tmg. The Marketing Group plc

2016 ANNUAL REPORT

tmg.
The Marketing Group plc

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Executive Chairman's Statement

Dear fellow shareholder,

Thank you for your support during what has been a successful formative year for The Marketing Group. Creating value for our shareholders is our primary goal as we deliver our strategy to build a leading global marketing network providing blue-chip clients a full 360° offering, while allowing individual agencies to retain their own unique specialism within the marketing services sector.

Since the Group's IPO in June we have enjoyed significant growth from four initial subsidiary brands to a global network of 17 agencies, with offices in the USA, UK, Europe, Asia, Australia and New Zealand. Our success is based on the unique Agglomeration™ model that we have pioneered to bring together under one global umbrella a diverse range of complementary agency businesses. Each business is led by highly talented and successful entrepreneurs, each of whom are given the freedom to continue running their business as they did before while benefitting from the scale and international reach while part of a much larger group.

In November we welcomed Adam Graham as our new Chief Executive. His many years of experience in building and managing digital agencies, together with his industry knowledge and relationships, will be immensely valuable to The Marketing Group moving forward.

Within the Group we already have a collection of highly talented business founders offering specialised and often best-in-class services. With Adam's leadership and vision, I am confident that the Group will continue to grow from strength to strength in the years ahead.

Under our Agglomeration model, The Marketing Group ended 2016 as one of the top three acquirers in the industry globally. In the process, we have endeavoured to ensure that each new business would be accretive to EBITDA.

Revenue for the Group's maiden year was €15.8 million. EBITDA was €2.3 million giving an EBITDA margin of 14.6%. Net profit amounted to €2.0 million leading to earnings per share for the full year of 11.3 cents.

It is important to note that the consolidated figures for the Group included in this report are not reflective of a full year for all of the businesses within the Group. The revenues and costs for all 17 agencies reflect the respective dates at which individual agencies joined the Group at varying times between January and December.

For the year ending 31 December 2017 the Group will be able to report a full 12 months of the 17 current Group agencies, consolidating these with the relevant contributions from businesses joining the Group during the course of the year.

The Board of Directors have taken the view that the flexibility and opportunities offered by a larger capital base can compound the creation of shareholder value in future years. As such, my fellow Board members and I have decided against the distribution of dividends from the Group's first year of operations. That said, the Board is committed to the return of profits to shareholders through a distribution or share buybacks and we aim to do either or both in the future.

As the Group heads swiftly towards its first anniversary since listing, my fellow Board members and I remain cognisant of the challenges that we have been confronted with over the past months. These learning opportunities present themselves frequently when companies go through periods of rapid growth and are expected by-products of innovators and disruptors. The Group has matured considerably over the past few months and we are committed to global best practice and corporate governance standards.

As announced immediately prior to the publication of this Annual Report, Don Elgie, a highly regarded entrepreneur within the marketing services sector whose rich experience includes a FTSE chairmanship as well as serving as Chief Executive of a successful quoted company that he founded, has been appointed as non-Executive Chairman of The Marketing Group. In my view, the interests of shareholders are best served by a well-represented and diversified Board with a healthy proportion of independent directors. In the year ahead, the Board and management team have made it a priority to further strengthen its leadership team through the appointment of other industry veterans who also understand our approach to growth and the demands of public company directorships.

As I relinquish my role as both Chairman and Director, the Group's pipeline of high quality, profitable and debt free agencies ready to join remains strong and I have no doubt that the new leadership will be able to drive the business to new heights.

I would like take this opportunity to thank my fellow Board members, our team and fellow shareholders across the globe for their tremendous support in the Group's foundation year and I wish the Group and everyone all the best in the year ahead.

Jeremy Harbour
Executive Chairman
The Marketing Group plc

CEO's Statement

It is with great pleasure that I provide my first report as CEO of The Marketing Group.

2016 was a year of significant growth for The Marketing Group. Since our initial public offering on Nasdaq First North in Stockholm in June, the Group has rapidly executed an acquisition strategy aimed at building a global marketing network that can compete with the big holding companies in terms of service offering and geographical reach.

The Group has grown from four subsidiary businesses at IPO to 17 unique and wholly-owned agencies as of 31 December 2016, each led by a successful and talented entrepreneur. Each acquisition was strategically selected to enhance our service offering and strengthen our position in key international markets. Today, through our subsidiaries, the Group has 30 offices in 8 countries, delivering outstanding services to blue-chip clients in Europe, America, Asia, and Australasia

Since I joined the Group in November, I have placed great significance on identifying opportunities to enhance the profitability of each agency through connections and synergies that enable the Group to offer a more cohesive client service. Following the success of our first Founders Summit in September we are now preparing for our second event which will be held in March 2017. These events bring together the leadership of each subsidiary business and our Executive Board to discuss strategy, areas for collaboration, and the development of our service offering to support further organic growth through incremental new business.

As we build out our suite of services, we continue to focus on deepening our digital capabilities, as they enable us to provide more measurable and effective solutions, and for which we are seeing the greatest demand from our clients. Our approach of acquiring nimble, specialist agencies gives us a range of highly focused teams which, when taken together, provide an increasingly diverse range of services. From media buying to production, from e-learning to game development and from brand strategy to broadcast communications, we continue to expand our service offerings and our global reach.

Our offering was further strengthened in November when the Group completed the acquisition of San Francisco-based DAE Advertising, Inc. to be a part of our US multimedia marketing and design subsidiary, Wilkin Marketing. The addition of DAE Advertising strengthens our advertising offering in the US and expands the Group's network into the large Californian market.

In 2016, much of our attention was focused on building the Group. The rapid pace of change has sometimes created challenges to the clear articulation of its value in our shareholder communications. However, we recognise that timely, transparent and accurate communication with the market is imperative and we will continue to refine our communications policies going forward.

Outlook

In 2017, we will continue to add profitable, debt-free companies to the Group, while prioritising those with a strategic fit to other businesses within the TMG network and we have a strong pipeline of high quality agencies ready to join.

Through our acquisition strategy, together with the organic growth of our constituent agencies and the cohesive network that is now emerging, we are rapidly building a company that can compete with the major global players. This journey has only just begun but we are confident the Group will continue to grow from strength to strength and create value for all our shareholders.

Thank you all for being a part of our journey.

