need to raise additional capital to achieve breakeven and there is a material uncertainty around going-concern. | The Board has brought in new management, which has begun implementing a new strategy and who will consider options for raising additional funds from new or existing shareholders. | Increased risk |
| **8 Reputational risk – concern that advertising embedded in content can be seen as subliminal and require further regulation** | | Link to strategy A B C D E F |
| Given concerns over data privacy and the impact of advertising, there is a risk of further regulation affecting the Company's product. | It is essential to educate the market about the use and impact of the Mirriad product and why it is not "subliminal" advertising and poses no particular data risk to consumers. The Company will also continue to provide evidence of customer acceptance of this form of advertising. | No change |
| **9 Foreign exchange risk – many costs and revenues transacted in foreign currencies** | | Link to strategy A B C D E F |
| The Company is exposed to a variety of currencies and currently earns no revenue in Sterling. Brexit has caused fluctuations in the value of Sterling, making forecasting more difficult. | The Company has a range of natural hedges in place as it has revenue generating units in most of the territories where it has cost exposure. | No change |

**Key to strategy links**

- A Align with the market; don't reinvent it
- B Build scale
- C Focus on core markets
- D Go after the right kind of revenue
- E Make our value proposition simple to grasp
- F Drive organisational change

# Our people are integral to our business

Mirriad's people are a vital asset. As a business, 72% of our annual expenditure is on people related costs (calculated as the sum of staff cost, staff related costs and contractor related costs as a proportion of EBITDA).

The new management team is focusing on cultural change and looking at measures to attract and retain the best talent.

London office

## Our people

Working across a variety of cultures and time zones is challenging but we make sure that teams talk to each other regularly – at times and with technology that work for them.

**116**
people

### Engaging with our team

We use a variety of methods to engage with our team. We hold Town Hall meetings for the whole team twice a month on average. This allows management to share updates with the team and to answer any questions they have. Twice a year we conduct an employee survey based on a standard set of 12 questions and present the findings and subsequent management actions during Town Hall meetings.

London office

London office

# Our culture

We encourage an open and transparent culture. We want our teams to feel able to raise issues that matter to them with their colleagues and management without fear of consequences. We want to create a culture that values initiative, risk-taking and pride in the work we do. Our vision for the organisation is based on the philosophy that staff should have:

**Freedom from fear**
**Freedom to fail**
**Freedom from chaos**
**Freedom to be**

The executive team is working on how to make this vision a reality during 2019.

## Diversity and human rights

We believe that people from different backgrounds can bring fresh ideas, thinking and approaches that make our Company more successful.

India office

**Discover more about our culture.**

mirriad.com/about

## Gender diversity


# Valuing diversity in our Company

We value diversity and seek to provide our team with the opportunity for employment, career and personal development solely on the basis of their ability, qualifications and suitability for that work. We look to their potential and how it can be developed while working with us.

# Chairman's introduction

On behalf of the Board, I am pleased to present our Corporate Governance Statement for the year ended 31 December 2018.

**John Pearson**
Non-executive Chairman

> **"My Board colleagues and I collectively recognise the value and importance of high standards of corporate governance."**

**Read more about our corporate governance and see how we engage with our stakeholders.**

p 32–36

Part of my role as Chairman is to ensure that the Company operates to the highest standards of governance and that we instil a sound attitude to governance throughout the Group. The Board and I collectively recognise the value and importance of high standards of corporate governance. I am pleased to report that the Board formally agreed to adopt the 2018 Quoted Companies Alliance Corporate Governance Code ("QCA Code") in line with the London Stock Exchange's changes to the AIM Rules during 2018. The Company developed a work plan for 2018 and beyond to ensure that it is and continues to be fully compliant with the QCA Code. The results of that work are discussed in the sections below.

On 1 October 2018, the Board also announced a significant change in senior executive leadership, with Mark Popkiewicz stepping down from the Board after 11 years. During his tenure, Mark established the technology platform essential to the future success of the business. The Board decided that a different set of skills were needed to take the business forward, and Mark was replaced by Stephan Beringer as Chief Executive Officer. The Board believes Stephan is the right person to reorient the Company and focus on demand creation with a new go-to-market strategy. Prior to joining the Company Stephan pioneered change during his role as president of Data, Technology and Innovation at advertising giant Publicis. While at Publicis, Stephan worked to transform advertising through a period of intense change in the industry. It is these skills that Mirriad needs for the next stage of its journey.

On 30 April we also announced that Roger Faxon was stepping down from his role as Chairman and would remain on the Board while we conduct a search for a suitable independent Non-executive Director to join the Company.

## My role as Chairman

My role is to ensure that the Board operates effectively in delivering the long-term success of the Company. In fulfilling this role, I seek to ensure that Board meetings are conducted to allow all Directors to have the opportunity to express their views openly and that, in particular, the Non-executive Directors are able to provide constructive support and challenge to the Executive Directors.

## Culture and business ethics

I consider it critical that the Group establishes a culture in which staff feel comfortable raising concerns and issues as well as ideas and proposals that allow the business to innovate and develop. I am really pleased that the full Board including Stephan and I are in complete agreement on the sort of culture we want to create across the business and that we have already taken steps to enhance and develop the Group culture during 2018. These steps are set out in more detail in the section on stakeholders and people earlier in this report.

All of the Directors consider it essential that stakeholders have trust in the way the Group operates and that it maintains a reputation for ethical business practices and high standards of integrity. This is particularly important given that the Group's business covers a range of territories where the normal way of operating may differ from the standards expected in the United Kingdom.

The application of business ethics was a particular focus for the Group in 2018 and was one of the areas identified in our review of the QCA Code. The Group's approach to business ethics was discussed at several Board meetings and, as a result, a new conflict of interest policy for senior managers was approved during the year.

It is vital that senior managers are actively involved in ensuring our culture and ethical values are shared by all employees. To assist with this process, the Board approved updated anti-bribery and whistleblowing policies, which have been circulated to all employees, and supported the Executive Directors in rolling out online training across the business in the latter part of 2018. This online training comprised compulsory anti-bribery and fraud modules for all employees and included questions at the end of the training programme to ensure that the course content was understood. Using online training allows the Company to monitor completion of the training across the Group and address any areas of concern.

**John Pearson**
Non-executive Chairman
10 May 2019

**Read more about our culture.**
p 26 and 27

**Read more about Board succession planning.**
p 33

# An experienced Board

## John Pearson
Non-executive Chairman

### Experience
Joined the Board in October 2017 and took up the chairmanship of the Company's Remuneration Committee following the IPO. John has a long history in commercialisation of media properties and general business development of rapidly growing companies. He also brings plc board experience to the Company.

### Previous expertise
Former CEO of Virgin Radio and Virgin Radio International, director of Ginger Media, chairman of Shazam and co-founder of World Architecture News.

### Sector experience
Advertising, marketing, technology, digital, corporate governance and M&A.

### External appointments
Chairman of FairFX plc, Imagen Video Asset Management Ltd and Bought By Many Ltd.

## Stephan Beringer
Chief Executive Officer

### Experience
Joined the Board in September 2018 to take on the role of Chief Executive Officer following a long career in the advertising industry, where he covered a breadth of roles from creative and strategy to technology and data. Stephan has been tasked with renewing the Company's strategy and the way it operates to ensure that the Company is on a path to growth.

### Prior expertise
President of Data, Technology and Innovation at Publicis and CEO of VivaKi, driving the transformation of Publicis' programmatic buying and servicing model. He has worked with some of the world's biggest brands including McDonald's, Audi, Nissan, Asus, P&G and Michelin, and led key technology partnerships and initiatives with companies such as Adobe, Microsoft and Google.

Chief growth and strategy officer for the Digital Technologies Division of Publicis Groupe, international CEO for Digitas and Razorfish, and global chief strategic officer and president of Tribal DDB EMEA.

### Sector experience
Advertising, media and digital agencies, technology, business strategy and M&A.

### External appointments
None.

## David Dorans
Chief Financial Officer

### Experience
Joined the Board in December 2017 following a career in the broadcasting and technology sector where his roles have included financial leadership and operational roles. David's task is to manage the financial and risk aspects of the Company as well as leading the human resources function.

### Prior expertise
Chief financial officer at Mindshare UK, chief financial officer of YouView, head of distribution and broadcast technology at Channel 4 and general manager of UKTV. David is a fellow of the Institute of Chartered Accountant in England and Wales having qualified with Coopers and Lybrand (now PwC).

### Sector experience
Financial management, corporate governance, technology, media, advertising and HR.

### External appointments
None.

**Key**

- **A** Audit Committee member
- **R** Remuneration Committee member
- Committee Chair


## Dr Mark Alexander Reilly

Non-executive Director

### Experience

Joined the Board in December 2017 having been the representative of IP2IPO prior to that. Mark heads the technology division of IP Group plc, one of the UK's leading intellectual property commercialisation specialists. Mark chairs the Company's Audit Committee. Extensive experience in the information and communications technology sector, working with a broad spectrum of organisations from blue-chip multinationals and NGOs to early-stage start-ups.

### Prior expertise

Prior to joining IP Group, Mark was the founder and managing director of Remarkable Innovation, a successful Singapore-based technical due diligence company with a range of international Fortune 500 and national government clients. Mark holds a PhD in Engineering from the University of Cambridge, UK.

### Sector experience

Technology, venture capital, commercialisation of IP, funding and strategy.

### External appointments

Non-executive director and member of the audit committee of Actual Experience plc.


## Alastair Hugh Lowell Kilgour

Non-executive Director

### Experience

Joined the Board in December 2017 having been the representative of Parkwalk Advisors prior to that. Alastair has significant venture capital experience and adds expertise on fundraising and shareholder management to the Board.

### Prior expertise

Possessing a depth of experience in the investment and fund management community, before founding Parkwalk Advisors Alastair was a partner of Lazard LLP, a director of BNP and a founder partner of Ark Securities.

### Sector experience

Venture capital, banking, funding strategy and M&A.

### External appointments

Chief investment officer at Parkwalk Advisors Ltd and director of PredictImmune Ltd, Congenica Ltd, PetMedix Ltd, Phoremost Ltd, Albert Innovations Ltd and Victoria Innovations Ltd.


## Roger Conant Faxon

Non-executive Director

### Experience

Joined the Board in June 2015, taking on the role of Non-executive Chairman having had a long career in the broader creative industries spanning strategy, operations and finance.

### Prior expertise

A former CEO of EMI Group and held prior operational and financial roles with the group. He was CEO Sotheby's Europe. He was EVP/COO for Lucasfilm and Senior EVP at Colombia Pictures.

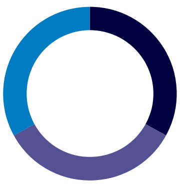
### Sector expertise

Broad commercial, digital and media rights experience, development of business strategy financial management, corporate governance, M&A.

### External appointments

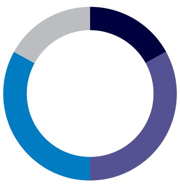
Non-executive director of ITV plc and sits on the board of Johns Hopkins University.

### Board composition



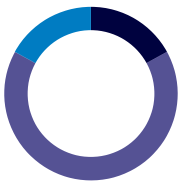
- **2** Non-independent Non-executive Directors
- **2** Independent Non-executive Directors
- **2** Executive Directors

### Sector experience



- **1** Technology
- **2** Financial management
- **2** Advertising
- **1** Funding strategy

### Tenure



- **1** Started in 2018
- **4** 1–3 years
- **1** 4+ years

# Corporate governance statement

## Board effectiveness

The Directors are committed to ensuring that the Company fully complies with the requirements of the QCA Code and to maintaining high standards of corporate governance. To ensure compliance, the Board agreed on a work plan for full implementation of the QCA Code at its meeting in July 2018. One area of particular focus was Board effectiveness.

The following section provides further information on the Group's adoption of the 2018 QCA Code.

## Board composition and responsibilities

The Board's primary role is to focus on building shareholder value by identifying and assessing business opportunities balanced against the associated risks.

The Group is controlled by a Board of Directors, which as at 31 December 2018 comprised a Non-executive Chairman, three other Non-executive Directors and two Executive Directors. The Board considers two of its Directors to be independent.

The Chairman is John Pearson and the Chief Executive Officer is Stephan Beringer.

The overriding responsibility of the Board is to provide clear, entrepreneurial and responsible leadership to the Group within a framework of efficient and effective controls so as to allow the key risks and issues facing the business to be assessed and managed. The Board operates both formally, through Board and Committee meetings, and informally, through regular contact between the Directors and senior executives. There is a schedule of matters specifically reserved to the Board, including approval of interim and annual financial results, setting and monitoring strategy and examining business expansion possibilities. The Board is supplied with sufficient information in a timely manner, in a form and quality appropriate to enable it to discharge its duties. The Directors can obtain independent professional advice at the Group's expense in the performance of their duties as Directors.

Senior executives below Board level attend Board meetings when appropriate to present business updates.

Jana Eisenstein was appointed as the Company's President in October 2018 and has been attending Board meetings as an observer since her appointment. The Board invited Jana to join the Board meetings as she is one of the most senior leaders in the business with oversight and responsibility for revenue and operations. The Board welcomes the diversity of viewpoint that Jana provides and her contribution to the debates around key business decisions.

Board meetings are normally held at the Company's head office in London, which allows the Non-executive Directors to interact with Company staff. The Non-executive Directors are also able to visit the Group's other offices to gain a greater understanding of the Group's activities.

The roles of Chairman and Chief Executive are separate, and there is a clear division of responsibility at the head of the Group. The Chairman is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction. The Chief Executive Officer is responsible for proposing business strategy and plans to the Board, implementing them once approved and overseeing the management of the Group with the Group's other senior executives.

## Board independence, appointment and re-election

The Board considers both the Chairman and Roger Faxon, a Non-executive Director, to be independent. While both the Chairman and Roger Faxon hold market-priced options to purchase shares in the Company and Roger Faxon holds a small number of Ordinary Shares in the Company (see Directors' holdings in Company in the Directors' Report), the Board is satisfied that they are both independent in character and judgement, and that there are no relationships or circumstances that would materially affect or interfere with the exercise of their independent judgement including the options held.

The Board has reviewed its composition and currently remains satisfied with it, including the balance between Executive and Non-executive Directors. The Board believes that the current composition allows it to exercise objectivity in decision making and properly control the Group's business activities and risks, although the Board considers it could benefit from additional independent input as noted in the succession planning section on page 33.

The Board notes the recommendations in the QCA Code that a company should have at least two independent Non-executive Directors and should not be dominated by one person or a group of people. The Board believes it meets this recommendation, except in respect to the holding of Ordinary Shares in the Company by Roger Faxon. As Dr Mark Reilly and Alastair Kilgour joined the Board in a personal capacity at the time of the IPO, having previously been the nominated representatives of the corporate directors IP Group plc and Parkwalk Advisors Ltd, respectively, they are not regarded as independent but bring significant skills to the Board as set out on page 31.

All Directors of the Company, with the exception of Stephan Beringer, were appointed prior to or at the time of the Company's admittance to trading on AIM and were re-appointed by shareholders at the Company's last Annual General Meeting held on 13 June 2018. Stephan Beringer was appointed a Director on 1 October 2018 when he took up the post of Chief Executive Officer. As Stephan was appointed since the date of the last Annual General Meeting of the Company, he is offering himself for election at the forthcoming Annual General Meeting. John Pearson and David Dorans will offer themselves up for re-election at the forthcoming Annual General Meeting in accordance with the articles of association of the Company. All Directors appointed by the Board are subject to election by shareholders at the first Annual General Meeting after their appointment and generally serve terms of three years.

## Conflicts of interest

In accordance with an established procedure, all Directors are required to notify the Board of any conflicts of interest at the start of each Board meeting. This is formally recorded in the minutes by the Company Secretary, and any Director disclosing a conflict is required to excuse themselves from the matter on which they have a conflict. Any planned changes to their interests, including directorships outside the Group, are officially disclosed to the Board. There were no relationships declared in 2018 that were considered to conflict with the Company's business and therefore there was nothing that was deemed to affect the independence of the Directors.

## Board and Committee meetings

The Board normally meets on a monthly basis and aims to meet a minimum of 10 times per year for formal Board meetings. It also arranges ad hoc meetings to consider strategic issues and approve key operational decisions as required.

The Executive Directors are responsible for carrying out decisions reached by the Board and, where appropriate, communicating the decisions of the Board and any necessary actions to be taken to the employees of the Company through the appropriate line management channels.

The Directors are expected to attend all meetings and receive appropriate and timely information from the Executive Directors ahead of each Board meeting.

### Meeting attendance

| Member | Board | Audit Committee | Remuneration Committee |
|---|---|---|---|
| Roger Faxon | 10/10 | 4/4 | – |
| Stephan Beringer | 3/3* | – | – |
| Mark Popkiewicz | 10/10 | – | – |
| David Dorans | 10/10 | – | – |
| John Pearson | 10/10 | – | 6/6 |
| Dr Mark Reilly | 10/10 | 4/4 | 6/6 |
| Alastair Kilgour | 10/10 | – | 6/6 |

* Stephan Beringer attended all Board Meetings between October and December following his appointment.