Adam Graham
Chief Executive Officer
The Marketing Group plc

Officers and Professional Advisers

The Board of Directors	Mr James J Downton Mr Charles M Bartholomew Mr Adam J Graham Mr Jeremy J Harbour Mr Callum A M Laing Mr Mats Lundkvist Ms Hannah K Middleton Mr Prakash Somosundram Mr Toby D Street Mr Conrad S Swailes Mr Yen T Yang
Company Registration Number	09604581
Registered office	Enterprise House Ocean Village Southampton Hampshire SO14 3XB UNITED KINGDOM
Auditors	TGS Taylorcocks Chartered Accountants & Statutory Auditor 3 Acorn Business Centre Northarbour Road Cosham Portsmouth P06 3TH UNITED KINGDOM
Certified Adviser	Mangold Fondkommission AB Box 55691 Engelbrektsplan 2 SE-102 15 Stockholm SWEDEN
Stock Exchange Listing	The Marketing Group plc is listed on: • Nasdaq OMX First North Stockholm (TMG) • Frankfurt Stock Exchange (2MG)

Company Profile

The Marketing Group is a rapidly growing global marketing network that has used the Agglomeration model to bring together a diverse range of complimentary agency businesses that will continue to retain their independent spirit, whilst benefiting from increased scale and global reach. The highly acquisitive nature of this group, and the inexorable focus on organic growth and incremental new business is aimed at building a cohesive and agile global marketing network capable of competing with the existing major holding companies.

The marketing industry is highly fragmented, with only a handful of major players competing for the largest international contracts. However, these businesses are struggling to evolve to the growing demand for strategies that offer more personalised customer engagement. The specialised capabilities needed in this new digital marketplace are frequently only found in the many independent, cutting-edge hot-shops that make up much of the industry.

It is within this highly fragmented and fast changing market that The Marketing Group is bringing together a growing group of exciting, successful agencies under a shared public listed holding company. Each of the Group's subsidiary businesses retains its own unique brand, a significant degree of operational autonomy and offers a set of specialised, and often best-in-class, services. By connecting these agencies together under one global roof, The Marketing Group can offer clients a full 360° offering, access to an international network spanning 8 countries, while also retaining a real specialism in every aspect of marketing services.

The Marketing Group currently comprises a portfolio of 17 wholly-owned agencies, which together have 30 offices in 8 countries, delivering outstanding services to blue-chip clients in the USA, UK, Europe, Asia, Australia and New Zealand. The agencies are supported by the Group with management and coordinating activities, as well as a common operating platform that enables each to concentrate on delivering best-in-class services.

The Marketing Group's service offering currently includes social media, content creation, events, PR, e-learning, app development, game development, lead generation, sponsorship, TV production, branding, digital marketing, web and e-commerce and many other services.

Acquisition strategy

The Marketing Group is rapidly executing an acquisition strategy that leverages its public stock to make fast and efficient deals. Each acquisition is accretive to earnings per share (EPS) and strategically selected to enhance our service offering or strengthen our position in key international markets.

When a private company joins The Marketing Group, its owners swap private stock for public stock in the Group, but the business continues operating much as it did before. The Group adopts a collaborative approach with founding entrepreneurs in matters relating to brand, hiring and investment decisions and founding entrepreneurs are incentivised to support the success

of the Group through their share ownership. Each year that a subsidiary contributes profit to the group the founders also earn more shares in the public vehicle thereby ensuring they "earn-in" to its success over the long-term.

By joining The Marketing Group, a subsidiary business gains immediate scale and the benefits of being part of a much larger group, including a bigger consolidated balance sheet and access to an international network of similar, like-minded businesses offering complementary marketing services that can be offered to their own clients. Each agency transforms itself overnight from being a small business into a large multi-national company able to compete for larger international contracts and secure more favourable procurement deals at Group level.

Partnerships and collaboration

Partnerships, joint ventures and synergies between subsidiary businesses also offer the potential for accelerated organic growth and cost efficiencies. Integration and co-operation is not forced on subsidiary businesses, each of which retains operational autonomy. Instead, individual brand owners are presented with opportunities and forums to build and foster relationships within the network and this is leading naturally to collaborations and partnerships where values and goals align.

Our portfolio

The Marketing Group's diverse portfolio of subsidiary businesses significantly mitigates the potential risk to the business and its shareholders by spreading risk across different services, sectors, geographies and key personnel.

The Group currently comprises a portfolio of 17 wholly-owned agencies:

- Nice & Polite Ltd (UK) – Creative content agency
- Black Marketing Pte Ltd (SG) – Social media marketing
- One9Ninety Pte Ltd (SG) – Digital and social media marketing
- Creative Insurgence Pte Ltd (SG) – Lifestyle brand marketing
- The Lead Generation Company Pty Ltd (AU) – Phone-based and digital lead generation
- Rainmakers MSA Limited (NZ) – Media strategy and implementation
- Marker Metro Limited (AU) – Game and app development
- Clickverta Ltd (UK) – Inbound marketing agency
- Skye Multimedia LLC (US) – Corporate content development
- Wilkin Marketing LLC (US) – Multi-media marketing and design
- Imagine Group Entertainment Pte Ltd (SG) – Develop of Reality TV content
- Marker Studio Limited (AU/NZ) – Application development for web, mobile and cloud
- The Brand Theatre Pte Ltd (SG) – Brand Strategy
- Ranieri Public Relations Limited (UK) – PR & social media agency for consumer technology
- Channel Zero Pty Ltd (AU) – Creative brand communications
- Slingshot Sponsorship Limited (UK) – Sustainable sponsorship platform
- Addiction Advertising Pte Ltd (SG) – Advertising

Our Network Agencies

NICE & POLITE

Nice & Polite

Nice & Polite is a creative content agency. It provides full in-house service creative + production of moving image content and 2D + 3D design. From music promos, to online + TV commercials, print design and outdoor campaigns - Nice & Polite have a roster of creative talent that work across a diverse range of disciplines.

Notable clients include Apple, Disney, Universal, Glenmorangie, Lego and Louis Vuitton.

Established: 2011

Headquartered: London, UK

Black Marketing

Black Marketing is a premium, personalised, boutique B2B marketing consultancy that was established in 2014. The company specialises in social media marketing through LinkedIn and creates value for businesses by enhancing personal brand on LinkedIn.

More specifically, it creates and manages the LinkedIn pages of companies. It also does ghost blogging on LinkedIn as one of its services and has proved itself as a key player in B2B content marketing strategies.

Notable clients include Oracle, SAP and the Singapore sovereign wealth fund Temasek.

Established: 2014

Headquartered: Singapore

One9Ninety

One9Ninety specialises in marketing brands on the social web through the development and execution of social and digital media strategies. It develops strategies closely aligned with business objectives to deliver brand equity, sales and loyalty. They also develop innovative web, Facebook & mobile applications and are expert in influencer marketing. One9Ninety has partnered with over 50 brands and customers in APAC.

Notable clients include L'Oreal, IKEA, P&G, Unilever, Universal Music, COTY, Friesland Campina and LG.

Established: 2008

Headquartered: Singapore

Creative Insurgence

Creative Insurgence is a marketing agency specialising in lifestyle marketing and offering 360 solutions for clients from on-the-ground to online. It provides B2B & B2C creative consultancy services to creating bespoke integrated campaigns that support clients from conceptualisation to execution.

Notable clients include Valisere, Jägermeister, Stella Artois and Fashion TV.

Established: 2005

Headquartered: Singapore

Rainmakers

Rainmakers develops and implements media strategies. It has competencies and accreditation across the full range of media solutions, with strong skills in both traditional media (TV, radio, print and outdoor) and so called new media.

Notable clients include Bayer, Nandos, Virbac and Herbal Ignite.

Established: 1995

Headquartered: Auckland, New Zealand

The Lead Generation Company

The Lead Generation Company develops, implements and manages phone-based and digital lead generation activities for businesses looking to increase brand awareness and increase new business opportunities. They have over a decade of experience in not only generating quality leads for businesses but also providing complete solutions to enhance your organisations marketing strategies so your message is delivered to the relevant decision makers at the right time.

Notable clients include AON, Renault, Avention and Experian.

Established: 2005

Headquartered: Melbourne, Australia

Marker Metro

Marker Metro is also one of the world's leading game porting and co-development studios delivering major games for top US publishers across any mobile or TV based gaming platform.

Renowned for deep application technical skills, creative flair and an unflinching attention to detail, Marker Metro is trusted in the delivery of high profile cross platform applications across Windows, iOS, Google Play and Amazon platforms.

Notable clients include Microsoft, GoPro, Sony Pictures and Nokia.

Established: 2011

Headquartered: Auckland, New Zealand

Clickverta

Clickverta is an international performance marketing consultancy that engineers predictable sales revenue for premium service B2B businesses and B2B SaaS companies.

Clickverta implements the Inbound Methodology, to help SaaS businesses attract, convert, close business prospects, by helping them redefine and construct their buyer journey.

As well as their focus on B2B SaaS companies, Clickverta also has a B2C department that specialise in design and build for large e-commerce websites across the UK, USA, Russia and the Baltic States.

Notable clients include LNK, JSC, Rabota dlia vas, ODO and Nestle Baltics

Established: 2014

Headquartered: London, UK

Skye

Skye delivers training solutions with a specific focus on the Healthcare industry.

The team consists of instructional designers, writers, graphic designers, animators, developers, and project managers who provide end-to-end delivery of business solutions. Skye has developed hundreds of training applications for many of today's Fortune 1000 companies.

Notable clients include Pfizer, Novartis, Morgan Stanley, Deloitte and KPMG.

Established: 1995

Headquartered: New Jersey, USA

Wilkin Marketing

Wilkin Marketing is a full service marketing firm, specialising in direct mail and promotional marketing with a focus on the Gaming, Retail, Travel, & Hospitality industries.

They offer a complete array of marketing products and services – from full-service agency services to in-house variable data print direct mail production. They can assist in database marketing activities – from segmentation to re-investment optimisation. They can also assist with e-marketing efforts – from PURL's

to website creation to targeted email marketing, SMS/text marketing and social media marketing.

Notable clients include Silver Slipper Casino Hotel, Go Daddy and Mail America.

Established: 2009

Headquartered: Burlington, KY, USA

Imagine Group Entertainment

Imagine Group Entertainment ("IGE") is a leader in unscripted ("Reality TV") content in Asia. It is one of the rare production companies in Asia that has created leading original reality TV shows that are now being formatted in different languages in various countries.

IGE's production quality has been internationally recognised by various awards and nominations including The International Emmy Award nomination for The Challenger Muay Thai.

Notable clients include Delux, Zalora and Fitness First.

Established: 2011

Headquartered: Singapore

Marker Limited

Marker Limited specialises in creating enterprise-quality web, cloud, tablet and mobile apps that fundamentally support, strengthen or enhance clients' product and service offerings.

Marker Limited service offering spans the entire product development lifecycle, from strategy development, ideation, product research and validation, through to development, and post-launch additions, enhancements and support.

Notable clients include Digicel, Bidvest, Serko and Sanofi.

Established: 2006

Headquartered: Auckland, New Zealand

The Brand Theatre

The Brand Theatre ("TBT") is a brand consultancy which offers end-to-end solutions for B2C and B2B brands.
It works with companies of all sizes from SMEs to global and multinational companies.

TBT helps its clients take their brand to the next level through research, brand strategy development, communication strategy and execution, internal alignment and customer experience strategy.

Notable clients include Leacov, Unipro Software, EPO21 and Face Bistro.

Established: 2004

Headquartered: Singapore

Channel Zero

Channel Zero is a creative brand agency that provides high-level strategic thinking and creativity to global brands. Channel Zero is the only marketing business in Australia that directly connects brands to grocery buyers with an end-to-end solution that includes packaging and positioning and sales and supply chain management alongside core creative brand strategy.

Notable clients include Sanitarium, Nestle Professional, News Limited, Rio Tinto, Gloria Jean's Coffees, Vidal Sassoon, Adrenalin, EB Games, Nudie, Sanity and Volkswagen.

Established: 2003

Headquartered: Sydney, Australia

Ranieri

Ranieri is a communications consultancy with a focus on consumer technology. Ranieri delivers tailored PR campaigns, measured results, strategic consultancy and a wide range of PR services that build and manage reputation. Ranieri works with

companies from across the UK, as well as around the globe.

Notable clients include Harman, Venturer Strax and Gibson Innovations.

Established: 2002

Headquartered: London, UK

slingshot sponsorship

Slingshot Sponsorship

Slingshot Sponsorship helps some of the world's most forward thinking organisations create sustainable sponsorship platforms that attract global brands. It creates and optimises commercial partnerships within a variety of sectors including media, events, festivals, sports and charities.

Notable clients include IBM, Universal Media Group, Extreme Tech Challenge and Rock Star Racing.

Established: 2010

Headquartered: London, UK

ADDICTION

Addiction Advertising

Addiction Advertising is a full-fledged and a multi-award-winning advertising agency with a reputation for successfully solving complex advertising and brand awareness challenges and reinventing the way its clients advertise.

Addiction Advertising's excellent work and quality service have been recognised by the industry through numerous prestigious awards. It was awarded the Gold winner for the Marketing Excellence Award 2014, two Bronze awards for Excellence in Advertising and Excellence in Direct Marketing as well as a Silver award for Excellence in Print Adverting at the Marketing Excellence Awards 2015.

Notable clients include OCBC Bank, Standard Chartered Bank, American Standard, National Healthcare Group and Hotel Properties Limited.

Established: 2011

Headquartered: Singapore

The Directors' Report

The Directors present their report together with the consolidated financial statements of the consolidated group comprising of The Marketing Group plc ("the Company") and its subsidiaries (collectively referred to as "the Group" or "The Marketing Group") for the year ended 31 December 2016.

RESULTS AND DIVIDENDS

The total profit for the period amounted to €1,990,000 after tax. The Directors have not recommended a dividend.