### Development, information and support

The Directors have unrestricted access to the Group's management and advisers. When new Directors are appointed, they receive an induction facilitated by the Chief Financial Officer. This induction includes meetings with key members of management and briefings on the Group's business, its industry and public company duties generally. Directors are able to visit the Group's operations overseas on request. The Directors have continuous access to the knowledge and expertise of senior management, are free to meet with them at any time and can attend executive management strategy and planning sessions. Directors are also able to get external advice at the expense of the Company should they feel this is necessary.

The Directors have a wide variety of expertise drawn from different industries and business functions. This diversity adds value to the Board as the Directors can draw on their deep and wide range of experiences in other international businesses and publicly listed companies. This means that, collectively, the Directors are able to bring significant expertise to the table, enabling them to make high-quality, diverse and relevant contributions to Board discussions. This enriches debate and allows carefully considered judgements to be reached, consensus to be arrived at and informed decisions to be taken. The Non-executive Directors provide both support and constructive challenge to senior management when reviewing proposals. They then monitor performance against agreed strategy and plans over both the short and longer term.

All Non-executive Directors are appointed for an initial term of three years subject to satisfactory performance. Their contracts can be renewed for additional three-year terms following review by the Board and approval by shareholders at the next Annual General Meeting. All Non-executive Directors are expected to devote as much time as necessary for the proper performance of their duties, which is anticipated to be a minimum of two days per month on work for the Company for most Non-executive Directors and approximately eight days per month for the Chairman. Directors are expected to attend all Board meetings and meetings of Committees of which they are members and any additional meetings as required.

### Succession planning

As noted above, the Board has reviewed its composition since the admission of the Company's shares to trading on AIM. The Board still considers its composition to be appropriate in view of the size and requirements of the Group's business and the need to maintain a practical balance between Executives and Non-executives. However, it also considers that the Group is at the position where the Board would benefit from additional independent input, particularly in the area of finance and risk management. The Board has therefore started a process to look for a new independent Non-executive Director in 2019 with a specific brief to chair its Audit and Remuneration Committees. The Board intends to ensure that the appointee adds to its existing diversity.

The Company does not have a Nomination Committee so the appointment of a new Non-executive Director will be subject to discussion and ratification of the full Board.

## Board Committees

The Board has two Committees: the Audit Committee and the Remuneration Committee.

## Audit Committee

The Audit Committee has two Non-executive Director members: Dr Mark Reilly (Chairman) and Roger Faxon. The Group's external auditors and the Chief Financial Officer are invited to attend Audit Committee meetings.

The Audit Committee has responsibility for, among other things, monitoring of the financial integrity of the financial statements of the Group and the involvement of the Group's auditors in that process. It focuses on compliance with accounting policies and ensuring that an effective system of audit and financial control is maintained, including considering the scope of the annual audit, the extent of the non-audit work undertaken by the external auditors and advising on the appointment of the external auditors. The ultimate responsibility for reviewing and approving the Annual Report and Accounts and the half-yearly reports remains with the Board.

The Audit Committee meets at appropriate times in the financial reporting and audit cycle and at least twice a year. The terms of reference of the Audit Committee cover issues such as membership and the frequency of meetings, together with requirements of any quorum for, and the right to attend, meetings. The responsibilities of the Audit Committee include the following: external audit, financial reporting, internal controls and risk management. The terms of reference also set out the authority of the Audit Committee to carry out its responsibilities.

Any non-audit services that are to be provided by the external auditors are reviewed in order to safeguard auditor objectivity and independence. The external auditors have the opportunity during Audit Committee meetings to meet privately with Committee members in the absence of executive management.

The Group prepared a full risk register during 2018, which was presented for consideration, review and amendment at the Audit Committee. Following approval, this was recommended to and adopted by the full Board.

During 2018, the Audit Committee reviewed and updated the Group's policies on bribery, gifts and hospitality, and whistleblowing. Under the Company's whistleblowing policy, staff may notify the CFO or, confidentially, the Chair of the Audit Committee of any concerns regarding suspected wrongdoing or dangers at work.

## Board evaluation

Following the adoption of the QCA Code, the Board undertook the first evaluation of its own performance led by the Chairman and Company Secretary at the end of 2018. The internal Board evaluation was carried out using a questionnaire sent to all Directors, which was returned confidentially to the Company Secretary, who collated the findings. The full results of the evaluation, including verbatim comments from the Directors, were presented and discussed at the Board meeting in December 2018.

As the questionnaires were completed shortly after the appointment of Stephan Beringer the Board agreed that it would complete a further internal Board evaluation in the second half of 2019.

**The key findings of the 2018 evaluation process were:**

1. **The Board anticipated and welcomed a clarification of strategy, priorities and goals for the Company under the new CEO.**
2. **The Board welcomed the new risk management framework and the new quarterly update process and looked for formal reporting from the Audit Committee to the Board on this topic.**
3. **The Board acknowledged the need to communicate more frequently and effectively with stakeholders, both internal and external.**
4. **The Board felt that it should review and potentially appoint a new Non-executive Director with expertise in risk management to chair the Audit Committee.**
5. **The Board felt that reward benchmarking should be carried out during 2019.**

## Remuneration Committee

The Remuneration Committee was re-established at the IPO. Alastair Kilgour has taken on the Chairmanship following John Pearson taking the position of Non-executive Chairman. During the year the composition of the Committee was three Non-executive Director members: John Pearson, Dr Mark Reilly and Alastair Kilgour (Chairman). In addition, the Company Chairman has a standing right to attend any Remuneration Committee meetings. The Committee meets periodically as required and is responsible for overseeing the policy regarding staff and senior executive remuneration and for approving the remuneration packages for the Group's Executive Directors. It is also responsible for reviewing incentive schemes for the Group as a whole.

During 2018, the Remuneration Committee met to agree and sign off the key appointments of Stephan Beringer and Jana Eisenstein, sign off the incentive payments recommended by executive management for the Company, agree and approve base salary changes, agree and approve share option/long-term incentive scheme awards, and review and approve new packages prior to offer for other senior staff appointments.

## Nomination Committee

Due to the size and state of development of the Company, the Directors do not consider it necessary to set up a separate Nomination Committee. Appointments are considered by the Board as a whole.

## Risk management and internal controls

The Directors are responsible for the Group's system of internal control and for reviewing its effectiveness; the role of management is to implement Board policies on risk management and control. The Group's system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the Group's business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss. The Group operates a series of controls to meet its needs. These controls include, but are not limited to, a clearly defined organisational structure, written policies, a comprehensive annual strategic planning and budgeting process, and detailed monthly reporting. The Group prepares quarterly rolling budgets, which are reviewed and approved by the Board as part of its normal responsibilities. The quarterly budgeting process facilitates the Board's understanding of the Group's overall position throughout the year. The Audit Committee receives reports from management and the external auditors concerning the system of internal control and any material control weaknesses.

During 2018, the Company drew up a comprehensive risk register with input from all areas of the Group. This was reviewed and discussed by the Audit Committee and ultimately adopted by the full Board. It was agreed that this risk register will be updated quarterly and re-presented to the Audit Committee. Any significant risk issues will be referred to the Board for consideration. The Board has considered the need for an internal audit function, but has concluded that, at this stage in the Group's development, the internal control systems in place are appropriate for the size and complexity of the Group.

The Board has continued to review the system of internal controls since the IPO and has not identified, nor been informed of, any instances of control failings or significant weakness.

**Discover more about our Audit Committee Report.**

**p 37 and 38**

**Discover more about our Remuneration Committee Report.**

**p 39 to 41**

## Relationship with stakeholders and shareholders

The Chairman, CEO and CFO regularly meet with institutional shareholders to foster a mutual understanding of objectives. Major shareholders were offered the opportunity to meet with the CEO and CFO in May 2018. Stephan Beringer held a series of meetings with major shareholders in November 2018 to introduce himself and establish a communication channel. Following the approval of the Group's revised strategy at the end of January 2019, the CEO and CFO held a roadshow and hosted a webinar for shareholders, potential investors and analysts to outline the new strategy and gather feedback from shareholders at the end of March 2019.

**"Stephan Beringer held a series of meetings with major shareholders in November 2018 to introduce himself and establish a communication channel."**

The Chairman and the other Non-executive Directors are available to shareholders to discuss strategy and governance issues. The Directors encourage the participation of all shareholders, including private investors, at the Annual General Meeting. The Annual Report and Accounts and the strategy update are published on the Company's corporate website, www.mirriadplc.com, and can be accessed there by shareholders.

Open and transparent communication with our employees around the world is a critical element in driving the Group's success. The senior management team is committed to a culture that encourages all staff to contribute ideas and thoughts on how the Group can innovate and drive business. To that end the Group holds frequent video conference Town Hall meetings that all staff can access, followed by online polls covering a specific topic. Additionally, the Group runs a full employee survey every six months, with results and actions shared following the analysis of results.

By order of the Board

**John Pearson**
Non-executive Chairman
10 May 2019

Audit Committee report



**Dr Mark Alexander Reilly**
Chairman of the Audit Committee

| Member | Number of meetings and attendance while in post |
|---|---|
| Dr Mark Reilly (Chairman) | 4/4 |
| Roger Faxon | 4/4 |

I am pleased to present the report for the Audit Committee for the year ended 31 December 2018.

The Audit Committee was reconstituted and adopted new terms of reference immediately before the 2017 IPO.

The Committee consists of two Non-executive Directors; I serve as Chairman and Roger Faxon is the other member. The Company's Executive Directors attend meetings by invitation, and senior management is asked to attend meetings when relevant. The Committee meets a minimum of three times per year and at least twice a year with the external auditors present.

The Committee's responsibilities cover a range of areas. In summary, the Committee is responsible for:

1. Monitoring the integrity of the Company's financial statements, including its annual and half-yearly reports, ensuring that accounting policies have been fairly and consistently applied; that estimates and judgements used are reasonable; that, taken as whole, the Company's financial reports are clear and complete; and that all material information presented with the financial statements, such as the Business Review and the Corporate Governance Statement, are accurate.
2. Considering the need for an internal audit function and reviewing the adequacy and effectiveness of the internal control and risk management systems.
3. Considering and making recommendations to the Board about the appointment, re-appointment and removal of the Company's external auditors and ensuring that at least once every 10 years the audit services contract is put out to tender; overseeing the relationship with the external auditors, including making recommendations on their fees; approving their terms of engagement, including the engagement letter and the scope of the audit; assessing their independence and objectivity, including the provision of any non-audit services; meeting regularly with the external auditors, including once at the planning stage before the audit and once at the reporting stage after the audit, and at least once a year, without management being present, to discuss the auditors' remit and any issues arising from the audit; and reviewing the findings of the audit with the external auditors.

The Committee has concluded that the Company is not yet at the stage of development where an internal audit function would be appropriate. It will continue to monitor this.

## Internal controls and risk management

The Board has overall responsibility for the system of internal controls and risk management. During the year a new risk reporting framework was introduced. Work done at the time of the IPO identified the Company's internal control framework. Much of it relies on close supervision of subsidiary units and strict control of cash resources from the central finance team under the direction of the Chief Financial Officer. The Audit Committee, on behalf of the Board, has again reviewed the effectiveness of the internal controls and risk management. The Committee received and considered the risk register from executive management and debated risks with management. The Committee also discussed the internal control framework with the Company's external auditors and risks relating to fraud that the Group faces.

The Committee also received and considered reports from the external auditors, PwC LLP, which included control findings relevant to their audit.

There is an ongoing process to identify, evaluate and manage the risks faced by the Group. Each business unit or function reports quarterly on the key risks identified and measures being taken to mitigate those risks. These are summarised and reported to the Committee by the CFO before being passed to the full Board by the Committee.

The Strategic Report on pages 1 to 27 includes further details about the business risks identified and actions being taken. The process of risk management is new, and it is the Committee's intention that it will be continually developed and improved.

## Going concern

The financial statements have been prepared on the going concern basis, which assumes that the Group will have sufficient funds available to enable it to continue to trade for the foreseeable future. The Directors have prepared financial forecasts to estimate the likely cash requirements of the Group over the next 12 months from the date of approval of the financial statements. The forecasts show that the Group will require additional external funding within that 12-month forecast period to be able to continue as a going concern. The Directors anticipate that this will come from new or existing shareholders. The Directors are confident that the funding required for the Company and Mirriad Advertising plc to continue as a going concern will be secured within a period of 12 months from the date of approval of the financial statements, and have therefore prepared the financial statements on a going concern basis. However, as at the date of approval of the financial statements no additional funding is committed. Should additional funding not be secured with the 12 months from the date of approval of these financial statements, the Group would not be a going concern. As such, these conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would arise if the Group were unable to continue as a going concern. The Committee is satisfied this is an appropriate basis of preparation and appropriately disclosed in the financial statements.

## Significant reporting issues and judgements

The Committee reviewed the following significant reporting matters and areas where judgement had been applied during the year:

- The carrying value of capitalised development costs and intangible assets as required under IAS 38 with a specific view to understanding how management estimated the values to be capitalised and the appropriateness of writing down periods as well as to determine whether any impairment had been suffered. Management reviewed whether there were any impairment triggers related to the capitalised development costs and determined the failure to achieve revenue targets did represent such a trigger. Given the uncertainty over future cash-flows management impaired the capitalised development costs to nil at 31 December 2018. The committee was in agreement with this assessment.
- The implementation of new IFRSs 9 and 15 covering financial instruments and revenue recognition to understand how management intended to implement these standards and what issues they had considered.

## External audit

The Committee considered a number of areas when reviewing the external auditors' appointment, specifically their performance in undertaking the audit, the scope of the audit and terms of engagement, their independence and objectivity, and their re-appointment and remuneration.

The Committee reviews the objectivity and independence of the auditors when considering re-appointment. The external auditors report to the Committee on actions taken to comply with professional and regulatory requirements. The audit partner was changed following the Company's IPO, with PwC Partner Gareth Murfitt assuming the role of lead audit partner for the audit in 2017. The Committee is satisfied with the independence, objectivity and effectiveness of PwC LLP and has recommended to the Board that the auditors be re-appointed. There will be a resolution to this effect at the forthcoming Annual General Meeting.

**Dr Mark Reilly**
Chairman of the Audit Committee
10 May 2019

# Remuneration Committee report

**Alastair Kilgour**
Chairman of the Remuneration Committee

| Member | Number of meetings and attendance while in post |
|---|---|
| Alastair Kilgour (Chair) | 6/6 |
| John Pearson | 6/6 |
| Dr Mark Reilly | 6/6 |

As Chairman of the Remuneration Committee, I am pleased to present the Remuneration Committee Report for the year ended 31 December 2018.

The Remuneration Committee currently consists of two Non-executive Directors. Serving with me is Dr Mark Reilly. Following John Pearson's appointment as Non-executive Chairman he has stepped off the Committee but he was its Chair until 30 April 2019. The terms of reference for the Committee allow the Company Chairman, now John Pearson, to attend Committee meetings.

The Chief Executive Officer and Chief Financial Officer may be invited to attend meetings of the Committee, but no Director is involved in any decisions relating to their own remuneration. None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross directorships or day-to-day involvement in running the business.

The Committee's main responsibilities are to:

1. Set the remuneration policy for all Executive Directors and the Company's Chairman, including pension rights and any compensation payments. None of the Directors or senior managers is involved in any decisions about their own remuneration.
2. Recommend and monitor the level and structure of remuneration for senior management.
3. Review the ongoing appropriateness and relevance of our overall remuneration policy.
4. Determine the individual remuneration packages of Executive Directors and other senior executives, including bonuses and incentive payments in consultation with the Chairman and/or CEO, as appropriate.
5. Obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity.
6. Approve the design of, and determine targets for, any performance related pay schemes and approve the total annual payments made under them.
7. Review the design of all share incentive plans and, if awards are made, the overall amount of those awards to Executive Directors and other senior executives along with the performance targets to be used.
8. Set the policy for, and scope of, pension arrangements for each Executive Director and other senior executives.
9. Oversee any major changes in employee benefit structures throughout the Group.

## Remuneration policy

The objective of our remuneration policy is to attract, retain and motivate executive management of the quality required to run the Company successfully without paying more than necessary. Our policy takes into account the Company's risk appetite and is aligned with the Company's long-term strategic goals while ensuring that overall remuneration is consistent with the performance of the Group and retains a balance between remuneration and shareholder value.

The Remuneration Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to remuneration, terms of service, granting of share options and other equity incentives.

## Appointment of new CEO on 27 September 2018

On 27 September 2018 Stephan Beringer was appointed CEO with a brief to completely review the Company, its strategy, objectives, technology and staff. The Committee was aware of the need to attract a candidate who could effectively turn the organisation around. Stephan joined the Company from Publicis Groupe, where he held a number of senior roles at CEO level and so has a deep understanding of the advertising market and the impact of technology on it. Stephan is using his knowledge of the industry to ensure that the Company is connected to media agencies and brand owners at the right level.