DIRECTORS

The Directors who served the company during the year were as follows:

Mr James J Downton	
Mr Charles M Bartholomew	Appointed 13 April 2016
Mr Adam J Graham	Appointed 2 November 2016
Mr Jeremy J Harbour	Appointed 13 April 2016
Mr Callum A M Laing	Appointed 13 April 2016
Mr Mats Lundkvist	Appointed 4 August 2016
Ms Hannah K Middleton	Appointed 13 April 2016
Mr Prakash Somosundram	Appointed 13 April 2016
Mr Toby D Street	
Mr Conrad S Swailes	Appointed 13 April 2016
Mr Yen T Yang	Appointed 13 April 2016

STRATEGIC REPORT

In accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 the Company has chosen to set out in the Company's Strategic Report the information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise bank balances, trade and other payables and trade and other receivables. The main purpose of these instruments is to provide funds to finance the Group's operations and activities. The main risks arising from the financial instruments are credit risk, liquidity risk and market risk. Further details of the principal risks facing the Group are included in the Strategic Report.

GOING CONCERN

The Group has considerable financial resources, together with committed contracts with numerous customers and suppliers across different geographic areas and market sectors. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the uncertainties in the global economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Group and parent company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

AUDITOR

A resolution to re-appoint TGS Taylorcocks as auditor will be proposed at the Annual General Meeting in April 2017.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Signed on behalf of the Directors

Jeremy Harbour
Executive Chairman
The Marketing Group plc

Approved by the Directors on 28 February 2017

Directors’ Responsibilities Statement

The Directors are responsible for preparing the Strategic Report, Directors’ Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) with applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101 *Reduced Disclosure Framework*.

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 parent company and of the profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Group and parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company’s transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Group Strategic Report

The consolidated financial statements incorporate the financial statements of The Marketing Group plc ('the Company') and all of the entities controlled by the Company, its subsidiaries (together 'the Group') as at 31 December 2016.

PRINCIPAL ACTIVITY

The Group is a global marketing network. It comprises a portfolio of independently-managed subsidiary agencies, each offering specialist expertise and services. Together, the agencies under the network offer a broad suite of digital-led marketing and communications solutions to global blue-chip clients.

As at the end of the period, the Group comprised 17 subsidiary agencies that employed an aggregate 226 professionals across 30 offices in eight countries.

The Group's client base is geographically diversified and can be found across Europe, America, Asia, and Australasia.

Although the Group's slate of services spans the wide spectrum within marketing, advertising and public relations services, the Group maintains a key focus on the digital space, which it identifies as one of the key growth areas within the media industry.

MARKET DEVELOPMENT

The Changing Face of Marketing

In recent years, the marketing landscape has been evolving at an increasingly rapid pace. For every legacy industry that is disrupted, a wealth of opportunities spring up for the next generation of future facing marketing businesses.

In very broad terms, we continue to see the rise of digital communications at the expense of more traditional broadcast media.

Facebook and Google now account for huge chunks of marketing budgets. However, TV still plays a vital role in providing reach and brand awareness. With the rise of smart TVs and boxes, we are seeing linear TV and online video converging, which presents a real opportunity for agencies that know how best to leverage both mediums to their full effect.

Content, in its many forms, is becoming increasingly important and an integral part of the marketing mix. We are already seeing great collaborations between our agencies, such as Nice & Polite, One9Ninety and Ranieri, to create multi-dimensional global offers around content, social and public relations. We also see an increasing move towards highly targeted, bite-sized content alongside the big brand campaigns that the likes of Channel Zero and Imagine TV might create.

This evolution provides a growing emphasis on data and experience. Moving forward, our acquisition strategy will include a strong focus on data centric businesses that can dovetail into the network to provide increased insights and effectiveness for our work. As such, Media and Customer Relationship Management (CRM) agencies will be of interest, as will consultancies, tools and platforms that can enable us to build out a solid, global, data-centric network.

Ultimately, everything comes back to experience. The customer experience ranges across all touchpoints with the brand; and smart marketers know this. One weak link in the chain can undermine so much good work elsewhere and it is therefore invaluable to be able to engage a team that is trusted, connected and committed.

Other Noteworthy Trends Within The Industry

We are seeing continued consolidation at a publisher level, such as Sky/Fox, Verizon/AOL, as well as at an agency level. This brings opportunities for the next generation of niche publishers and focused agencies and, indeed, we are seeing the lines becoming blurred here too.

Artificial Intelligence is maturing and is now seen in an increasing number of uses for consumers and brands alike. Specialist agencies that are embracing the opportunities here are already experiencing strong growth.

And of course, mobile continues to go from strength to strength. As the power of the hardware increases, so too does the diversity of the apps ecosystem and our affinity for these devices. The ubiquity and proximity of phones and tablets provides brands with a unique opportunity to build loyalty and close the sale right there, in the palm of our hands.

The Next Generation of Agencies

As the marketing ecosystem evolves, the opportunity for a future-facing network is clear to see. One that embraces the principles of modern marketing, alongside a progressive structure that encourages entrepreneurialism, speed and agility. The next generation of agencies are those who will define the successful brands of the future. The Company aims to bring those agencies together whilst protecting their entrepreneurial spirit, their culture and their unique value.

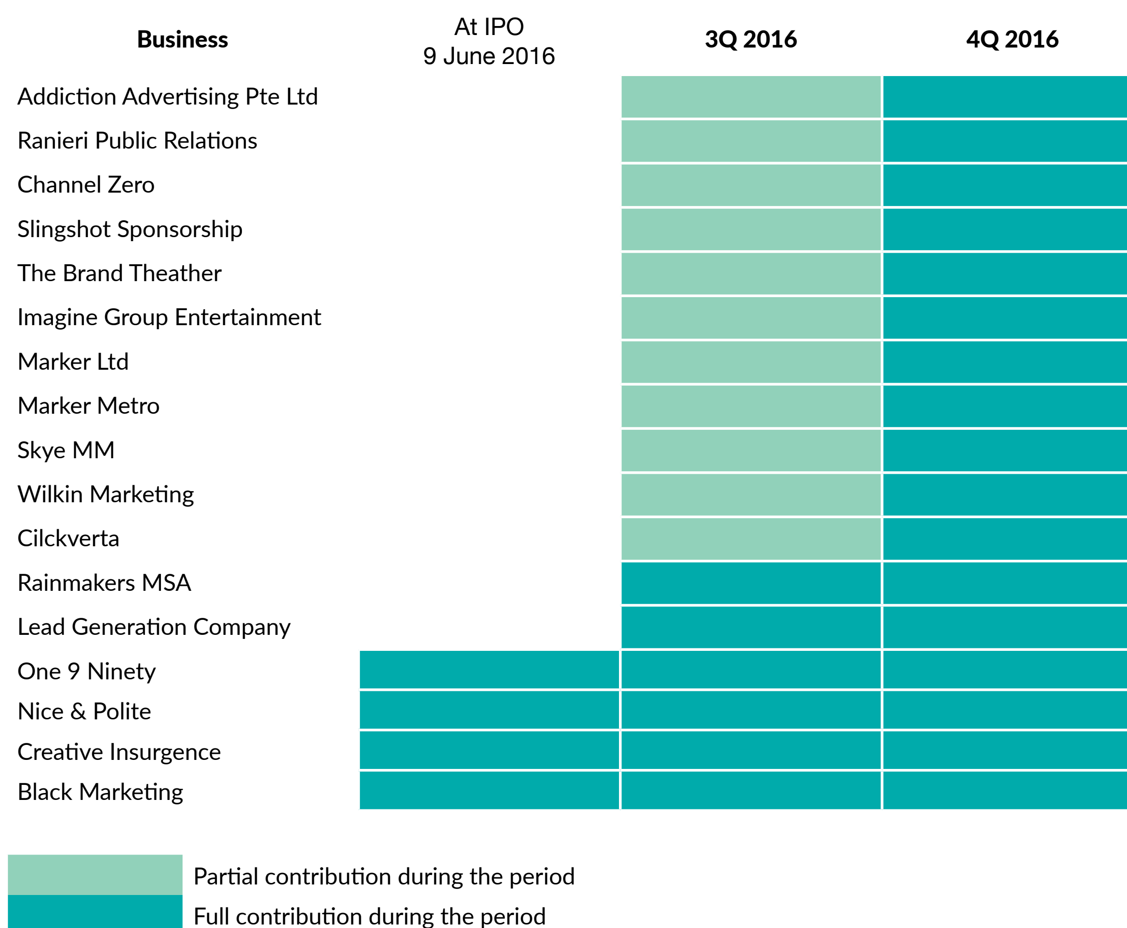
REVIEW OF THE GROUP'S FINANCIAL PERFORMANCE AND FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2016