In order to attract a candidate of Stephan's calibre to a small company with substantial risks, the Committee was aware that it would have to offer a package offering significant upside opportunity for Stephan to benefit from turning the Company around.

## Appointment of new CEO on 27 September 2018 continued

The Committee, including the Chairman, debated the design of the package and discussed it with the Company's largest shareholders and NOMAD.

Stephan's package consists of a basic salary of £400,000 per annum plus a time-limited relocation allowance of £70,000 paid in 12 equal instalments. Stephan is entitled to a performance related annual bonus of up to 50% of salary subject to the delivery of certain key objectives. In addition, Stephan was awarded two blocks of share options to ensure that his interests are aligned with the needs of shareholders:

1. The first option has been granted over Ordinary Shares in the Company equal to 2% of the issued share capital of the Company as at the date on which he commenced employment with the Company. That is 2,102,454 shares. The option vests in three equal instalments on the first, second and third anniversaries of the date of grant with an exercise price of £0.00001.
2. The second option has been granted over Ordinary Shares in the Company equal to 2.5% of the issued share capital of the Company as at the date on which he commenced employment with the Company. That is 2,628,068 shares. The vesting is subject to the performance conditions as set out below:

- The option will vest over a four-year period with one-third of the shares vesting on the second anniversary of the date of grant, one-third of the shares vesting on the third anniversary of the date of grant, and one-third of the shares vesting on the fourth anniversary of the date of grant.
- The option exercise price is £0.35.
- Once vested, the option is only capable of exercise if the market value of the shares at the proposed exercise date is equal to or exceeds £1.24 per share and has done so for at least 15 trading days immediately preceding the exercise date. The market value will be determined by reference to the middle-market quotation of the share (as derived from the London Stock Exchange's Daily Official List) on the dealing day immediately prior to the exercise date.

The first option was designed to compensate Stephan for lost earnings at his previous company. The second option would require the market value of the Company to have increased from £31.5m at the date Stephan joined, when the Company's shares were trading at 30p, to £130.4m (assuming no change in issued share capital), a net increase of £98.8m. Stephan's potential gain at this point would be £2.3m or approximately 2% of the net increase in Company value.

## Directors' service contracts

Under the terms of the service agreements in place with Executive Directors, six months' written notice must be given by either party to terminate those service agreements. Under the terms of the service agreements in place with Non-executive Directors, three months' written notice must be given by either party to terminate that appointment.

Compensation for early termination for Executive Directors is generally limited to six months' base salary and benefits.

Any entitlements under incentive plans would ordinarily lapse in accordance with the terms of the relevant plan, unless the Remuneration Committee exercises its discretion as provided under the incentive scheme rules.

## Directors' remuneration

Normally an Executive Director's remuneration consists of basic salary, annual performance related bonus and long-term incentive awards in the form of share options. The remuneration of the Executive Directors is set by the Remuneration Committee in accordance with the Company's reward policy, which principally aims to recruit and retain Directors with appropriate skills and qualities to drive the Company's strategy and deliver value for shareholders. Neither Executive Director is involved in deciding their own remuneration.

Both Executive Directors have service agreements that can be terminated by either party giving at least six months' written notice.

As at 31 December 2018, the basic annual salaries payable to the Chief Executive Officer and the Chief Financial Officer were £400,000 and £185,349 per annum, respectively.

Salaries for all staff, including Executive Directors, are reviewed annually effective 1 January. In January 2019 the Chief Financial Officer's salary was increased to £200,000. This change was made following recommendations from the Chief Executive Officer for a range of changes to salaries across the organisation to motivate and retain key staff while the Company's new strategy is introduced.

## Executive bonuses

The Company operates a performance related bonus scheme for all staff, including Executive Directors. During the year the CFO was awarded bonuses totalling £44,000 triggered by meeting certain performance criteria in the financial year ended 31 December 2018.

## Pensions

The Company operates a defined contribution pension scheme open to all UK Executive Directors and employees.

## Non-executive Directors

Remuneration of the Non-executive Directors is determined by the Executive Directors.

Non-executive Directors are not entitled to pensions, annual bonuses or employee benefits. They are entitled to participate in share option arrangements relating to the Company's shares, and both the Chairman and the independent Non-executive have share option arrangements. The Board does not consider that this compromises the independence of either of these Directors.

Each of the Non-executive Directors has a contract stating their annual fee and that their appointment is initially for a term of three years from the date of admission, subject to re-election at the Company's Annual General Meeting.

Their appointment may be terminated with three months' written notice at any time.

The annual fee for Roger Faxon as Chairman was £100,000. John Pearson's annual fee is £40,000 and the remaining Non-executive Directors' annual fees are £20,000 per annum. These have not been changed since the date of admission to AIM (19 December 2017).

## Directors' share options

Aggregate emoluments disclosed below do not include any amounts for the value of options to acquire Ordinary Shares in the Company granted to or held by the Directors. In general, for options granted, one-third are exercisable on the first anniversary of the grant, a further third are exercisable on the second anniversary of the grant and the remainder are exercisable three years after the date of grant. All vested options expire 10 years after the date of grant. Details of options for Directors who served during the year are as follows:

| | Options at 31 December 2018 | Vesting dates | Exercise price |
|---|---|---|---|
| **Executive** | | | |
| Stephan Beringer | 2,102,454 | 1 Oct 2019/20/21 | £0.00001 |
| | 2,628,068 | 1 Oct 2020/21/22 | £0.35* |
| Mark Popkiewicz | 253,576 | 20 Aug 2016/17/18 | £0.30 |
| | 1,469,753 | 16 Dec 2017/18/19 | £0.62 |
| David Dorans | 394,210 | 12 Nov 2019/20/21 | £0.195 |
| **Non-executive** | | | |
| Roger Faxon | 610,696 | Vested 19 Dec 2017 | £0.30 |
| | 987,218 | Vested 19 Dec 2017 | £0.62 |
| John Pearson | 225,000 | 16 Oct 2018/19/20 | £0.62 |
| Dr Mark Reilly | – | – | – |
| Alastair Kilgour | – | – | – |

* These options are only capable of being exercised if the Company's share price equals or exceeds £1.24 at the date of exercise.

## Directors' remuneration

| | Salary/fees £000 | Bonus £000 | Employer's pension £000 | Other benefits £000 | Share-based payment £000 | Total 2018 £000 | Total 2017 £000 |
|---|---|---|---|---|---|---|---|
| **Executive** | | | | | | | |
| Stephan Beringer* | 100 | – | – | 17 | 112 | 229 | – |
| Mark Popkiewicz** | 143 | 25 | 7 | 1 | 25 | 201 | 487 |
| David Dorans | 175 | 44 | 8 | – | 2 | 229 | 520 |
| **Non-executive** | | | | | | | |
| Roger Faxon | 100 | – | – | – | – | 100 | 440 |
| John Pearson | 40 | – | – | – | 39 | 79 | 17 |
| Dr Mark Reilly | 20 | – | – | – | – | 20 | 1 |
| Alastair Kilgour | 20 | – | – | – | – | 20 | 1 |
| | 598 | 69 | 15 | 18 | 178 | 878 | 1,466 |

* From date of appointment.

** To date of resignation.

There are no long-term employment benefit or incentive schemes in place other than share options. The highest paid Director did not exercise any share options during the year.

**Alastair Kilgour**
Chairman of the Remuneration Committee
10 May 2019

# Directors' report

The Directors present their Annual Report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

## Country of incorporation

Mirriad Advertising plc is a public limited company listed on AIM and incorporated and registered in the United Kingdom. The registered office address is given on the information page inside the back cover of this document.

## Review of business and future developments

The Chairman's Statement (pages 10 and 11), the Chief Executive's Q&A (pages 15 and 16) and the Financial Review (pages 20 to 22) report on the performance of the Group during the year ended 31 December 2018 and its prospects for the future.

## Directors

The Directors of the Group during the year and up to the date of signing the financial statements were:

- Roger Faxon – appointed 1 June 2015
- Mark Popkiewicz – resigned 1 October 2018
- Stephan Beringer – appointed 1 October 2018
- David Dorans – appointed 19 December 2017
- John Pearson – appointed 2 October 2017
- Dr Mark Reilly – appointed 19 December 2017
- Alastair Kilgour – appointed 19 December 2017

## Significant shareholders

The Company is informed that, at 23 April 2018, individual registered shareholdings of more than 3% of the Company's issued share capital were as follows:

| | Number of Ordinary Shares held | Percentage of issued Ordinary Share capital |
|---|---|---|
| IP Group plc[1] | 27,726,904 | 26.4% |
| Parkwalk Advisors Limited | 18,480,973 | 17.6% |
| Soros Fund Management | 4,838,710 | 4.6% |
| Janus Henderson Investors | 4,240,000 | 4.0% |
| Progeny | 3,699,036 | 3.5% |
| Jinhua Puhua Tianqin Equity Investment Fund Partnership | 3,225,806 | 3.1% |

1 Held by its subsidiary IP2IPO Portfolio L.P acting by its general partner IP2IPO Portfolio (GP) Limited.

## Directors' shareholdings

The beneficial interests of the Directors in the share capital of the Company at 31 December 2018 and at 23 April 2019 were as follows:

| | Number of Ordinary Shares held | Percentage of issued Ordinary Share capital |
|---|---|---|
| **Executive Directors** | | |
| Stephan Beringer | – | – |
| David Dorans | 508,024 | 0.5% |
| **Non-executive Directors** | | |
| Roger Faxon | 5,745 | – |
| Alastair Kilgour | 333,333 | 0.3% |
| Dr Mark Reilly | 33,333 | – |
| John Pearson | – | – |

## Employees

The Group's Executive management regularly delivers Company-wide "Town Hall" style briefings on the Group's strategy and performance. These briefings contain details of the Group's financial performance where appropriate. The Group remains committed to fair treatment of people with disabilities in relation to job applications, training, promotion and career development. Every effort is made to find alternative jobs for those who are unable to continue in their existing job due to disability. The Group takes a positive approach to equality and diversity. The Group promotes equality in the application of reward policies, employment and development opportunities, and aims to support employees in balancing work and personal lifestyles.

## Financial instruments

Full details of the Group's risk management policies and its exposure to financial risk are set out in note 3 to the financial statements.

## Directors' indemnities and Directors' and officers' liability insurance

The Company's articles of association permit the Company to indemnify Directors of the Company in accordance with the Companies Act 2006. Directors' and officers' liability insurance is also in place.

## Annual General Meeting

The Annual General Meeting of the Group will be held on 13 June 2019. The notice of meeting appears on pages 79 to 84 of these financial statements.

## Political and charitable donations

During the year ended 31 December 2018 the Group made political donations of £nil (2017: £nil) and charitable donations of £nil (2017: £nil).

## Supplier payment policy and practice

The Group does not operate a standard code in respect of payments to suppliers. The Group agrees terms of payment with suppliers at the start of business and then makes payments in accordance with contractual and other legal obligations.

## Strategic Report and Corporate Governance

Pursuant to section 414c of the Companies Act 2006 the Strategic Report on pages 1 to 27 contains disclosures in relation to dividends, R&D activity, risk management and post balance sheet events. The Company's statement on Corporate Governance including going concern can be found in the Corporate Governance Report on pages 28 to 43.

## Independent auditors

In accordance with section 489 of the Companies Act, a resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

**David Dorans**
Director
10 May 2019

# Statement of Directors' responsibilities

## In respect of the Annual Report and financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

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

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

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

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Directors' confirmations

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

# Independent auditors' report

To the members of Mirriad Advertising plc

## Report on the audit of the financial statements

### Opinion

In our opinion, Mirriad Advertising plc'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 2018 and of the Group's loss and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and Company balance sheet as at 31 December 2018; the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the Company statement of changes in equity and the consolidated and Company statement of cash flows for the year ended 31 December 2018; 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, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Material uncertainty related to going concern – Group and Company

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's and Company's ability to continue as a going concern. In order to continue as a going concern the Group and Company need to secure additional external funding within 12 months from the date of approval of the financial statements. At the time of the approval of the financial statements no such funding is committed. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

#### Explanation of material uncertainty

The Directors have prepared financial forecasts to estimate the likely cash requirements of the Group and Company over a period of 12 months from the date of approval of the financial statements. The forecasts show that the Group and Company require additional external funding within the 12-month forecast period to be able to continue as a going concern. The Directors anticipate that this will come from one or more potential sources, as set out in note 1 to the financial statements. Given the risks associated with raising additional funding, the Directors have drawn attention to this in disclosing a material uncertainty relating to going concern in the basis of preparation to the financial statements.

#### What audit procedures we performed

In concluding there is a material uncertainty, we examined the Group's and Company's cash flow forecast for the 12-month period to 31 May 2020 and agreed that these are based on Board-approved budgets. The forecast included certain assumptions as set out in note 1 to the financial statements. We tested these assumptions by performing the following audit procedures:

- We tested the mathematical accuracy of the cash flow forecast and we did not identify any material exceptions in these tests.
- We compared the planned cash outflow to historical actual results and considered management's assumptions to be supportable.
- We examined documentation supporting the mitigating actions identified by management to extend the Group and Company's cash position, should additional funding not be achieved in line with forecast. We considered management's assumptions to be reasonable.
- We held discussions with management to understand the nature of downside risks, to obtain an update on the current status of the sources of funding options being sought, as set out in note 1 to the financial statements, including the plan to bring them to fruition, and we considered whether there were additional risks that needed to be reflected in the forecasts. We used our understanding of the Company and industry to assess the possibility of such risks arising and their potential impact including performing downside sensitivities. We considered management's assumptions to be reasonable; however, at the time of the approval of the financial statements, we determined that there are no agreements for additional funding in place.

Additionally we considered the adequacy of the disclosure in note 1 to the financial statements and found it to be sufficient to inform members about the Directors' conclusions on the appropriateness of using the going concern basis adopted.

## Report on the audit of the financial statements continued

### Our audit approach

#### Overview


- Overall Group materiality: £646,000 (2017: £553,000), based on 5% of loss before tax.
- Overall Company materiality: £434,000 (2017: £448,000), based on 5% of loss before tax.

We identified two significant components within the Mirriad Advertising plc Group: Mirriad Advertising plc ("the Company") and Mirriad Inc.

- The UK and US entities were selected as significant components based on their large contributions to the overall Group loss before tax.
- Both the UK and US entities were audited by the Group audit team and no assistance was required from any component auditors.
- During our scoping procedures China was considered to have a significant revenue balance which was brought into scope. Only the revenue figure for China was selected and no other balances were brought into scope.

- Fraud in revenue recognition (Group and parent).
- Carrying value of internally generated development costs (Group and parent).
- Going concern (Group and parent).

#### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

#### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Fraud in revenue recognition**<br>• Fraud in revenue recognition is considered a key audit matter given the inherent nature of the business, as a recently listed technology company, with the primary objective to grow revenue and become profitable.<br>• The majority of revenue is recognised once the in-video advertising service has been provided to the customer. The timing of when the service is delivered, and therefore when revenue is recognised, is not complex or judgemental.<br>• The key risk is considered to be in relation to the existence of revenue – that a customer exists and the service has been provided.<br>• (Group and parent) | • We have understood how management recognise and process revenue through performing a walkthrough of the revenue cycle;<br>• We have obtained detailed revenue listings for the UK, US and China entities and agreed these to the general ledger;<br>• We have tested a sample of revenue transactions to sales invoices and also to customer buy (purchase) orders and/or contracts and/or written communications;<br>• We have tested a sample of the revenue transactions selected to subsequent customer cash receipts; and<br>• We performed data analysis to identify potentially unusual journal entries impacting revenue and performed testing on those items.<br>We found no material misstatements from our testing. |

## Report on the audit of the financial statements continued
### Our audit approach continued
#### Key audit matters continued

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Carrying value of internally generated development costs**<br>• Internally generated intangible assets (capitalised development) costs are required to meet the criteria for capitalisation set out under IAS 38.<br>• Furthermore, an impairment assessment is required under IAS 36 if there are any triggering events.<br>• The criteria under IAS 38, to capitalise additions, and under IAS 36, to assess for impairment, require judgement and hence there is a risk that amounts may be over-stated as they either do not meet the criteria for capitalisation or an impairment charge is not recorded.<br>• Management have performed an impairment assessment at year end and determined there is a triggering event given the failure to achieve budgeted revenue growth. Given the uncertainty of future positive cashflows management have impaired the asset to nil at 31 December 2018.<br>• (Group and parent) | • We have understood how management recognise and record capitalised development costs.<br>• We have tested a sample of additions to ensure the costs meet the criteria for capitalisation.<br>• We have tested that previously capitalised development costs are being amortised over three years in accordance with the accounting policy.<br>• We found no material misstatements from our testing.<br>• We have understood management's assessment of impairment at 31 December 2018 and, given the failure to achieve budgeted revenue growth, we concur that this represents a triggering event.<br>• We have reviewed management's future cashflow forecasts and, given the uncertainty of positive future cashflows, we agree that writing the carrying value down to nil is appropriate.<br>• We have recalculated the impairment adjustment for mathematical accuracy without exception. |

### How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group's accounting process is structured around a central finance function based in the UK. The finance function has control and oversight of all overseas territories, even where the overseas territories have a small local finance function. There are six reporting units in the Group: Mirriad Advertising plc (which records the majority of Group activity), Mirriad Inc. (which records all of the activity in the US), Mirriad Advertising Private Limited (India), Mirriad (Singapore) Pte. Ltd, Mirriad Software Science and Technology (Shanghai) Co. Ltd and Mirriad Brasil Tecnologias Para Midia Ltda. These four overseas entities:India, Singapore, China and Brazil, are not within our scoping based on their small impact to our materiality benchmark of Group loss before tax.