The Group was listed on 9 June 2016 on Nasdaq First North Stockholm with an initial portfolio of four agencies – Nice & Polite, Black Marketing, One9Ninety and Creative Insurgence.

As the Group commenced operations from January 2016 onwards, financial information prior to 2016 is not available for comparison. They will, however, be available for comparison in future years.

During the course of the year under review, 17 new agencies were added on the Group level, changing the portfolio and contributions profile of the Group.

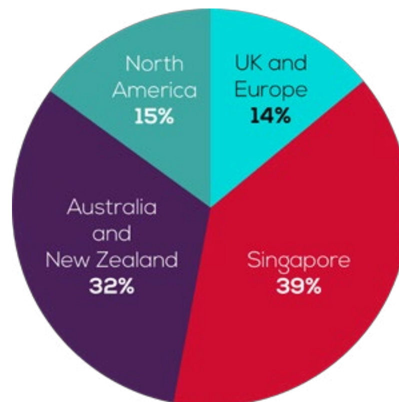
Contributions of Businesses to The Marketing Group



Revenues

The Group's revenues for the year ended 31 December 2016 ("FY2016") totalled €15.8 million. Subsidiary agencies in Singapore and Australia and New Zealand were key contributors to FY2016 revenue, giving 39% and 32% to total Group revenues, respectively.

Geographical Composition of FY2016 Revenue



Earnings

Commensurate with the evolution of the Group's revenue contributions as a result of the addition of 17 agencies during the year, earnings contributions have also transformed significantly since the Group's IPO.

Gross profit for FY2016 came in at €9.9 million, translating to a gross profit margin of 62.2%. Profit before tax for the year was €2.2 million, translating to profit margin of 13.9%. Net profit after tax and net profit margin for the year was €2.0 million and 12.6%, respectively.

Adjusting for non-cash deductions, EBITDA for the Group was €2.3 million and EBITDA margin for the year was 14.6%.

Basic earnings per share based on the weighted average number of shares for the year (17,657,892) for FY2016 was 11.3 cents.

Cash and Financial Position

As at 31 December 2016, the Group's cash and cash equivalents stood at €2.4 million. Total assets amounted to €83.2 million and total net assets amounted to €71.2 million.

Net asset value per share for FY2016 is based on the adjusted number of shares outstanding as at 31 December 2016 (27,796,252), which excludes deals that have been cancelled or not completed, was €2.56.

Financial Key Performance Indicators (KPIs)

The Directors use the following KPIs to assess the financial performance of the group and future acquisitions:

- Revenue contribution from New Media / Digital segments
- Revenue contribution from higher growth economies
- Compounded Annual Growth Rate (CAGR) in EBITDA
- Growth in shared clients as a measure of collaboration within the network

These KPIs are core to the Group's strategy and business model in delivering a profitable business and driving scale for the Group to compete with major global players.

STRENGTHS AND COMPETITIVE ADVANTAGES

The Group embraces a number of principles which we believe gives a competitive advantage.

We are committed to maintaining the entrepreneurial spirit and unique culture of the businesses we acquire. So much of an agency's value is wrapped up in its people and its unique idiosyncrasies - it is vital to preserve the winning team, and that special something, that made the agency so attractive in the first place.

By acquiring specialised agencies with a sharp focus, whilst bringing them together under the network umbrella, we can have the win-win of highly focused creative hot-shops with global scale and reduced risk. We embrace agile principles and are building, perhaps, the first agile global marketing network. This means that we prioritise early and continuous delivery of value, that we embrace change and that we structure ourselves to operate effectively and flexibly.

Our flat structure and nimble approach means that we can make decisions quickly and react to changes in conditions, or demands from clients, at real speed. By structuring ourselves more like a neural network of interconnected webs and nodes, and less like a bureaucracy, with layers of ineffective management, we can enable empowered execution by those best positioned to make the decisions.

We are highly diversified across service offering, geography and sector vertical. As we grow, this diversification will increase. One of the benefits of maintaining agency autonomy is that each business is its own profit and cost centre and thus risk is hived down to that level.

SIGNIFICANT RISKS AND UNCERTAINTIES

The management of risk is the responsibility of the Board of Directors who have carried out a robust assessment of the potential risks facing the group. The Group's principle operating risks and uncertainties are set out below.

Macro economic conditions

As with any business, there is always the risk of macro-economic conditions changing. Such events could lead to client spend decreasing. As a highly diversified international network with a broad selection of services, working for a range of sector verticals, we hope that we will hedge against any market fluctuations as much as possible.

Loss of key clients

The loss of key clients is clearly a risk and one that is managed through the portfolio approach and ensuring that the companies that we acquire have a balanced client portfolio, themselves. Going forward, we intend to roll out client referencing for pre-acquisition and on-going client relationships so that we can identify and address potential issues before it is too late. In addition, as a network of specialist agencies where the aim is to preserve the entrepreneurial spirit, we hope that the owner-managed mentality is maintained and, as such, those key client relationships are protected.

Smaller businesses have less margin for error

It is easier for a smaller agency to move into a loss-making position if they have a bad year. As we grow, we are increasing the minimum threshold requirements for the businesses we acquire, to mitigate against this. We are also improving our reporting and early warning systems to enable us to provide support and guidance to any struggling businesses in the group.

Loss of talent

Loss of key staff is a risk for any service business. We hope that through our commitment to maintain the culture and spirit of the agencies we acquire, this represents a lower risk for TMG. We have a strong commitment to culture, globally and we provide an increasing number of opportunities for people across the network to connect. As we grow, opportunities for talent to be retained within the network, even if they leave one subsidiary, will increase. Our aim is to attract and retain the very best talent, on a global scale.

FUTURE DEVELOPMENTS

Driving organic growth

Effective marketing at a local and global level is a strong focus in 2017. This will bring a variety of incremental new business opportunities to the group.

Global client engagements

Creating client focused networks will enable us to provide a more meaningful engagement for global brands and solidify relationships and grow the total engagements in this area.

Acquisition strategy

Focusing on acquisitions that provide additional value through complimenting a service offering or consolidating a client position.

DIVIDENDS

The Board of Directors have taken the view that the flexibility and opportunities offered by a larger capital base can compound the creation of shareholder value in future years. As such, it has decided against the distribution of dividends from the Group's first year of operations. That said, the Board is committed to the return of profits to shareholders through a distribution or share buybacks and will aim to do either in the future.

Jeremy Harbour
Executive Chairman
The Marketing Group plc

Approved by the Directors on 28 February 2017

Auditor's Report on the consolidated financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MARKETING GROUP PLC

We have audited the Group financial statements of The Marketing Group plc for the year ended 31 December 2016 which comprises the Consolidated statement of profit or loss and other comprehensive income, the Consolidated statement of financial position, the Consolidated statement of changes in equity, the Consolidated statement of cash flows and the related notes numbered 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS's) as adopted by the European Union (EU).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 13, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2016, and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006;

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Director's Report have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

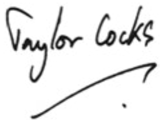
OTHER MATTERS

We have reported separately on the parent company financial statements of The Marketing Group plc for the year ended 31 December 2016 on page 53.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



James Blake ACA (Senior Statutory Auditor)
For and on behalf of

Statutory Auditor
Office: Portsmouth 28 February 2017

Consolidated statement of profit or loss and other comprehensive income

	Note	Year ended 31 Dec 2016 €'000	Period ended 31 Dec 2015 €'000
Continuing operations			
Revenue	4	15,843	-
Cost of sales		(5,986)	-
Gross profit		9,857	-
Other operating expenses		(8,247)	-
Other income	8	708	-
EBITDA		2,318	-
Depreciation and amortisation expenses		(108)	-
EBIT	5	2,210	-
Finance costs	9	(56)	-
Profit on continuing activities before taxation		2,154	-
Tax expense	10	(164)	-
Profit for the year		1,990	-
Other comprehensive income			
Exchange differences on translating foreign operations		(306)	-
Total comprehensive income attributable to equity holders of the Company		1,684	-

The Group had no non-controlling interests during the period. Both the profit for the period and the total comprehensive income for the period are wholly attributable to the equity holders of the Company.

Earnings per share			
Basic (€ cents per share)	24	11.27	-
Diluted (€ cents per share)	24	11.27	-

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

The notes on pages 25 to 52 form part of the consolidated financial statements.

Consolidated statement of financial position

	Note	As at 31 Dec 2016 €'000	As at 31 Dec 2015 €'000
ASSETS			
Non-current assets			
Goodwill	23	73,582	-
Deferred tax assets	10	46	
Intangible asset	11	16	-
Property, plant and equipment	12	540	-
		74,184	-
Current assets			
Inventories	13	379	-
Trade and other receivables	14	6,234	-
Cash and cash equivalents		2,418	*
		9,031	*
Total assets		83,215	*
LIABILITIES			
Current liabilities			
Trade and other payables	15	5,749	-
Current income tax liabilities	16	773	-
Bank overdraft		286	-
Finance liabilities	17	557	-
Deferred consideration	23	4,082	-
		11,447	-
Non-current liabilities			
Trade and other payables	15	394	-
Finance liabilities	17	163	-
Total liabilities		12,004	-
NET ASSETS		71,211	*
EQUITY			
Issued capital and share premium	21	69,527	*
Foreign exchange translation reserve		(306)	-
Retained earnings		1,990	-
Total equity		71,211	*

* Amount less than €1,000.

These financial statements were approved by the Directors and authorised for issue on 28 February 2017, and were signed on their behalf by:

Jeremy Harbour
Executive Chairman, The Marketing Group plc
Company Registration Number 09604581

The notes on pages 25 to 52 form part of the consolidated financial statements.

Consolidated statement of changes in equity

	Called up share capital	Share premium	Foreign currency translation reserves	Retained earnings	Total
	€'000	€'000	€'000	€'000	€'000
At 22 May 2015 (date of incorporation)	-	-	-	-	-
Issue of shares	*	-	-	-	*
At 31 December 2015	*	-	-	-	*
Profit for the year	-	-	-	1,990	1,990
Other comprehensive income for the year	-	-	(306)	-	(306)
Total comprehensive income for the year	-	-	(306)	1,990	1,684
Contributions by the owners:					
Issue of ordinary shares as consideration for a business combination	175	69,324	-	-	69,499
Recognition of share-based payments	-	28	-	-	28
At 31 December 2016	175	69,352	(306)	1,990	71,211

* Amount less than €1,000.

The notes on pages 25 to 52 form part of the consolidated financial statements.

Consolidated statement of cash flows

	Year ended 31 Dec 2016 €'000	Period ended 31 Dec 2015 €'000
Cash flows from operating activities		
Receipts from customers	**16,157**	-
Receipts from other receivables	**442**	-
Payments to suppliers and employees	**(16,437)**	-
Finance costs	**(56)**	-
Income tax refunded	**162**	-
Net cash flow from operating activities	**268**	-
Cash flows from investing activities		
Net cash flows from acquisition of subsidiaries	**2,410**	-
Purchase of property, plant and equipment	**(136)**	-
Net cash inflow from investing activities	**2,274**	
Cash flows from financing activities		
Proceeds from issue of share capital	**-**	*
Payment in finance lease liabilities	**(410)**	-
Net cash outflow from financing activities	**(410)**	
Increase in cash and cash equivalents	**2,132**	**-**
Cash and cash equivalents at the beginning of the year/period	*	-
Cash and cash equivalents at the end of the year/period	**2,132**	*

CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	As at 31 Dec 2016 €'000	As at 31 Dec 2015 €'000
Cash at bank and in hand	**2,418**	*
Bank overdraft	**(286)**	**-**
Cash and cash equivalents	**2,132**	*

The balance constitutes of the cash and cash equivalents and unsecured bank overdraft.

*Amount less than €1,000.

The notes on pages 25 to 52 form part of the consolidated financial statements.

Notes to the consolidated financial statements

1. GENERAL INFORMATION

The Marketing Group plc ("the Company") is a limited company domiciled and incorporated in England and Wales (Company Registration Number 09604581). The registered office address is Enterprise House, Ocean Village, Southampton, Hampshire, SO14 3XB, UNITED KINGDOM. The Company provides a central, publicly-listed, operating platform that supports its subsidiary brands by fostering collaboration and enabling each to concentrate on delivering best-in-class services.