For each reporting unit we determined whether we required an audit of its complete financial information ("full scope") or whether specified procedures addressing specific risk characteristics or particular financial statement line items would be sufficient.

It was assessed that Mirriad Advertising plc and Mirriad Inc. were the only reporting units that were required to be full scope, with the other four reporting units contributing 12% to loss before tax and 2% of Group total assets.

Other specified procedures were required for China as it contributed 43% of Group revenue. The revenue was scoped in as part of our audit procedures on top of the two full scope UK and US entities. No other balances in China were above the 15% threshold considered to be a significant balance to the Group audit.

### Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Group financial statements | Company financial statements |
|---|---|---|
| Overall materiality | £646,000 (2017: £553,000). | £434,000 (2017: £448,000). |
| How we determined it | 5% of loss before tax. | 5% of loss before tax. |
| Rationale for benchmark applied | Based on the benchmarks used in the Annual Report, loss before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark. The materiality rule of thumb has is consistent with the prior year. | Based on the benchmarks used in the Annual Report, loss before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark. The materiality rule of thumb is consistent with the prior year. |

## Report on the audit of the financial statements continued

### Our audit approach continued

#### Materiality continued

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £250,000 and £434,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £32,000 (Group audit) (2017: £22,000) and £22,000 (Company audit) (2017: £22,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

### Reporting on other information

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

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

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

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

#### Strategic Report and Directors' Report

In our opinion, based on work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

### Responsibilities for the financial statements and the audit

#### Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 43, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### Auditors' responsibilities for the audit of the financial statements

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

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

## Report on the audit of the financial statements continued

### Responsibilities for the financial statements and the audit continued

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

We have no exceptions to report arising from this responsibility.

**Gareth Murfitt (Senior Statutory Auditor)**
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
10 May 2019

# Consolidated statement of profit or loss

For the year ended 31 December 2018

| | Note | Year ended 31 December 2018 £ | Year ended 31 December 2017 £ |
|---|---|---|---|
| Revenue | 5 | **415,886** | 874,191 |
| Cost of sales | | **(143,548)** | (180,587) |
| **Gross profit** | | **272,338** | 693,604 |
| Administrative expenses | 6 | **(14,872,725)** | (12,067,393) |
| Other operating income | 6 | **171,433** | 101,715 |
| **Operating loss** | | **(14,428,954)** | (11,272,074) |
| Finance income | 8 | **57,968** | 776 |
| **Loss before income tax** | | **(14,370,986)** | (11,271,298) |
| Income tax credit | 10 | **42,217** | 208,849 |
| **Loss for the year** | | **(14,328,769)** | (11,062,449) |
| Loss per Ordinary Share – basic | 11 | **(14p)** | (19p) |

All activities are classified as continuing.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the parent company profit and loss account.

# Consolidated statement of comprehensive income

For the year ended 31 December 2018

| | Year ended 31 December 2018 £ | Year ended 31 December 2017 £ |
|---|---|---|
| **Loss for the financial year** | **(14,328,769)** | (11,062,449) |
| **Other comprehensive loss** | | |
| Items that may be reclassified to profit or loss: | | |
| Exchange differences on translation of foreign operations | **(88,346)** | (14,088) |
| **Total comprehensive loss for the year** | **(14,417,115)** | (11,076,537) |

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 10.

# Consolidated and Company balance sheets

At 31 December 2018

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | **As at 31 December 2018 £** | As at 31 December 2017 £ | **As at 31 December 2018 £** | As at 31 December 2017 £ |
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 12 | **414,062** | 425,874 | **328,842** | 379,603 |
| Intangible assets | 13 | **170,053** | 1,640,690 | **170,053** | 1,640,690 |
| Investments | 9 | **—** | — | **239,363** | 213,748 |
| Trade and other receivables | 14 | **186,321** | 212,960 | **162,962** | 162,960 |
| | | **770,436** | 2,279,524 | **901,220** | 2,397,001 |
| **Current assets** | | | | | |
| Trade and other receivables | 14 | **973,750** | 1,074,274 | **587,151** | 526,610 |
| Other current assets | | **288,009** | 208,840 | **288,009** | 208,840 |
| Cash and cash equivalents | | **15,203,920** | 26,383,690 | **14,621,951** | 25,875,205 |
| | | **16,465,679** | 27,666,804 | **15,497,111** | 26,610,655 |
| **Total assets** | | **17,236,115** | 29,946,328 | **16,398,331** | 29,007,656 |
| **Current liabilities** | | | | | |
| Trade and other payables | 15 | **1,622,460** | 2,054,603 | **1,267,132** | 1,726,942 |
| Current tax liabilities | | **36,952** | — | **—** | — |
| **Total liabilities** | | **1,659,412** | 2,054,603 | **1,267,132** | 1,726,942 |
| **Net assets** | | **15,576,703** | 27,891,725 | **15,131,199** | 27,280,714 |
| **Equity and liabilities** | | | | | |
| **Equity attributable to owners of the parent** | | | | | |
| Share capital | 17 | **50,949** | 50,917 | **50,949** | 50,917 |
| Share premium | 17 | **25,643,192** | 23,717,390 | **25,643,192** | 23,717,390 |
| Share-based payment reserve | 18 | **2,141,094** | 1,964,835 | **2,141,094** | 1,964,835 |
| Retranslation reserve | 19 | **(278,831)** | (190,485) | **—** | — |
| (Accumulated losses)/retained earnings | | **(11,979,701)** | 2,349,068 | **(12,704,036)** | 1,547,572 |
| **Total equity** | | **15,576,703** | 27,891,725 | **15,131,199** | 27,280,714 |

The financial statements on pages 49 to 78 were approved the Board of Directors on 10 May 2019 and signed on its behalf by:

**Stephan Beringer**
Chief Executive Officer

Mirriad Advertising plc

Company number: 09550311

# Consolidated statement of changes in equity

## For the year ended 31 December 2018

| | | Year ended 31 December 2017 | | | | | |
|---|---|---|---|---|---|---|---|
| | Note | Share capital £ | Share premium £ | Share-based payment reserve £ | Retranslation reserve £ | (Accumulated losses)/retained earnings £ | Total equity £ |
| Balance at 1 January 2017 | | 556 | 22,401,586 | 289,564 | (176,397) | (10,343,533) | 12,171,776 |
| Loss for the financial year | | – | – | – | – | (11,062,449) | (11,062,449) |
| Other comprehensive loss for the year | 19 | – | – | – | (14,088) | – | (14,088) |
| Total comprehensive loss for the year | | – | – | – | (14,088) | (11,062,449) | (11,076,537) |
| Shares issued in lieu of consideration | 17 | 1 | 52,543 | – | – | – | 52,544 |
| Proceeds from shares issued | 17 | 462 | 27,541,844 | – | – | – | 27,542,306 |
| Share issue costs | 17 | – | (2,473,635) | – | – | – | (2,473,635) |
| Issue of deferred shares | 17 | 49,898 | (49,898) | – | – | – | – |
| Capital restructuring | 17 | – | (23,755,050) | – | – | 23,755,050 | – |
| Share-based payments recognised as expense | 20 | – | – | 1,675,271 | – | – | 1,675,271 |
| Total transactions with shareholders recognised directly in equity | | 50,361 | 1,315,804 | 1,675,271 | – | 23,755,050 | 26,796,486 |
| **Balance at 31 December 2017** | | 50,917 | 23,717,390 | 1,964,835 | (190,485) | 2,349,068 | 27,891,725 |

| | | **Year ended 31 December 2018** | | | | | |
|---|---|---|---|---|---|---|---|
| | Note | Share capital £ | Share premium £ | Share-based payment reserve £ | Retranslation reserve £ | Retained earnings/ (accumulated losses) £ | Total equity £ |
| Balance at 1 January 2018 | | 50,917 | 23,717,390 | 1,964,835 | (190,485) | 2,349,068 | 27,891,725 |
| Loss for the financial year | | – | – | – | – | (14,328,769) | (14,328,769) |
| Other comprehensive loss for the year | 19 | – | – | – | (88,346) | – | (88,346) |
| Total comprehensive loss for the year | | – | – | – | (88,346) | (14,328,769) | (14,417,115) |
| Proceeds from shares issued | 17 | 32 | 1,999,968 | – | – | – | 2,000,000 |
| Share issue costs | 17 | – | (74,166) | – | – | – | (74,166) |
| Share-based payments recognised as expense | 20 | – | – | 176,259 | – | – | 176,259 |
| Total transactions with shareholders recognised directly in equity | | 32 | 1,925,802 | 176,259 | – | – | 2,102,093 |
| **Balance at 31 December 2018** | | **50,949** | **25,643,192** | **2,141,094** | **(278,831)** | **(11,979,701)** | **15,576,703** |

# Company statement of changes in equity

For the year ended 31 December 2018

| | Note | Year ended 31 December 2017 Share capital £ | Share premium £ | Share-based payment reserve £ | (Accumulated losses)/retained earnings £ | Total equity £ |
|---|---|---|---|---|---|---|
| Balance at 1 January 2017 | | 556 | 22,401,586 | 289,564 | (10,917,221) | 11,774,485 |
| Loss for the financial year | | – | – | – | (11,290,257) | (11,290,257) |
| Total comprehensive loss for the year | | – | – | – | (11,290,257) | (11,290,257) |
| Shares issued in lieu of consideration | 17 | 1 | 52,543 | – | – | 52,544 |
| Proceeds from shares issued | 17 | 462 | 27,541,844 | – | – | 27,542,306 |
| Share issue costs | 17 | – | (2,473,635) | – | – | (2,473,635) |
| Issue of deferred shares | 17 | 49,898 | (49,898) | – | – | – |
| Capital restructuring | 17 | – | (23,755,050) | – | 23,755,050 | – |
| Share-based payments recognised as expense | 20 | – | – | 1,675,271 | – | 1,675,271 |
| Total transactions with shareholders recognised directly in equity | | 50,361 | 1,315,804 | 1,675,271 | 23,755,050 | 26,796,486 |
| **Balance at 31 December 2017** | | 50,917 | 23,717,390 | 1,964,835 | 1,547,572 | 27,280,714 |

| | Note | **Year ended 31 December 2018** Share capital £ | Share premium £ | Share-based payment reserve £ | Retained earnings/ (accumulated losses) £ | Total equity £ |
|---|---|---|---|---|---|---|
| Balance at 1 January 2018 | | 50,917 | 23,717,390 | 1,964,835 | 1,547,572 | 27,280,714 |
| Loss for the financial year | | – | – | – | (14,251,608) | (14,251,608) |
| Total comprehensive loss for the year | | – | – | – | (14,251,608) | (14,251,608) |
| Proceeds from shares issued | 17 | 32 | 1,999,968 | – | – | 2,000,000 |
| Share issue costs | 17 | – | (74,166) | – | – | (74,166) |
| Share-based payments recognised as expense | 20 | – | – | 176,259 | – | 176,259 |
| Total transactions with shareholders recognised directly in equity | | 32 | 1,925,802 | 176,259 | – | 2,102,093 |
| **Balance at 31 December 2018** | | **50,949** | **25,643,192** | **2,141,094** | **(12,704,036)** | **15,131,199** |

# Consolidated and Company statement of cash flows

For the year ended 31 December 2018

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2018 £ | 2017 £ | 2018 £ | 2017 £ |
| **Net cash used in operating activities** | 21 | **(11,972,408)** | (7,709,471) | **(12,130,841)** | (8,110,560) |
| Tax credit received | | **—** | 184,250 | **—** | 184,250 |
| Taxation paid | | **(6,691)** | — | **—** | — |
| Interest received | | **57,968** | 776 | **56,132** | 54 |
| **Net cash used in operating activities** | | **(11,921,131)** | (7,524,445) | **(12,074,709)** | (7,926,256) |
| **Cash flow from investing activities** | | | | | |
| Investment in subsidiaries | | **(168,587)** | (201,953) | **(168,587)** | (201,953) |
| Capitalisation of development costs | | **(878,500)** | (842,010) | **(878,500)** | (842,010) |
| Purchase of tangible assets | 12 | **(137,386)** | (466,627) | **(57,292)** | (405,565) |
| Proceeds from disposal of tangible assets | | **—** | 2,660 | **—** | 1,441 |
| **Net cash used in investing activities** | | **(1,184,473)** | (1,507,930) | **(1,104,379)** | (1,448,087) |
| **Cash flow from financing activities** | | | | | |
| Proceeds from issue of Ordinary Share capital (net of costs of issue) | 17 | **1,925,834** | 25,068,671 | **1,925,834** | 25,068,671 |
| **Net cash generated from financing activities** | | **1,925,834** | 25,068,671 | **1,925,834** | 25,068,671 |
| Net (decrease)/increase in cash and cash equivalents | | **(11,179,770)** | 16,036,296 | **(11,253,254)** | 15,694,328 |
| Cash and cash equivalents at the beginning of the year | | **26,383,690** | 10,347,394 | **25,875,205** | 10,180,877 |
| **Cash and cash equivalents at the end of the year** | | **15,203,920** | 26,383,690 | **14,621,951** | 25,875,205 |
| **Cash and cash equivalents consists of** | | | | | |
| Cash at bank and in hand | | **15,203,920** | 26,383,690 | **14,621,951** | 25,875,205 |
| **Cash and cash equivalents** | | **15,203,920** | 26,383,690 | **14,621,951** | 25,875,205 |

## 1. Summary of significant accounting policies
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

### 1.1 Basis of preparation
The financial statements of Mirriad Advertising plc have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations as adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

#### 1.1.1 Going concern
The financial statements have been prepared on the going concern basis, which assumes that the Group will have sufficient funds available to enable them to continue to trade for the foreseeable future.

The Directors have prepared financial forecasts to estimate the likely cash requirements of the Group over the next 12 months from the date of approval of the financial statements. The forecasts show that the Group will require additional external funding within the 12-month forecast period to be able to continue as a going concern. The Directors anticipate that this will come from new or existing shareholders. The Directors are confident that the funding required for the Company and Mirriad Advertising plc to continue as a going concern will be secured within a period of 12 months from the date of approval of the financial statements, and have therefore prepared the financial statements on a going concern basis. However, as at the date of approval of the financial statements no additional funding is committed. Should additional funding not be secured within the 12 months from the date of approval of these financial statements, the Group would not be a going concern.

As such, these conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would arise if the Group were unable to continue as a going concern.

## 2. Accounting policies
### 2.1 Changes in accounting policy and disclosures
#### (a) New standards, amendments and interpretations
The Group adopted IFRS 15 and IFRS 9 on 1 January 2018 and these are the first financial statements prepared under these standards. Analyses of the impacts of these new standards are set out below:

- IFRS 15 "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of historical financial information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations.

Most of the Group's client contracts do not specify revenue values but provide a framework within which individual work to produce campaigns and revenues are agreed and executed. The revenue on such campaigns is currently recognised on a monthly basis depending on campaign progress and ad units delivered to the client, as a proportion of the total campaign goals or agreed fee. This matches the process of the "assets" generated from the campaigns being transferred to the client, for which the Group is entitled to revenue as the "assets" are produced. Where a fixed or minimum revenue value is specified in the contract, this is recognised over the duration of the agreement in line with the agreed performance criteria where these have been specified. Due to this approach being in place already there were no significant adjustments required to revenue recognition practices and as a result there is no impact on transition to IFRS 15 for revenue, profit or net assets.

- IFRS 9 "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

## 2. Accounting policies continued

### 2.1 Changes in accounting policy and disclosures continued

#### (a) New standards, amendments and interpretations continued

The only measurement adjustment related to the transition to IFRS 9 has been a £937 reduction in trade receivables, which is due to the requirement to recognise expected credit losses on receivables from initial recognition and throughout the life of the asset. There are no complex financial instruments, derivatives or hedges in place which would be impacted by the transition, and the only items held by the Group covered by IFRS 9 are cash balances, trade related receivables and payables and accruals. Such items are recognised at their transaction value.