The Marketing Group plc is listed on the Nasdaq OMX First North and the Frankfurt Stock Exchange.

The Group comprises of The Marketing Group plc and its subsidiaries (collectively referred to as "the Group" and "The Marketing Group").

The Marketing Group is a global marketing and advertising agglomeration. It comprises a portfolio of independently managed subsidiary brands, each with specialist expertise and services, which together offer a broad suite of marketing and advertising services to global blue-chip clients. The Marketing Group's service offering includes social media, content creation, events, PR, e-learning, app development, game development, lead generation, sponsorship, TV production, branding, digital marketing, web and e-commerce and many other services. The Marketing Group's operations stretch across 30 offices in 8 countries and serving clients across the U.S., Europe, Asia, Australia and New Zealand.

2. ACCOUNTING POLICIES

a) Statement of compliance with IFRS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2016 and applied in accordance with the Companies Act 2006.

b) Basis of preparation

The basis of preparation and accounting policies set out in this Report and Accounts have been prepared in accordance with the recognition and measurement criteria of IFRS, which also include International Accounting Standards (IAS's), as issued by the IASB and with those of the Standing Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

The consolidated financial statements are presented in Euros.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 3 to the financial statements.

c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries as at 31 December 2016.

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

d) Application of new and revised International Financial Reporting Standards (IFRSs)

In the current year, the Group has applied a number of amendments to IFRSs and a new Interpretation issued by the IASB that are mandatorily effective for an accounting period that begins on or after 1 January 2016.

	Effective date for annual periods beginning on or after
• Amendments to IFRS 11 *Accounting for Acquisitions of Interest in Joint Operations*	1 January 2016
• Amendments to IAS 1 *Disclosure Initiative*	1 January 2016
• Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
• Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*	1 January 2016
• Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
• Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
• Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*	1 January 2016
• Amendments to IFRSs Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016

i) Amendments to IFRS 11 *Accounting for Acquisitions of Interest in Joint Operations*

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit (CGU) to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments should be applied prospectively to acquisitions in joint operations (in which the activities of the joint operations constitute businesses as defined in IFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016.

These financial statements are the first in which the Amendments to IFRS 11 *Accounting for Acquisitions of Interest in Joint Operations* is applied. No restatement of prior periods is required as the Company was dormant in the preceding period.

ii) Amendments to IAS 1 *Disclosure Initiative*

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016.

These financial statements are the first in which the Amendments to IAS 1 *Disclosure Initiative* is applied.

iii) Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two circumstances:

a) where the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The Directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of the economic benefits inherent in the respective assets and accordingly, the amendments to IAS 16 and IAS 38 does not have any material impact on the Group's consolidated financial statements.

2. ACCOUNTING POLICIES (continued)

d) Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

iv) Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*

The amendments to IAS 16 and IAS 41 define a bearer plant and require biological assets that mean the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

There has been no impact on the Group's financial statements from the amendments to IAS 16 and IAS 41 as the Group is not engaged in agricultural activities.

v) Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state the gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in the associate or joint venture.

Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The Directors of the Company anticipate that the application of these amendments to IFRS 10 and IAS 28 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

vi) Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*

The amendments to IFRS 10, IFRS 12 and IAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The application of these amendments to IFRS 10, IFRS 12 and IAS 28 has not had a material impact on the Group's consolidated financial statements.

vii) Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

The amendments to IAS 19 require the Group to account for employee contributions to defined benefit plans as follows:

- Discretionary employee contributions are accounted for as a reduction of the service cost upon payments to the plans.
- Employee contributions specified in the defined benefit plans are accounted for as a reduction of the service cost, only if such contributions are linked to services. Specifically, when the amount of such contribution depends on the number of years of service, the reduction to service cost is made by attributing the contributions to periods of service in the same manner as the benefit attribution. On the other hand, when such contributions are determined based on a fixed percentage of salary (i.e. independent of the number of year of service), the Group recognises the reduction in the service costs in the period in which the related services are rendered.

The application of these amendments has not had an impact on the Group's consolidated financial statements.

viii) Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5

regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify cooperate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

These standards have been applied accordingly in these consolidation financial statements, being the first active accounting period of the Group, to the extent that they are applicable.

e) New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

	Effective date for annual periods beginning on or after
• IFRS 9 *Financial Instruments*	1 January 2018
• IFRS 15 *Revenue from Contracts with Customers*	1 January 2018
• IFRS 16 *Leases*	1 January 2018
• Amendments to IFRS 2 *Classification and measurement of share-based payment transactions*	1 January 2018
• Amendments to IAS 7 *Disclosure Initiative*	1 January 2017
• Amendments to IAS 12 *Recognition of Deferred Tax Assets for unrealised losses*	1 January 2017

i) IFRS 9 *Financial Instruments*

IFRS 9 issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for de-recognition, and in November 2013 to include the new requirements to general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are currently under the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding that are generally measured at amortised cost and the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make and irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to the changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

2. ACCOUNTING POLICIES (continued)

e) New and revised IFRSs in issue but not yet effective (continued)

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instrument that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2016 on the basis of the facts and circumstances that exist at that date, the Directors of the Company do not expect there to be a significant impact on the adoption of IFRS 9.

ii) IFRS 15 *Revenue from Contracts with Customers*

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 supersedes the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principal of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or 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. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer;

Step 2: Identify the performance obligations in the contract;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations in the contract;

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

IFRS 15 is consistent with the Group's policies for recognising revenues and therefore the Directors consider there to be no impact expected from adopting IFRS 15.

iii) IFRS 16 *Leases*

IFRS 16 was issued in January 2016 and establishes a single comprehensive model for entities to use in accounting for leases, requiring lessees to recognise assets and liabilities for all leases unless the term is 12 months or less or the underlying asset has a low value. IFRS 16 supersedes the current leasing standard IAS 17 *Leases* and the related interpretations when it becomes effective.

The core principal of IFRS 16 is that on commencement of any lease (where the asset is not insignificant and the term exceeds 12 months), the entity recognises a right-of-use asset and a lease liability.

The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee, adjusting for; lease incentives received, payments in advance of commencement and restoration obligations or similar. The right-of-use asset is then subsequently measured at cost less accumulated depreciation and accumulated impairment.

The lease liability is initially measured at the present value of the lease payments payable over the lease term,

discounted at the rate implicit in the lease (if it can be readily determined, else the lessee uses their incremental borrowing rate). The lease liability is subsequently remeasured to reflect modifications in the lease (changes in the lease term and the amounts payable under the lease), with the remeasurements treated as adjustments to the right-of-use asset.