The following standards, amendments or interpretations, effective for the financial year beginning on or after 1 January 2018, have had no material impact on the Group or parent company:

- Amendments to IFRS 2: IFRS 9 amendment to IFRS 2 – none of the share-based payment transactions relate to services under a contract which is within the scope of IFRS 9.
- Amendments to IFRS 2: Classification and measurement of share-based payment transactions – there are no cash-settled share-based payment transactions and none of the share-based payment transactions have a net settlement feature.
- Amendments to IFRS 4: IFRS 9 amendment to IFRS 4 – no insurance contracts in place which are within the scope of IFRS 4.
- Amendments to IAS 40 – no investment properties held by the Group.
- Amendments to IAS 28 – Annual improvements to IFRS 2014–2016 cycle – no investments in associates or joint ventures within the Group.

#### (b) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. With the exception of IFRS 16, none of these are expected to have a significant effect on the financial statements of the Group or parent company, as set out below:

- IFRS 16 “Leases” addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of historical financial information about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on the balance sheet for lessees. The standard replaces IAS 17 “Leases” and related interpretations. The standard is effective for annual periods beginning on or after 2019 and earlier adoption is permitted, subject to EU endorsement and the entity’s adoption of IFRS 15 “Revenue from contracts with customers” at the same time. The impact of IFRS 16 at 1 January 2019 is expected to lead to the creation of a lease asset of £820,612 and a new lease liability value of £1,044,600 which is offset by a £167,403 write back of a rent-free period accrual. The cumulative impact on retained earnings is expected to be a reduction of £56,585.
- IFRIC 23 “Uncertainty over income tax treatments” clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over tax treatment. The impact of IFRIC 23 is deemed to not be significant since the Group is largely loss making, and there are currently no significant uncertainties regarding tax treatment in any of the Group entities. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted.
- IAS 28 “Investments in associates and joint ventures” has been amended to clarify that an entity should apply IFRS 9 as well as IAS 28 to long-term interests in associates and joint ventures that in substance form part of the net investment in the associate or joint venture. As there are no investments in associates or joint ventures in the Group this amendment is not currently expected to have any impact.

### 2.2 Business combinations

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group’s interest in the identifiable net assets, liabilities and contingent liabilities acquired.

## 2. Accounting policies continued

### 2.3 Consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings made up to 31 December 2018, and the prior year to 31 December 2017.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Any subsidiary undertakings or associates sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.

Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated income statement. The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings. The gain or loss also includes amounts included in other comprehensive income that are required to be reclassified to profit or loss but excludes those amounts that are not required to be reclassified.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the Group's interest in the entity.

### 2.4 Foreign currency translation

#### (i) 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 each entity operates (the "functional currency"). The consolidated financial statements are presented in Pound Sterling, which is the functional and presentational currency of the Company and the presentation currency of the Group.

#### (ii) Transactions and balances

Transactions in foreign currencies are translated into Sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transactions is included as an exchange gain or loss in the profit and loss account.

Non-monetary items measured at historical costs are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within "Finance income or finance costs". All other foreign exchange gains and losses are presented in the profit and loss account within "Administrative expenses".

#### (iii) Group companies

The results and financial position of all the Group 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:

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

(b) 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 rate on the dates of each transaction); and

(c) all resulting exchange differences are recognised in other comprehensive income.

### 2.5 Revenue recognition

Revenue is recognised in accordance with the requirements of IFRS 15 "Revenue from contracts with customers". The Company recognises revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

(1) identify the contract(s) with the customer;

(2) identify the performance obligations in the contract;

(3) determine the transaction price;

(4) allocate the transaction price to the performance obligations in the contract; and

(5) recognise revenue when (or as) the entity satisfy a performance obligation.

## 2. Accounting policies continued

### 2.5 Revenue recognition continued

All Group revenue comes from the primary business activity of providing in-video advertising services to broadcasters, advertisers, brand owners and their agencies. This involves the insertion by the Group of a product, signage or video into existing content. In accordance with IFRS 15 revenue is recognised when the services have been delivered and the "asset" transferred to customers in accordance with contractual terms and conditions and there are no further obligations attached.

Most of the Group's client contracts do not specify revenue values but provide a framework, and normally a share of customer revenue, within which individual work to produce campaigns and revenues are agreed and executed. The exact revenue for each campaign is set out in the relevant insertion (purchase) order which shows the agreed number of advertising units or insertions to be delivered.

The revenue on such campaigns is currently recognised on a monthly basis depending on campaign progress and ad units delivered to the client, as a proportion of the total campaign goals or agreed fee. This matches the process of the "assets" generated from the campaigns being transferred to the client, for which the Group is entitled to revenue as the "assets" are produced.

Where a fixed or minimum revenue value is specified in the contract, this is recognised over the duration of the agreement in line with the agreed performance criteria where these have been specified.

### 2.6 Cost of sales

Cost of sales comprises costs directly related to the ad delivery team in India, which performs the integration work of the creative imagery (our embed) into the original content and quality control of the end result. All other staff costs are included in administrative costs below gross profit.

### 2.7 Other operating income

Other operating income relates to income received from government grants.

### 2.8 Government grants

Grant income represents amounts received from the government to assist with the funding of research and development activities carried out by the Group. Government grant income is recognised at fair value in the profit and loss account at the point that there is reasonable assurance that the Group has complied with the conditions attaching to them and the grants will be received. Government grants are recognised in the income statement on a systematic basis over the periods in which the related costs towards which they are intended to compensate are recognised as expenses. Where grant related costs relate to staff expenses which are being capitalised as development costs the related grant income is not recognised in the income statement but is instead deducted in arriving at the intangible asset being recognised.

### 2.9 Interest income

Interest income is recognised using the effective interest rate method.

### 2.10 Current and deferred tax

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax is the amount of income tax payable or receivable in respect of the taxable profit or loss for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Deferred tax is the timing difference between the tax base and the carrying value in the balance sheet. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Research and development tax credits are recognised as an income tax credit in the income statement, with a corresponding asset recognised until the amounts are received. Such amounts are only recognised at the year end based on an assessment of relevant time spent by employees on research and development activities. Where government grants have been received against the same employee costs, such amounts are removed from the R&D tax credit calculations.

## 2. Accounting policies continued
### 2.11 Leases
At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

#### Operating leased assets
Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases were charged to the profit and loss account on a straight line basis over the period of the lease.

### 2.12 Employee benefits
#### (i) Pension
The Company operates a defined contribution pension scheme for UK employees. The contributions are recognised as an employee benefit expense when they are due. Differences between contributions payable in the year and contributions actually paid are shown as accruals in the consolidated statement of financial position. The Company has no further payment obligation once the contributions have been made.

#### (ii) Annual bonus plan
The Company operates an annual bonus plan for all employees. An expense is accrued over the related service period and recognised in the profit and loss account when the Company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

### 2.13 Share-based payments
The Group operates a number of equity-settled, share-based compensation schemes to certain key employees. The fair value of share-based payments under such schemes is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest, with a corresponding entry to equity. In arriving at this estimate the Company takes into account non-market-based factors and the expected attrition of employees over the year.

Fair value is determined using the Black-Scholes model and requires several assumptions and estimates as disclosed in note 20.

### 2.14 Property, plant and equipment
Tangible fixed assets are stated at historic purchase cost, net of accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and costs attributable to bringing the asset into its working condition for its intended use.

#### Depreciation and residual values
The fixed assets have been depreciated on a straight line basis at rates calculated to reduce the net book value of each asset to its estimated residual value by the end of its expected useful economic life in the Company's business, and the rates are as follows:

- Fixtures, fittings and computer equipment – 3 years
- Leasehold improvements – 5 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

#### Derecognition
Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in "Administrative expenses".

### 2.15 Intangible assets
#### Computer software
Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

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

## 2. Accounting policies continued

### 2.15 Intangible assets continued

#### Computer software continued

Directly attributable costs that are capitalised as part of the software product include the development employee costs and the fees of any contractors directly involved in the project.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent year.

Computer software development costs recognised as assets are amortised over their estimated useful life, which does not exceed three years.

#### Intellectual property and patents

Patents and brand assets acquired were valued based on a relief from royalty approach, and are amortised over their useful economic life of four years. Brand assets are included in “Other intangible assets”.

Intangible assets are stated at cost or valuation less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

- Patents – 4 years
- Internally generated software development costs – 3 years
- Other intangible assets – 4 years

Amortisation is charged to administrative expenses in the profit and loss account.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

### 2.16 Trade receivables

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. If collection is expected in one year or less they are classified as current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit losses in accordance with IFRS 9.

### 2.17 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks with original maturities of three months or less.

### 2.18 Trade payables

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

### 2.19 Share capital

Ordinary Shares, preference shares and deferred shares are classified as equity. Incremental costs directly attributable to the issue of new Ordinary and preference shares or options are shown in equity as a deduction, net of tax, from the proceeds, and taken against the share premium account.

### 2.20 Related party transactions

The Group discloses transactions with related parties which are not wholly owned with the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Group historical financial information. It does not disclose transactions with members of the same Group that are wholly owned.

## 3. Financial risk management

### 3.1 Group financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including currency risk), credit risk and liquidity risk. The Group’s overall risk management programme is focused on operating cost and cash management.

#### (a) Currency risk

The Group operates internationally and is exposed to foreign exchange risk from various currency exposures, primarily with respect to the US Dollar, Indian Rupee, Singapore Dollar, Chinese Yuan and Brazilian Real. Foreign exchange risk arises from commercial transactions and investments in foreign subsidiaries.

## 3. Financial risk management continued

### 3.1 Group financial risk factors continued

#### (a) Currency risk continued

The Group has certain investments in foreign subsidiaries, whose net assets are exposed to foreign currency translation risk. There are currently no measures in place to manage currency exposure arising from the net assets of the Group's foreign operations. Such movements are recognised in the income statement and statement of comprehensive income. For the year ended December 2018 the revaluation loss on foreign subsidiary net assets recognised in the statement of comprehensive income was £88,346 (2017: £14,088).

Following the United Kingdom's vote to leave the European Union Sterling has been relatively volatile and there has been mixed impact on the Group. When Sterling depreciates the Group's overseas income increases but the cost base rises. Conversely when Sterling appreciates, revenues are reduced but costs also decrease. As the Group is currently loss making, any appreciation in Sterling has a beneficial impact on the net loss.

#### (b) Credit risk

In common with most businesses, the Group extends credit to its customers. The credit risk on this activity is judged as low and the Group has not experienced significant bad debt. Most clients are large blue-chip organisations and further credit checks are not carried out before entering into commercial arrangements. Standard credit terms offered are 30 days but this can vary depending on the commercial agreement reached. See note 16 for further disclosures on credit risk.

#### (c) Liquidity risk

Cash flow forecasting is performed centrally on a rolling basis for the Group as a whole and the Company ensures that the subsidiaries have sufficient cash to meet their local operational needs.

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

| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| **As at 31 December 2018** | | | | |
| Trade and other payables | **443,740** | **–** | **–** | **–** |
| **As at 31 December 2017** | | | | |
| Trade and other payables | 859,184 | – | – | – |

### 3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group considers capital to be its equity reserves, further details of which can be found in note 17.

The Group ensures it is meeting its objectives by reviewing its key performance indicators ("KPIs") to ensure cash consumption and costs are controlled, revenues are in line with expectations and key customers are under contract.

There is no debt in the Group and to date no dividends have been paid.

The Company's capital management objectives and strategy is the same as the Group's described above.

## 4. Critical accounting estimates and judgements

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.

### (a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### (i) Going concern

The financial statements have been prepared on the going concern basis, which assumes that the Group will have sufficient funds available to enable it to continue to trade for the foreseeable future. Please refer to section 1.1.1 under basis of preparation above for more details on the judgements involved.

## 4. Critical accounting estimates and judgements continued

### (a) Critical accounting estimates and assumptions continued

#### (ii) Share-based payments

The Group records charges for share-based payments. For option-based share-based payments management estimates certain factors used in the option pricing model, including volatility, vesting date of options and number of options likely to vest. If these estimates vary from actual occurrence, this will impact the value of the equity carried in reserves. Further details of the Group's estimation of share-based payments are disclosed in note 20.

## 5. Segment information

Management mainly considers the business from a geographic perspective since the same services are effectively being sold in every Group entity. Therefore regions considered for segmental reporting are where the Company and subsidiaries are based, namely the UK, the USA, India, Brazil, China and Singapore. The revenue is classified by where the sales were booked not by the geographic location of the customer. For this reporting purpose the Singapore and China entities are considered together.

The only income outside of the primary business activity relates to income received from grants which is recognised in other operating income.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions. The steering committee is made up of the Board of Directors and the President. There are no sales between segments. The revenue from external parties reported to the strategic steering committee is measured in a manner consistent with that in the income statement.

The parent company is domiciled in the United Kingdom. The amount of revenue from external customers by location of the Group billing entity is shown in the tables below.

| Revenue | 2018 £ | 2017 £ |
|---|---|---|
| **Turnover by geography** | | |
| China and Singapore | **177,395** | 450,864 |
| USA | **109,541** | 43,733 |
| Brazil | **74,082** | 29,744 |
| UK | **40,062** | 101,494 |
| India | **14,806** | 248,356 |
| **Total** | **415,886** | 874,191 |

| | 2018 £ | 2017 £ |
|---|---|---|
| **Turnover by category** | | |
| Rendering of services | **415,886** | 874,191 |
| **Total** | **415,886** | 874,191 |

| Revenues from external customers by country, based on the destination of the customer | 2018 £ | 2017 £ |
|---|---|---|
| China | **198,863** | 455,962 |
| USA | **109,541** | 57,831 |
| Brazil | **74,083** | 29,744 |
| India | **14,806** | 251,023 |
| Ireland | **7,750** | 11,050 |
| Germany | **6,570** | 23,444 |
| Other | **4,273** | 12,101 |
| Italy | **—** | 33,036 |
| **Total** | **415,886** | 874,191 |

Revenues of £102,037 (2017: £455,962) are derived from a single external customer. These revenues are generated in China but the customers differ between 2018 and 2017. The next largest customer, based in the USA, had revenues of £85,089 (2017: £nil).

## 5. Segment information continued

### Loss before tax

The EBITDA is the loss for the year before depreciation, amortisation, interest and tax. The loss before tax is broken down by segment as follows:

| | 2018 £ | 2017 £ |
|---|---|---|
| UK | **(7,450,953)** | (6,880,824) |
| USA | **(2,306,067)** | (2,245,660) |
| India | **(716,655)** | (404,369) |
| China and Singapore | **(940,649)** | (656,009) |
| Brazil | **(516,391)** | (172,622) |
| **Total EBITDA** | **(11,930,715)** | (10,359,484) |
| Depreciation | **(149,102)** | (89,770) |
| Amortisation | **(1,118,862)** | (822,820) |
| Impairment of intangible assets | **(1,230,275)** | – |
| Finance income net | **57,968** | 776 |
| **Loss before tax** | **(14,370,986)** | (11,271,298) |

| 2017 | Depreciation £ | Amortisation £ | Impairment of intangibles £ | Income tax credit £ | Finance income net £ |
|---|---|---|---|---|---|
| UK | (53,159) | (822,820) | – | 208,849 | 54 |
| USA | (3,891) | – | – | – | – |
| India | (30,084) | – | – | – | 679 |
| China and Singapore | (2,636) | – | – | – | 43 |
| Brazil | – | – | – | – | – |
| **Total** | (89,770) | (822,820) | – | 208,849 | 776 |

## 5. Segment information continued

### Loss before tax continued

| 2018 | Depreciation £ | Amortisation £ | Impairment of intangibles £ | Income tax credit/(charge) £ | Finance income net £ |
|---|---|---|---|---|---|
| UK | (108,053) | (1,118,862) | (1,230,275) | 79,169 | 56,132 |
| USA | (2,379) | — | — | — | — |
| India | (34,125) | — | — | (36,952) | 1,024 |
| China and Singapore | (4,768) | — | — | — | 217 |
| Brazil | 223 | — | — | — | 595 |
| **Total** | (149,102) | (1,118,862) | (1,230,275) | 42,217 | 57,968 |

| Non-current assets | 2018 £ | 2017 £ |
|---|---|---|
| UK | 661,857 | 2,183,252 |
| USA | 2,627 | 5,006 |
| India | 56,791 | 58,361 |
| China and Singapore | 33,389 | 32,905 |
| Brazil | 15,772 | — |
| **Total** | 770,436 | 2,279,524 |

The main non-current asset balances in the UK relate to intangible assets and leasehold improvements.

| Total assets | 2018 £ | 2017 £ |
|---|---|---|
| UK | 16,158,968 | 28,793,908 |
| USA | 421,647 | 266,436 |
| India | 309,061 | 371,183 |
| China and Singapore | 243,169 | 357,366 |
| Brazil | 103,270 | 157,435 |
| **Total** | 17,236,115 | 29,946,328 |

The main asset balance in the UK is the cash balance which is used to fund the business and support the subsidiary entities.

| Liabilities | 2018 £ | 2017 £ |
|---|---|---|
| UK | 1,267,135 | 1,726,945 |
| USA | 162,962 | 141,730 |
| India | 182,895 | 137,429 |
| China and Singapore | 41,310 | 46,783 |
| Brazil | 5,110 | 1,716 |
| **Total** | 1,659,412 | 2,054,603 |

## 6. Operating loss

The Group operating loss is stated after charging/(crediting):

| | Note | 2018 £ | 2017 £ |
|---|---|---|---|
| Employee benefits | 7 | **6,879,256** | 6,905,025 |
| Depreciation of property, plant and equipment | 12 | **149,102** | 89,770 |
| Amortisation and impairment of intangible assets | 13 | **2,349,137** | 822,820 |
| Foreign exchange movements | | **(41,341)** | 166,523 |
| Other general and administrative costs | | **5,680,119** | 4,263,842 |
| Other operating income | | **(171,433)** | (101,715) |
| **Total cost of sales, administrative expenses and other operating income** | | **14,844,840** | 12,146,265 |

Other operating income includes income received from government grants. The Group has complied with all the conditions attached to these grant awards.

During the years indicated the Group obtained the services from and paid the fees of the Group's auditors as detailed below:

| | 2018 £ | 2017 £ |
|---|---|---|
| Audit fees | **65,000** | 42,000 |
| Audit related assurance services | **2,000** | 453,250 |
| Taxation compliance services | **750** | 5,000 |
| **Total** | **67,750** | 500,250 |

Non-audit fees payable to PricewaterhouseCoopers LLP were £2,750 (2017: £458,250). The audit related assurance services relate to a review of the QCA Code implementation. The prior year audit related services include assurance reporting on historical financial information included in the AIM listing admission document.

## 7. Employees

### 7.1 Employee benefit expense

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 £ | 2017 £ | 2018 £ | 2017 £ |
| Wages and salaries | **5,976,142** | 4,664,745 | **3,151,687** | 2,275,015 |
| Social security costs | **593,066** | 530,294 | **416,836** | 392,215 |
| Share options granted to Directors and employees | **176,259** | 1,675,271 | **176,259** | 1,675,271 |
| Other pension costs | **133,789** | 34,715 | **133,789** | 34,715 |
| **Total** | **6,879,256** | 6,905,025 | **3,878,571** | 4,377,216 |

All pension costs relate to the defined contribution scheme.

The key management are considered to be the Directors of the Company. Remuneration of Directors is disclosed in the Remuneration Report.

### 7.2 Average number of people employed

| | Group | | Company | |
|---|---|---|---|---|
| By activity | 2018 Number | 2017 Number | 2018 Number | 2017 Number |
| **Average monthly numbers of persons employed (including Directors) by the Company during the year was:** | | | | |
| Sales and account management | **12** | 13 | **1** | 3 |
| Ad operations and delivery | **40** | 42 | **7** | 7 |
| Research and development | **28** | 27 | **25** | 26 |
| Marketing and product | **13** | 3 | **7** | 1 |
| Management and administration | **8** | 6 | **8** | 6 |
| | **101** | 91 | **48** | 43 |

## 8. Finance income and costs

| Finance income | 2018 £ | 2017 £ |
|---|---|---|
| Interest on short-term deposit | **57,968** | 776 |
| **Total** | **57,968** | 776 |

## 9. Investments

The amounts recognised in the Company balance sheet are as follows:

| | 2018 £ | 2017 £ |
|---|---|---|
| At 1 January | **213,748** | 11,796 |
| Additions | **168,587** | 201,952 |
| Impairments | **(142,972)** | – |
| **Total investments at 31 December** | **239,363** | 213,748 |

The investments number above is stated after an impairment loss of £142,872 related to Mirriad Brasil Tecnologias Para Midia Ltda. The loss has been recognised in the income statement.

During the year the Company had interests in the following investments, all of which are consolidated in the Group historical financial information. There are no capital contributions related to share-based payments. The subsidiaries as listed below have share capital consisting solely of Ordinary Shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

| Name of subsidiary or Group undertaking | Registered address | Nature of business | Country of registration and operation | Proportion of nominal value of shares and voting rights held |
|---|---|---|---|---|
| Mirriad Advertising Private Limited | Offices Nos. 401 & 402 Palm Spring Centre, Link Road, above Croma, Malad (w), Mumbai-400 064 | Provision of embedded advertising into video | India | 100% |
| Mirriad Inc. | 4th Floor 19 W24th Street, New York, NY 10001 | Provision of embedded advertising into video | USA | 100% |
| Mirriad (Singapore) Pte. Ltd. | 8 Eu Tong Sen Street #20–84 The Central Singapore 059818 | Provision of embedded advertising into video | Singapore | 100% |
| Mirriad Software Science and Technology (Shanghai) Co. Ltd. | Rm 1328, 2nd Floor, No.148, Lane 999, Xin Er Road, Shanghai | Provision of embedded advertising into video | China | 100% |
| Mirriad Brasil Tecnologias Para Midia Ltda* | Rua Padre João Manuel, 923, Conjunto 111, Sala 3, CEP 01411-001, São Paulo, Brazil | Provision of embedded advertising into video | Brazil | 99.8% |
| Mirriad Limited | 6th Floor, One London Wall, London EC2Y 5EB, United Kingdom | Dormant | UK | 100% |

* Mirriad Brasil Tecnologias Para Midia Ltda is fully owned by the Group, with Mirriad Inc. holding the remaining 0.2% of issued share capital.

The nominal value of issued shares for the companies is as follows:

- Mirriad Advertising Private Limited: 10,000 shares of 10 INR;
- Mirriad Inc.: 1000 shares of 0.001 USD;
- Mirriad (Singapore) Pte. Ltd.: 25,000 shares of 1 SGD;
- Mirriad Software Science and Technology (Shanghai) Co. Ltd. registered capital is 3,600,000 CNY;
- Mirriad Brasil Tecnologias Para Midia Ltda: 600,000 shares of 1 BRL; and
- Mirriad Limited: 1 share of 0.01 GBP.

## 10. Income tax credit

| Tax credit included in profit and loss | 2018 £ | 2017 £ |
|---|---|---|
| **Current tax** | | |
| Research and development tax credit for the year | **(79,169)** | (208,849) |
| Foreign tax payable | **36,952** | – |
| Total current tax | **(42,217)** | (208,849) |
| **Deferred tax** | | |
| Origination and reversal of timing differences | **–** | – |
| Total deferred tax | **–** | – |
| **Tax on loss** | **(42,217)** | (208,849) |

UK corporation tax credit relates to R&D tax credits received by the Group.

### Reconciliation of tax charge

The tax assessed for the year is based on the standard rate of corporation tax in the UK of 19%. The differences are outlined below:

| | 2018 £ | 2017 £ |
|---|---|---|
| **Loss before tax** | **(14,370,986)** | (11,271,298) |
| Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.25%) | **(2,730,487)** | (2,169,725) |
| **Effects of** | | |
| Fixed asset timing differences | **3,032** | – |
| Expenses not deductible for tax purposes | **41,134** | 1,002,999 |
| Enhanced R&D deduction | **(58,635)** | (156,715) |
| R&D tax credit receivable | **(79,169)** | (208,849) |
| Surrender of losses for R&D tax credit | **103,739** | 277,265 |
| Deferred tax not recognised on unutilised losses | **2,678,169** | 1,046,176 |
| **Total tax credit for the year** | **(42,217)** | (208,849) |

The tax (charge)/credit relating to components of other comprehensive income is as follows:

| | **2018** | | |
|---|---|---|---|
| | **Before tax £** | **Tax (charge)/ credit £** | **After tax £** |
| **Fair value losses** | | | |
| Currency translation differences | **(88,346)** | **–** | **(88,346)** |
| **Other comprehensive expense** | **(88,346)** | **–** | **(88,346)** |

| | 2017 | | |
|---|---|---|---|
| | Before tax £ | Tax (charge)/ credit £ | After tax £ |
| **Fair value losses** | | | |
| Currency translation differences | (14,088) | – | (14,088) |
| **Other comprehensive expense** | (14,088) | – | (14,088) |

## 10. Income tax credit continued

### Deferred tax

The following tables represent deferred tax balances recognised in the consolidated balance sheet, and the movements in both the deferred tax asset and the deferred tax liability.

There is a deferred tax liability of £346,910 (2017: £346,910) in respect of the intangible asset acquired on acquisition of the trade and assets of Mirriad Limited in 2015, which has been immediately offset against the acquired unrecognised deferred tax asset in relation to trading losses carried forward.

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| Deferred tax assets | **346,910** | 346,910 |
| Deferred tax liabilities | **(346,910)** | (346,910) |
| **Net balances** | **—** | — |

### Movements on the deferred tax asset

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| At 1 January | **346,910** | 346,910 |
| Acquisition during the year | **—** | — |
| Impact of rate changes | **—** | — |
| **At 31 December** | **346,910** | 346,910 |

### Movements on the deferred tax liability

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| At 1 January | **(346,910)** | (346,910) |
| Acquisition during the year | **—** | — |
| Impact of rate changes | **—** | — |
| **At 31 December** | **(346,910)** | (346,910) |

There is an unrecognised deferred tax asset of £7,239,195 (2017: £4,446,458) in relation to the trading losses carried forward, provisions and future exercisable shares.

Unrecognised deferred tax has been calculated at 17%, reflecting the latest enacted rate for UK deferred tax balances and the prevailing domestic tax rate in each country for the deferred tax balances of the foreign subsidiaries.

The unrecognised deferred tax asset would be recovered against future Company taxable profits. In the opinion of the Directors, there is insufficient evidence that the asset will be recovered; as such the deferred tax asset has not been recognised in the financial statements.

### Factors that may affect future tax charges

A change to the UK corporation tax rate was enacted as part of the Finance Act 2016, which received royal assent on 15 September 2016. This was a reduction to the main rate of corporation tax from 19% to 17% from 1 April 2020. This rate reduction has been reflected in the calculation of deferred tax at the balance sheet date as noted above.

## 11. Earnings per share

### (a) Basic

Basic earnings per share is calculated by dividing the loss for the year by the weighted average number of Ordinary Shares in issue during the year. Potential Ordinary Shares are not treated as dilutive as the Group is loss making and such shares would be anti-dilutive.

## 11. Earnings per share continued

### (a) Basic continued

| Group | 2018 | 2017 |
|---|---|---|
| Loss attributable to owners of the parent (£) | **(14,328,769)** | (11,062,449) |
| Weighted average number of Ordinary Shares in issue (number) | **104,124,043** | 58,030,338 |

The loss per share for the year was 14p (2017: 19p).

No dividends were paid during the year (2017: £nil).

### (b) Diluted

Potential Ordinary Shares are not treated as dilutive as the Group is loss making and such shares would be anti-dilutive.

## 12. Property, plant and equipment

### Group

| | Fixtures, fittings and computer equipment £ | Leasehold improvements £ | Total £ |
|---|---|---|---|
| At 1 January 2017 | | | |
| Cost or valuation | 289,899 | – | 289,899 |
| Accumulated depreciation | (240,882) | – | (240,882) |
| **Net book amount** | 49,017 | – | 49,017 |
| **Year ended 31 December 2017** | | | |
| Opening net book amount | 49,017 | – | 49,017 |
| Additions | 120,260 | 346,367 | 466,627 |
| Disposals | (44,699) | – | (44,699) |
| Depreciation charge | (58,989) | (30,781) | (89,770) |
| Depreciation on disposals | 44,699 | – | 44,699 |
| **Closing net book amount** | 110,288 | 315,586 | 425,874 |
| **At 31 December 2017** | | | |
| Cost or valuation | 365,460 | 346,367 | 711,827 |
| Accumulated depreciation | (255,172) | (30,781) | (285,953) |
| **Net book amount** | 110,288 | 315,586 | 425,874 |
| **Year ended 31 December 2018** | | | |
| Opening net book amount | 110,288 | 315,586 | 425,874 |
| Additions | 133,663 | 3,723 | 137,386 |
| Disposals | (181,132) | – | (181,132) |
| Depreciation charge | (77,630) | (71,472) | (149,102) |
| Depreciation on disposals | 181,036 | – | 181,036 |
| **Closing net book amount** | **166,225** | **247,837** | **414,062** |
| **At 31 December 2018** | | | |
| Cost or valuation | 317,991 | 350,090 | 668,081 |
| Accumulated depreciation | (151,766) | (102,253) | (254,019) |
| **Net book amount** | **166,225** | **247,837** | **414,062** |

As at 31 December 2018 there were no contractual commitments to purchase any further property, plant and equipment (2017: none).

## 12. Property, plant and equipment continued

### Company

| | Fixtures, fittings and computer equipment £ | Leasehold improvements £ | Total £ |
|---|---|---|---|
| At 1 January 2017 | | | |
| Cost or valuation | 158,000 | – | 158,000 |
| Accumulated depreciation | (130,803) | – | (130,803) |
| **Net book amount** | 27,197 | – | 27,197 |
| **Year ended 31 December 2017** | | | |
| Opening net book amount | 27,197 | – | 27,197 |
| Additions | 59,197 | 346,367 | 405,564 |
| Disposals | (1,409) | – | (1,409) |
| Depreciation charge | (22,377) | (30,781) | (53,158) |
| Depreciation on disposals | 1,409 | – | 1,409 |
| **Closing net book amount** | 64,017 | 315,586 | 379,603 |
| **At 31 December 2017** | | | |
| Cost or valuation | 215,788 | 346,367 | 562,155 |
| Accumulated depreciation | (151,771) | (30,781) | (182,552) |
| **Net book amount** | 64,017 | 315,586 | 379,603 |
| **Year ended 31 December 2018** | | | |
| Opening net book amount | 64,017 | 315,586 | 379,603 |
| Additions | 55,637 | 1,655 | 57,292 |
| Disposals | – | – | – |
| Depreciation charge | (38,436) | (69,617) | (108,053) |
| Depreciation on disposals | – | – | – |
| **Closing net book amount** | **81,218** | **247,624** | **328,842** |
| **At 31 December 2018** | | | |
| Cost or valuation | 271,425 | 348,022 | 619,447 |
| Accumulated depreciation | (190,207) | (100,398) | (290,605) |
| **Net book amount** | **81,218** | **247,624** | **328,842** |

## 13. Intangible assets

### Group and Company

| | Patents £ | Internally generated software development costs £ | Other £ | Total £ |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2017 | 1,688,712 | 520,374 | 351,935 | 2,561,021 |
| Additions | — | 842,010 | — | 842,010 |
| **At 31 December 2017** | 1,688,712 | 1,362,384 | 351,935 | 3,403,031 |
| Additions | — | 878,500 | — | 878,500 |
| **At 31 December 2018** | **1,688,712** | **2,240,884** | **351,935** | **4,281,531** |
| **Accumulated amortisation** | | | | |
| At 1 January 2017 | (703,630) | (89,251) | (146,640) | (939,521) |
| Amortisation charge | (422,178) | (312,658) | (87,984) | (822,820) |
| **At 31 December 2017** | (1,125,808) | (401,909) | (234,624) | (1,762,341) |
| Amortisation charge | (422,178) | (608,700) | (87,984) | (1,118,862) |
| Impairment charge | — | (1,230,275) | — | (1,230,275) |
| **At 31 December 2018** | **(1,547,986)** | **(2,240,884)** | **(322,608)** | **(4,111,478)** |
| **Net book value** | | | | |
| Cost | 1,688,712 | 1,362,384 | 351,935 | 3,403,031 |
| Accumulated amortisation | (1,125,808) | (401,909) | (234,624) | (1,762,341) |
| **At 31 December 2017** | 562,904 | 960,475 | 117,311 | 1,640,690 |
| Cost | 1,688,712 | 2,240,884 | 351,935 | 4,281,531 |
| Accumulated amortisation and impairment | (1,547,986) | (2,240,884) | (322,608) | (4,111,478) |
| **At 31 December 2018** | **140,726** | **—** | **29,327** | **170,053** |

Intangible assets comprise two patents acquired from Mirriad Limited in 2015 which are being amortised on a straight line basis over four years.

Other intangibles above include the technology acquired from Mirriad Limited, which has a carrying net book value of £3,316 (2017: £13,264) and the Mirriad brand acquired as part of the same transaction, which has a carrying value of £26,011 (2017: £104,048). These items are being amortised on a straight line basis over four years.

The internally generated software costs reflect staff time incurred on two main products for internal use which underpin the business processes. These development costs have been offset by grant income received for the same staff costs over the year. To the extent that work on the products reflects research or maintenance activities such related costs have not been capitalised. The capitalised software development costs are being amortised on a straight line basis over three years.

During the year management determined that the lower than expected revenue growth and the decline in market capitalisation constituted triggering events in accordance with IAS 36, and hence an impairment of the internally generated software costs was required. While management believes the software remains critical to the future success of the business and the software continues to be used with the Group's clients, the uncertainty over future cash flows resulting from slower than anticipated revenue growth meant that management believed it was appropriate to take an impairment charge against the asset and write the carrying value down to zero. The impairment charge is included in administrative expenses in the statement of consolidated profit or loss.

Neither the patents nor the other intangible assets were deemed to be impaired as part of this review.

## 14. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2018<br>£ | 2017<br>£ | 2018<br>£ | 2017<br>£ |
| Trade receivables – net | **92,780** | 203,609 | **20,611** | 19,768 |
| Other debtors | **516,786** | 556,629 | **444,062** | 501,849 |
| Accrued income | **56,448** | 237,208 | **—** | — |
| Prepayments | **494,057** | 289,788 | **285,440** | 167,953 |
| | **1,160,071** | 1,287,234 | **750,113** | 689,570 |
| Less non-current portion: other debtors | **(186,321)** | (212,960) | **(162,962)** | (162,960) |
| **Current portion** | **973,750** | 1,074,274 | **587,151** | 526,610 |

Trade receivables are stated after an expected credit loss reserve, as required by IFRS 9, of £33,708 (2017: £29,120). As of 31 December 2018, trade receivables of £72,169 (2017: £117,627) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing history of these trade receivables is as follows:

| | 2018<br>£ | 2017<br>£ |
|---|---|---|
| Up to three months | **68,293** | 34,224 |
| Three to six months | **3,876** | 50,480 |
| Over six months | **—** | 32,923 |
| **Total** | **72,169** | 117,627 |

## 15. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2018<br>£ | 2017<br>£ | 2018<br>£ | 2017<br>£ |
| Trade creditors | **286,037** | 745,419 | **286,037** | 743,710 |
| Current tax liabilities | **36,952** | — | **—** | — |
| Other taxation and social security | **158,269** | 113,765 | **149,612** | 108,777 |
| Accruals and deferred income | **1,178,154** | 1,195,419 | **831,483** | 874,455 |
| **Total** | **1,659,412** | 2,054,603 | **1,267,132** | 1,726,942 |

Deferred income as at 31 December 2018 was £nil (2017: £nil).

## 16. Financial instruments

The Group has the following financial instruments:

| | 2018 £ | 2017 £ |
|---|---|---|
| Financial assets that are debt instruments measured at amortised cost | | |
| – Trade debtors | 92,780 | 203,609 |
| – Other debtors | 352,148 | 558,935 |
| **Total** | **444,928** | 762,544 |
| Financial liabilities measured at amortised cost | | |
| – Trade creditors | 286,037 | 745,419 |
| – Other taxation and social security | 157,703 | 113,765 |
| **Total** | **443,740** | 859,184 |

None of the financial assets are considered to be impaired.

The Group has no financial assets at fair value through the income statement (2017: nil) and no financial assets that are equity instruments measured at cost less impairment (2017: nil).

### Derivative financial instruments

The Group has no interest rate derivative financial instruments.

Interest on bank loans and overdrafts are disclosed in note 8.

### Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

| | 2018 £ | 2017 £ |
|---|---|---|
| **Trade receivables** | | |
| Counterparties without external credit rating | | |
| Group 1 | 16,342 | 12,000 |
| Group 2 | 76,438 | 187,024 |
| Group 3 | – | 4,585 |
| **Total unimpaired trade receivables** | **92,780** | 203,609 |
| Cash at bank and short-term bank deposits | | |
| A1 | 14,908,734 | 26,124,196 |
| Baa1 | – | 73,062 |
| Baa2 | 54,792 | – |
| Baa3 | 179,810 | 54,099 |
| Ba2 | – | 131,928 |
| Ba3 | 60,105 | – |
| | 15,203,441 | 26,383,285 |
| Cash in hand | 479 | 405 |
| **Total cash and cash equivalents** | **15,203,920** | 26,383,690 |

Group 1 – new customers (less than six months).

Group 2 – existing customers (more than six months) with no defaults in the past.

Group 3 – existing customers (more than six months) with some defaults in the past.

## 17. Share capital and premium

### Share premium and nominal value of share capital

| | Ordinary Shares £ | Preference shares £ | Deferred shares £ | Total share capital £ | Share premium £ | Total £ |
|---|---|---|---|---|---|---|
| At 1 January 2017 | 450 | 106 | – | 556 | 22,401,586 | 22,402,142 |
| Proceeds from shares issued | 1 | 21 | – | 22 | 1,360,972 | 1,360,994 |
| Shares issued in lieu of consideration | – | 1 | – | 1 | 52,543 | 52,544 |
| Capital restructuring | – | – | – | – | (23,755,050) | (23,755,050) |
| Issue of deferred shares | – | – | 49,898 | 49,898 | (49,898) | – |
| Share conversion | 128 | (128) | – | – | – | – |
| EMI options exercised | 31 | – | – | 31 | 786,843 | 786,874 |
| Proceeds from IPO share issue | 409 | – | – | 409 | 25,394,029 | 25,394,438 |
| Share issue costs | – | – | – | – | (2,473,635) | (2,473,635) |
| **At 31 December 2017** | 1,019 | – | 49,898 | 50,917 | 23,717,390 | 23,768,307 |
| Proceeds from shares issued | 32 | – | – | 32 | 1,999,968 | 2,000,000 |
| Share issue costs | – | – | – | – | (74,166) | (74,166) |
| **At 31 December 2018** | **1,051** | **–** | **49,898** | **50,949** | **25,643,192** | **25,694,141** |

### Ordinary Shares of £0.00001 each

| Allotted and fully paid | Number |
|---|---|
| At 1 January 2018 | 101,896,911 |
| Issued during the year | 3,225,806 |
| **At 31 December 2018** | **105,122,717** |

On 24 April 2018, 3,225,806 Ordinary Shares were issued for 62p per share as part of a £2 million fundraise from new investors.

There is a single class of Ordinary Shares. There are no restrictions on the distribution of dividends and the repayment of capital.

### Preference shares of £0.00001 each

| Allotted and fully paid | Number |
|---|---|
| At 1 January 2018 | – |
| Issued during the year | – |
| Conversion to Ordinary Shares | – |
| **At 31 December 2018** | **–** |

## 17. Share capital and premium continued

### Preference shares of £0.00001 each continued

The preference shares are considered as equity and do not provide an obligation to pay dividends to the shareholders. On a distribution of assets on a liquidation or a return of capital the preference shareholders have priority before other classes of shares to receive repayment of capital.

### Deferred shares of £0.025 each

| Allotted and fully paid | Number |
|---|---|
| At 1 January 2018 | 1,995,936 |
| Issued during the year | – |
| **At 31 December 2018** | **1,995,936** |

The deferred shares do not have any voting rights attached and no entitlement to receive any dividend or other distribution. On a return of assets in a winding-up or otherwise the holders of deferred shares will only be entitled to repayment of the amounts paid up on such shares after repayment of £10 million per Ordinary Share. The Company may, subject to appropriate shareholder approval, elect to buy back the deferred shares at a later date for an aggregate amount of £0.01 for each holder's total holding of deferred shares.

The share capital reserve consists of shares issued to the Group's investors.

The number of authorised shares is uncapped.

The share premium reserve consists of amounts paid in addition to the nominal value of the Ordinary Shares, less any direct costs and fees incurred during the investment.

The profit and loss account consists of accumulated losses.

## 18. Share-based payments reserve

| | Group and Company £ |
|---|---|
| At 1 January 2017 | 289,564 |
| Share-based payments recognised as expense | 1,675,271 |
| **At 31 December 2017** | 1,964,835 |
| At 1 January 2018 | 1,964,835 |
| Share-based payments recognised as expense | 176,259 |
| **At 31 December 2018** | **2,141,094** |

The cost of equity-settled share-based payments are recognised in the income statement, together with a corresponding increase in equity in this share-based payment reserve during the vesting period. Note 20 explains the employee options schemes in more detail.

## 19. Retranslation reserve

| | Group £ |
|---|---|
| At 1 January 2017 | (176,397) |
| Translation loss for the year | (14,088) |
| **At 31 December 2017** | (190,485) |
| At 1 January 2018 | (190,485) |
| Translation loss for the year | (88,346) |
| **At 31 December 2018** | **(278,831)** |

The other reserve contains the translation losses for the year which result from the revaluation of subsidiary opening net assets and reserves. Such translation movements are recorded in the statement of comprehensive income and this reserve.

## 20. Share-based payments

Certain employees participate in the key employee share option scheme, which provides additional remuneration for those employees who are key to the operations of the Group. In accordance with IFRS 2 “Share-based payments” the cost of the equity-settled transactions is measured by reference to their fair value at the date at which they are granted. Fair value is determined using the Black-Scholes model. The cost of equity-settled transactions is recognised over the period until the award vests. No expense is recognised for awards that do not ultimately vest. At each reporting date, the cumulative expense recognised for equity-based transactions reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the Directors at that date, will ultimately vest.

The cost of equity-settled share-based payments are recognised in the income statement, together with a corresponding increase in equity during the vesting period – please see note 18 for details of the share-based payment reserve. During the 12 months ended 31 December 2018, the Group recognised a share-based payment expense of £176,259 (2017: £1,675,271). The charge is included within administrative expenses.

The Company grants share options under an Unapproved Share Option Scheme (the “Unapproved Scheme”) and under its tax efficient EMI Option Scheme (the “EMI Scheme”). More details on the two schemes can be found below.

### Unapproved Scheme

Under the Unapproved Scheme, options are granted to non-UK-based employees or UK-based employees who have exceeded their EMI limits, at an exercise price deemed to be market value of the shares. In general, for unapproved options granted, one-third are exercisable on the first anniversary of the grant, a further third are exercisable on the second anniversary of the grant and the remainder are exercisable three years after the date of grant. All vested options expire ten years after the date of grant.

In the year ended 31 December 2018, the Company granted 4,092,189 (2017: 2,046,294) share options under the Unapproved Scheme. Of the options granted in 2018, there were some exceptions to the general scheme criteria as follows:

- 330,000 options have a performance related element and can only be exercised if revenue targets are met.
- 2,268,068 options vest over four years instead of three, with one-third exercisable on the second anniversary of the grant, a further third exercisable on the third anniversary of the grant and the remaining amount exercisable four years after the date of grant. These options can only be exercised if market performance conditions are met.
- 1,269,121 options were granted at nominal value rather than market value.

No unapproved options were exercised during the year (2017: nil).

### EMI Scheme

Under the EMI Scheme options are granted to UK-based employees at a fair value. In general, for options granted, one-third are exercisable on the first anniversary of the grant, a further third are exercisable on the second anniversary of the grant and the remainder are exercisable three years after the date of grant. All vested options expire ten years after the date of grant. The only exception were options issued in 2015 which vested immediately. Employees are not entitled to dividends until the share options are exercised. Vesting of the options is subject to continued employment within the Group.

In the year ended 31 December 2018, the Company granted 2,814,880 (2017: 1,759,677) share options under the EMI Scheme.

No EMI options were exercised during the year (2017: 3,055,072).

## 20. Share-based payments continued

### EMI Scheme continued

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Weighted average exercise price in £ per share option | Share options Number | Weighted average exercise price in £ per share option | Share options Number |
| **EMI Scheme** | | | | |
| Outstanding at 1 January | – | – | 0.30 | 1,548,971 |
| Reclassification of options | – | – | 0.30 | (253,576) |
| Granted | 0.17 | 2,814,880 | 0.23 | 1,759,677 |
| Exercised | – | – | 0.26 | (3,055,072) |
| **At 31 December** | 0.17 | 2,814,880 | – | – |
| **Unapproved Scheme** | | | | |
| Outstanding at 1 January | 0.54 | 5,144,157 | 0.50 | 3,083,192 |
| Reclassification of options | – | – | 0.30 | 253,576 |
| Granted | 0.24 | 4,092,189 | 0.62 | 2,046,294 |
| Forfeited | (0.49) | (766,999) | 0.51 | (238,905) |
| **At 31 December** | 0.40 | 8,469,347 | 0.54 | 5,144,157 |

Out of the 2,814,880 outstanding EMI Scheme options (2017: nil), no options (2017: nil) were exercisable. The weighted average exercise price of the outstanding share options under the EMI Scheme at 31 December 2018 was £0.17 (2017: £nil).

Out of the 8,469,347 outstanding Unapproved Scheme options (2017: 5,144,157), 3,415,760 options (2017: 2,846,794) were exercisable. The weighted average exercise price of the outstanding share options under the Unapproved Scheme at 31 December 2018 was £0.40 (2017: £0.54).

Share options outstanding at the end of the year have the following expiry date and exercise price:

| Grant-vest | Scheme | Expiry date | Exercise price in £ per share options | Share options 2018 | Share options 2017 |
|---|---|---|---|---|---|
| 2015–18 | Unapproved | 20 Aug 2025 | 0.30 | 732,836 | 1,038,184 |
| 2015–18 | Unapproved | 26 Sept 2020 | 0.30 | 253,576 | 253,576 |
| 2016–19 | Unapproved | 26 Sept 2020 | 0.62 | 1,469,753 | 1,469,753 |
| 2016–19 | Unapproved | 16 Dec 2026 | 0.62 | 1,440,327 | 1,901,978 |
| 2017–19 | Unapproved | 19 June 2027 | 0.62 | 255,666 | 255,666 |
| 2017–19 | Unapproved | 16 Oct 2027 | 0.62 | 225,000 | 225,000 |
| 2018–20 | EMI | 01 June 2028 | 0.35 | 63,917 | – |
| 2018–20 | Unapproved | 01 July 2028 | 0.345 | 555,000 | – |
| 2018–20 | EMI | 01 Oct 2028 | 0.30 | 788,420 | – |
| 2018–20 | EMI | 01 Oct 2028 | 0.00001 | 833,333 | – |
| 2018–20 | Unapproved | 01 Oct 2028 | 0.00001 | 1,269,121 | – |
| 2018–21 | Unapproved | 01 Oct 2028 | 0.35 | 2,268,068 | – |
| 2018–20 | EMI | 09 Nov 2028 | 0.195 | 1,129,210 | – |
| **Total** | | | | 11,284,227 | 5,144,157 |

## 20. Share-based payments continued

### EMI Scheme continued

The fair values were estimated using the Black-Scholes option pricing model. The weighted average fair value of the options granted under the EMI Scheme during the year under this model was £0.16 per option (2017: £0.46). The weighted average fair value of the options granted under the Unapproved Scheme during the year under this model was £0.16 per option (2017: £0.31). The principal assumptions underlying the valuation of the options granted during the year at the date of grant are as follows:

| | 2018 | 2017 |
|---|---|---|
| **EMI Scheme** | | |
| Weighted average share price at grant date | **£0.26** | £0.62 |
| Weighted average exercise price at grant date | **£0.17** | £0.23 |
| Expected volatility | **38.1%** | 48% |
| Expected life | **6.5 years** | 6.5 years |
| Risk-free rate | **1.87%** | 1.75% |
| **Unapproved Scheme** | | |
| Weighted average share price at grant date | **£0.29** | £0.62 |
| Weighted average exercise price at grant date | **£0.24** | £0.62 |
| Expected volatility | **36.3%** | 47.9% |
| Expected life | **6.5 years** | 6.5 years |
| Risk-free rate | **1.85%** | 1.71% |

## 21. Cash used in operations

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2018 £ | 2017 £ | 2018 £ | 2017 £ |
| **Loss for the financial year** | | **(14,328,769)** | (11,062,449) | **(14,251,608)** | (11,290,257) |
| Adjustments for: | | | | | |
| Tax on loss on ordinary activities | 10 | **(42,217)** | (208,849) | **(79,169)** | (208,849) |
| Interest received | 8 | **(57,968)** | (776) | **(56,132)** | (54) |
| **Operating loss** | | **(14,428,954)** | (11,272,074) | **(14,386,909)** | (11,499,160) |
| Amortisation and impairment of intangible assets | 13 | **2,349,137** | 822,820 | **2,349,137** | 822,820 |
| Depreciation of tangible assets | 12 | **149,102** | 89,770 | **108,053** | 53,158 |
| Write down of investment in subsidiary | | **–** | – | **142,972** | – |
| Profit on disposal of tangible assets | | **(1,754)** | (2,660) | **–** | (1,441) |
| Bad debts written off | | **20,423** | 11,293 | **5,244** | – |
| Cost settled with equity | | **–** | 52,544 | **–** | 52,544 |
| Share-based payment charge | 20 | **176,259** | 1,675,271 | **176,259** | 1,675,271 |
| Foreign exchange variance | | **43,060** | 166,523 | **–** | – |
| – Decrease/(increase) in debtors | | **106,740** | (541,866) | **(65,789)** | (305,784) |
| – (Decrease)/increase in creditors | | **(386,421)** | 1,288,908 | **(459,808)** | 1,092,032 |
| **Cash flow used in operating activities** | | **(11,972,408)** | (7,709,471) | **(12,130,841)** | (8,110,560) |

## 22. Capital and other commitments

The Group had no capital and other commitments as at 31 December 2018 or for the year ended 31 December 2017.

## 23. Related party transactions

The Group is owned by a number of investors, the largest being IP2IPO Portfolio (GP) Limited (as general partner for IP2IPO Portfolio L.P), which owns approximately 26% of the share capital of the Company. Accordingly there is no ultimate controlling party.

During the year the Company had the following significant related party transactions which were carried out at arm's length. No guarantees were given or received for any of these transactions:

**IP2IPO Limited** – a company which shares a parent company with IP2IPO Portfolio (GP) Limited, the largest shareholder in the Group, and which also appoints a Director of the Group charged Mirriad Advertising plc for the following transactions during the year: (1) £20,000 for the services of Dr. Mark Reilly as a Director during the year. £1,667 of this amount was accrued and unpaid as at 31 December 2018. This outstanding amount was paid on 1 February 2019; (2) £12,390 for the services of the Company Secretary during the year. £3,000 of this amount was accrued and unpaid as at 31 December 2018. This outstanding amount was paid on 1 February 2019; and (3) £986 for event hire and refreshments.

**Top Technology Ventures Limited** – a company which shares a parent company with IP2IPO Portfolio (GP) Limited, the largest shareholder in the Group, charged Mirriad Advertising plc for the following transactions during the year: (1) £1,383 travel costs for two employees attendance at IP Group events in China. This amount was unpaid at 31 December 2018, but was subsequently paid on 1 February 2019.

**Parkwalk Advisors Limited** – a company which shares a parent company with IP2IPO Portfolio (GP) Limited, the largest shareholder in the Group, charged Mirriad Advertising plc for the following transactions during the year: (1) £20,000 for the services of Alastair Kilgour as a Director during the year. £1,667 of this amount was accrued and unpaid as at 31 December 2018, but was subsequently paid on 1 February 2019.

All the related party transactions disclosed above were settled by 31 December 2018 except where stated.

During the year ended 31 December 2018, the Company entered into transactions with its subsidiary companies for working capital purposes, which net off on consolidation – these have not been shown above.

The Directors have authority and responsibility for planning, directing and controlling the activities of the Group and they therefore comprise key management personnel as defined by IAS 24 "Related party disclosures". Remuneration of Directors and senior management is disclosed in the Remuneration Report.

## 24. Lease commitments

The Group leases office space under a mixture of short-term licensed deals and longer-term operating leases, expiring within one to three years. The future minimum lease payments under non-cancellable operating leases are as follows:

| Group | 2018<br>£ | 2017<br>£ |
|---|---|---|
| No later than one year | 376,055 | 429,795 |
| Later than one year and no later than five years | 701,633 | 1,260,915 |
| Later than five years | – | 1,244,833 |
| **Total** | **1,077,688** | 2,935,543 |

# Notice of Annual General Meeting

**This document is important and requires your immediate attention.**

If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant or other professional adviser who, if you are taking advice in the United Kingdom, is duly authorised under the Financial Services and Markets Act 2000, or an appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.

If you have sold or otherwise transferred all of your shares in the Company, please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Mirriad

**Mirriad Advertising plc**

(incorporated and registered in England and Wales under number 09550311)

**Notice of Annual General Meeting**

Notice of the Annual General Meeting of Mirriad Advertising plc (the "Company") to be held at 6th Floor, One London Wall, London, EC2Y 5EB at 10.00 a.m. on 13 June 2019 is set out in this document.

Whether or not you propose to attend the Annual General Meeting, please complete and submit a proxy form in accordance with the instructions printed on the enclosed form. The proxy form must be received not less than 48 hours before the time of the holding of the Annual General Meeting.

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of Mirriad Advertising plc (the "Company") will be held at One London Wall, London, EC2Y 5EB at 10.00 a.m. on 13 June 2019 for the purposes of considering and, if thought fit, passing the following Resolutions of which Resolutions 1 to 8 (inclusive) will be proposed as Ordinary Resolutions and Resolution 9 will be proposed as a Special Resolution.

## Ordinary business

1. To receive and consider the Directors' Report, the audited Financial Statements and Independent Auditors' Report for the year ended 31 December 2018.
2. To receive and approve the remuneration report contained with the report and accounts for the year ended 31 December 2018.
3. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at which accounts are laid before the members of the Company
4. To authorise the directors of the Company ("Directors") to fix the remuneration of the auditors.
5. To elect Mr. Stephan Beringer as a Director of the Company in accordance with the articles of association of the Company.
6. To re-elect Mr. John Pearson as a Director of the Company who retires in accordance with the articles of association of the Company.
7. To re-elect Mr. David Dorans as a Director of the Company who retires in accordance with the articles of association of the Company.

## Special business

8. That, in substitution for any equivalent authorities and powers granted to the directors prior to the passing of this resolution, the Directors be and are hereby generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 ("Act") to exercise all the powers of the Company to:

   (a) allot shares in the Company and to grant rights to subscribe for or to convert any security into such shares in the Company (such shares, and rights to subscribe for or to convert any security into shares of the Company being "relevant securities") up to an aggregate nominal amount of £350 (such amount to be reduced by the nominal amount of any allotment or grants made under paragraph (b) below in that are in excess of £350; and further

   (b) allot equity securities of the Company (as defined in Section 560 of the Act) up to an aggregate nominal amount of £701 (such amount to be reduced by the nominal amount of any allotment or grants made under paragraph (a) above) in connection with an offer by way of a rights issue:

      (i) in favour of holders of ordinary shares in the capital of the Company, where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as practicable) to the respective number of ordinary shares in the capital of the Company held by them; and

      (ii) to holders of any other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

   but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractions of such securities, the issue, transfer and/or holding of any securities in certificated form or in uncertificated form, the use of one or more currencies for making payments in respect of such offer, any such shares or other securities being represented by depositary receipts, treasury shares or any legal, regulatory or practical problems arising under the laws of, or the requirements of any regulatory body or any stock exchange in, any territory or any other matter whatsoever,

   provided that (i) unless previously revoked, varied or extended, such authorities shall expire on the earlier of the conclusion of the Company's next Annual General Meeting and the date falling 15 months after the date of the passing of this resolution, and (ii) before such expiry the Company may make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot such relevant securities pursuant to any such offer or agreement as if the authority conferred by this Resolution 8 had not expired.

## **Special business** continued

9. That, in substitution for any equivalent authorities and powers granted to the Directors prior to the passing of this resolution, the Directors be and are hereby generally empowered to allot equity securities (as defined in section 560 of the Act) of the Company wholly for cash pursuant to the authority of the Directors under Section 551 of the Act conferred by resolution 8 above (in accordance with Sections 570(1) of the Act) and/or by way of a sale of treasury shares (in accordance with Section 573 of the Act), in each case as if Section 561(1) of the Act did not apply to any such allotment provided that:

   (a) such power shall be limited to:

      (i) the allotment of equity securities in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph (b) of resolution 8, by way of a rights issue only):

         (A) in favour of holders of ordinary shares in the capital of the Company, where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as practicable) to the respective number of ordinary shares in the capital of the Company held by them; and

         (B) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

      but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractions of such securities, the issue, transfer and/or holding of any securities in certificated form or in uncertificated form, the use of one or more currencies for making payments in respect of such offer, any such shares or other securities being represented by depositary receipts, treasury shares or any legal, regulatory or practical problems arising under the laws of, or the requirements of any regulatory body or any stock exchange in, any territory or any other matter whatsoever; and

      (ii) the allotment of equity securities, other than pursuant to sub-paragraph (i) above, up to an aggregate nominal amount of £105,

   (b) unless previously revoked, varied or extended, such authorities shall expire on the earlier of the conclusion of the Company's next Annual General Meeting and the date falling 15 months after the date of the passing of this resolution except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot such relevant securities in pursuance of such an offer or agreement as if this authority had not expired.

By order of the Board

**Hannah Coote**
Company Secretary
17 May 2019

### Registered office

6th Floor
One London Wall
London
EC2Y 5EB

Registered in England and Wales No. 09550311

## Explanatory notes to the resolutions

### Resolution 1 – Receiving the account and reports

All public limited companies are required by law to lay their annual accounts before a general meeting of the Company, together with the directors' reports and auditors' reports on the accounts. At the Annual General Meeting, the directors will present these documents to the members for the financial year ended 31 December 2018.

### Resolution 2 – Directors' remuneration report

The Company is required to put an ordinary resolution to members approving the report at the meeting at which the Company's report and accounts for that year are laid.

### Resolution 3 – Re-appointment of auditors

This resolution concerns the re-appointment of PricewaterhouseCoopers LLP as auditors until the conclusion of the next general meeting at which accounts are laid, that is, the next Annual General Meeting.

### Resolution 4 – Auditors' remuneration

This resolution authorises the directors to fix the auditors' remuneration.

### Resolution 5 – Election of Stephan Beringer

This resolution concerns the election of Stephan Beringer, who was appointed to the Board since the last Annual General Meeting and is retiring in accordance with article 84 of the Company's articles of association.

### Resolutions 6-7 – Re-election of John Pearson and David Dorans

This resolution concerns the re-election of John Pearson and David Dorans who are retiring in accordance with article 88.1(d) of the Company's articles of association.

### Resolution 8 – Directors' power to allot shares

This resolution grants the directors authority to allot shares in the capital of the Company and other relevant securities up to an aggregate nominal value of £350, representing approximately 33.33% of the nominal value of the issued ordinary share capital of the Company as at 16 May 2019, being the latest practicable date before publication of this notice. In addition, in accordance with guidelines issued by the Investment Association, this resolution grants the directors authority to allot further equity securities up to an aggregate nominal value of £701, representing approximately 66.66% of the nominal value of the issued ordinary share capital of the Company as at 16 May 2019, being the latest practicable date before publication of this notice. This additional authority may be only applied to fully pre-emptive rights issues.

Unless revoked, varied or extended, this authority will expire at the conclusion of the next Annual General Meeting of the Company or the date falling 15 months from the passing of the resolution, whichever is the earlier.

### Resolution 9 – Directors' power to issue shares for cash

This resolution authorises the directors in certain circumstances to allot equity securities for cash other than in accordance with the statutory pre-emption rights (which require a company to offer all allotments for cash first to existing shareholders in proportion to their holdings). The relevant circumstances are either where the allotment takes place in connection with a rights issue or other pre-emptive issue or the allotment is limited to a maximum nominal amount of £105, representing approximately 10% of the nominal value of the issued ordinary share capital of the Company as at 16 May 2019 being the latest practicable date before publication of this notice. Unless revoked, varied or extended, this authority will expire at the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of the resolution, whichever is the earlier.

The Company may hold any shares it buys back "in treasury" and then sell them at a later date for cash rather than simply cancelling them. Any such sales are required to be made on a pre-emptive, pro-rata basis to existing shareholders unless shareholders agree by special resolution to disapply such pre-emption rights. Accordingly, in addition to giving the directors power to allot unissued ordinary shares on a non-pre-emptive basis, resolution 9 will also give directors power to sell ordinary shares held in treasury on a non-pre-emptive basis, subject always to the limitations noted above.

The directors consider that the power proposed to be granted by resolution 9 is necessary to retain flexibility, although they do not have any intention at the present time of exercising such power.

Unless revoked, varied or extended, the authorities conferred by resolutions 9 will expire at the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of the resolution, whichever is the earlier.

## Notes to Notice of Annual General Meeting

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member (so a member must have more than one share to be able to appoint more than one proxy). A proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent you. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact the Company's registrars on 0370 702 0150. Calls cost 12 to 14p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. They are open between 8.30am– 5.30pm, Monday to Friday excluding public holidays in England and Wales.
2. To be valid, the proxy form must be completed and lodged, together with the original power of attorney or other authority (if any) under which it is signed, or a duly certified copy of such power or authority, with the Company's registrars, Computershare Investor Services plc, by hand only to Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or in accordance with the replied paid details, not less than 48 hours before the time appointed for holding the Annual General Meeting.
3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 7 below) will not prevent a member attending the Annual General Meeting and voting in person if he/she wishes to do so (although voting in person at the Annual General Meeting will terminate the proxy appointment).
4. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the Register of Members of the Company at the close of business on 11 June 2019 (or, if the Annual General Meeting is adjourned, such time being not more than 48 hours prior to the time fixed for the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Annual General Meeting.
5. As at 16 May 2019 (being the last business day prior to the publication of this notice of meeting) the Company's issued share capital consisted of 105,122,717 ordinary shares in the capital of the Company, carrying one vote each. Therefore, the total voting rights in the Company as at 16 May 2019 were 105,122,717.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK and Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (CREST ID No. 3RASA) by 10.00am on 11 June 2019. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
8. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK and Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

## Notes to Notice of Annual General Meeting continued

9. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
10. Any corporation which is a member can either (i) appoint a proxy (described in notes 1 to 3 above) or (ii) appoint one or more corporate representatives, who may exercise on its behalf all of its powers as a member provided they do not do so in relation to the same shares. Members considering the appointment of a corporate representative should check their own legal position, the Company's articles of association and the relevant provision of the Companies Act 2006.
11. A copy of this notice, and other information required by section 311A of the Act, can be found at mirriadplc.com/investor-relations.
12. You may not use any electronic address provided either in the Notice of Annual General Meeting or any related documents (including the Chairman's letter and proxy form) to communicate for any purposes other than those expressly stated.
13. Voting on all resolutions will be conducted by way of a poll. This is a more transparent method of voting as shareholders' votes are counted according to the number of shares registered in their names.
14. The following documents will be available for inspecting during normal business hours at the registered office of the Company from the date of this notice until the time of the meeting. They will also be available for inspection at the place of the meeting from at least 15 minutes before the meeting until it ends.
    (a) Copies of the service contracts of the Executive Directors of the Company.
    (b) Copies of the letters of appointment of the Non-executive Directors of the Company.

# Company information

**Directors**
John Pearson
Chairman

Stephan Beringer
Chief Executive Officer

David Dorans
Chief Financial Officer

Alastair Kilgour
Non-executive Director

Roger Faxon
Non-executive Director

Dr Mark Reilly
Non-executive Director

**Company registration number**
09550311

**Registered office**
6th Floor
One London Wall
London
EC2Y 5EB

**Company website**
www.mirriad.com

**Independent auditors**
PricewaterhouseCoopers LLP
3 Forbury Place
23 Forbury Road
Reading
RG1 3JH

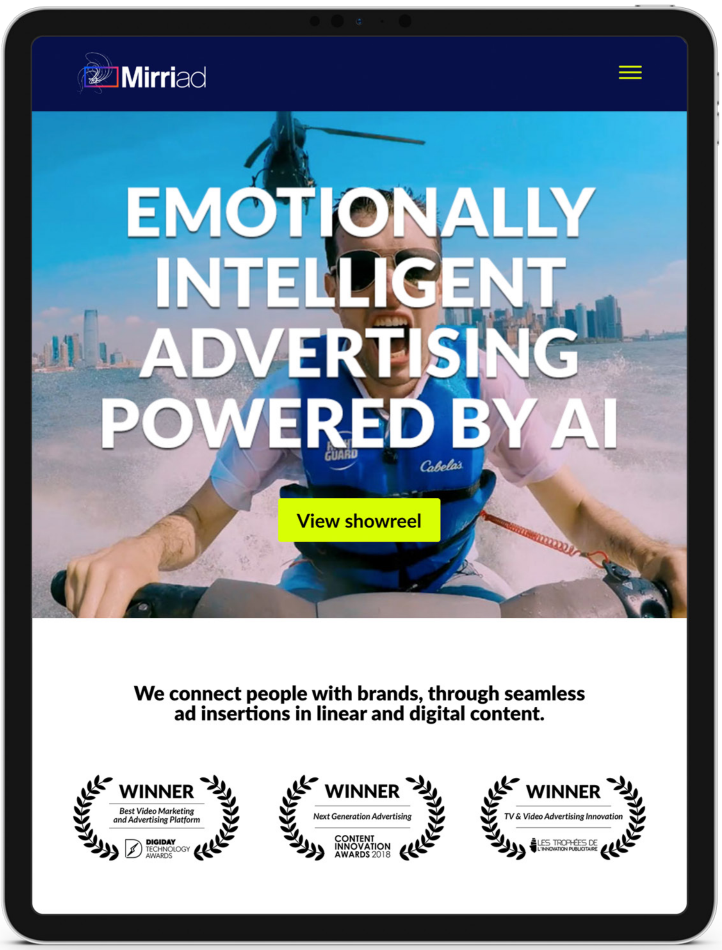
**Solicitors**
Osborne Clarke LLP
6th Floor
One London Wall
London
EC2Y 5EB

**Company Secretary**
Hannah Coote

**Nominated adviser and broker**
Numis Securities Limited
10 Paternoster Square
London
EC4M 7LT

**Financial PR**
Charlotte Street Partners Limited
The Charlotte Building
6 Evelyn Yard
London
W1T 1QL

**Registrars**
Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

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