Application of IFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of the Group's lease arrangements. If IFRS 16 was adopted as at 31 December 2016 by the group, both the assets and liabilities in the Group's consolidated financial statements would have been increased by €1,162,000.

iv) Amendments to IFRS 2 *Classification and measurement of share-based payment transactions*

The amendments clarify the following:

1) In estimating the fair value of the cash-settled share based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for the equity settled share-based payments.

2) Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, ie, the share-based payment arrangement has a "net-settlement feature", such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

3) A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

    a. The original liability is derecognised;

    b. The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and

    c. Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier applications permitted. Specific transition provisions apply. The Directors of the Group do not anticipate that the application of the amendments in the future will leave a significant impact on the Group's financial statements as the Group does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

v) Amendments to IAS 7 *Disclosure Initiative*

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier applications permitted. The Directors of the Group do not anticipate that the application of these amendments will have a material impact on the Group's financial statements.

vi) Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments clarify the following:

1) Decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows,

2) When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific t ype (eg, capital losses can only be offset against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences.

2. ACCOUNTING POLICIES (continued)

e) New and revised IFRSs in issue but not yet effective (continued)

3) The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

4) In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The Directors of the Group do not anticipate that the application of these amendments will have a material impact on the Group's financial statements.

f) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's own functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's operations which are denominated in foreign currencies are translated into Euros (the Group's presentational currency) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

g) Group Accounting

Subsidiaries

i) <u>Consolidation</u>

Subsidiaries are entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between the Group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

ii) <u>Acquisitions under business combinations</u>

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The excess of the consideration transferred and the acquisition-date fair value of any previously-held equity interest in the acquiree over the fair values of the identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed, is recorded as goodwill.

h) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from the sale of goods and services is recognised when the goods and services are received by the customer, at which time all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods and receipt of the services.
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods and services sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract to provide the services. Where a contract is to provide services evenly over a period of time, revenue is recognised on a straight-line basis over the period of the agreement.

i) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's CGUs expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

j) Intangible assets

Intangible assets (other than Goodwill) with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired in a business combination and recognised separately from Goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An internally-generated intangible asset arising from development (including internal projects to develop software and operating systems) is recognised if, and only if it can be demonstrated that the intangible asset will generate probable future economic benefits, that it is technically feasible to complete the intangible asset and the intention is to complete it for use or sale.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria above. When no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

k) Property, plant and equipment

Assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual value over their useful lives, using either the reducing balance or straight-line methods. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

2. ACCOUNTING POLICIES (continued)

k) Property, plant and equipment (continued)

Depreciation is provided at the following bases:

Leasehold property and improvements	-	equal instalments over the period of the lease
Office equipment, fixtures and fittings	-	25% per annum reducing balance basis
Motor vehicles	-	25% per annum reducing balance basis
Computer equipment and software	-	4 years straight line basis

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

l) Inventory

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

m) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability, the apportioned finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, over the consumption of the benefit of the leased asset.

n) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference

arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit not the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Current and deferred tax are recognised in profit or loss, except when they relate to items in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

o) Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to be ready for their intended use or sale, are capitalised into the cost of the qualifying assets, until such time as the assets are subsequently ready for their intended use or sale.

All other borrowing costs are recognised as an expense in profit or loss in the year in which they are incurred.

p) Share based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 25.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

q) Employees Benefits

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pay fixed contributions into state-managed retirement benefit schemes and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

The Group's contribution to defined contribution plans is recognised in profit or loss in the financial year to which they relate.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for unconsumed leave as a result of services rendered by employees up to the reporting date. These are either classified as short-term or long-term employee benefits based on the expected timing of settlement rather than employee entitlement to benefits. Short-term benefits obligations are measured on an undiscounted basis whereas long-term benefits obligations are discounted to determine its present value.

2. ACCOUNTING POLICIES (continued)

r) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

s) Financial assets

Financial assets are classified into the following specified categories and accounted for accordingly: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

t) Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of any entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Equity instruments issued by the Company as part of a business combination are measured at fair value.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities at 'fair value through profit or loss' or 'other financial liabilities'.

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effect interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

u) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

A restructuring provision is only recognised when the Group has developed a detailed formal plan for the restructuring and

has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

v) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, current balances with banks and similar institutions, which are readily convertible to known amounts of cash of which are subject to insignificant risk of change in value.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. However, the nature of estimation means that actual outcomes could differ from those estimates. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. Details regarding judgements which have the most significant effect on the amounts recognised in the financial statements are as follows:

a) Impairment of non-financial assets

In accordance with the Group's accounting policy, the carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

The goodwill impairment review was undertaken in December 2016. The review assessed whether the carrying value of goodwill was supported by the net present value of future cash flows, using a pre-tax discount rate depending on geographical location of between 8.15% and 9.97%, management forecasts for a projection period of up to five years including an assumed improvement in operating margins of €4 million, followed by an assumed annual long-term growth rate of 4.0%. Management have made the judgement that this long-term growth rate does not exceed the long-term average growth rate for the industry.

The goodwill impairment review concluded that no impairment charge was required as the carrying amount did not exceed the 'recoverable amount', defined as the higher of fair value less costs to sell and value in use.

Our approach in determining the recoverable amount utilises a discounted cash flow methodology, which necessarily involves making numerous estimates and assumptions regarding revenue growth, operating margins, appropriate discount rates and working capital requirements. The key assumptions used for estimating cash flow projections in the Group's impairment testing are those relating to revenue growth and operating margin. The key assumptions take account of the businesses' expectations for the projection period. These expectations consider the macroeconomic environment, industry and market conditions, the unit's historical performance and any other circumstances particular to the unit, such as business strategy and client mix.

These estimates will likely differ from future actual results of operations and cash flows, and it is possible that these differences could be material. In addition, judgements are applied in determining the level of cash-generating unit identified for impairment testing and the criteria used to determine which assets should be aggregated. A difference in testing levels could affect whether an impairment is recorded and the extent of impairment loss. Changes in our business activities or structure may also result in changes to the level of testing in future periods. Further, future events could cause the Group to conclude that impairment indicators exist and that the asset values associated with a given operation have become impaired. Any resulting impairment loss could have a material impact on the Group's financial condition and results of operations.

4. SEGMENTAL INFORMATION

a) Segment revenues and results

IFRS 8 *Operating Segments* requires operating segments to be identified on the same basis as is used internally for the review of performance and allocation of resources by the Group's chief operating decision maker. Provided certain quantitative and qualitative criteria are fulfilled, IFRS 8 permits the aggregation of these components into reportable segments for the purposes of disclosure in the Group's financial statements. In assessing the Group's reportable segments, the Directors have had regard to the similar economic characteristics of certain operating segments and the similar nature of their services, amongst other factors.

The Group's reportable segments under IFRS 8 are therefore as follows:

i) Advertising, entertainment and design production;
ii) Corporate branding and training;
iii) Social media marketing; and
iv) Lead generation and data management.

4. SEGMENTAL INFORMATION (continued)

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

	Segment revenue		Segment profit	
	Year ended 31 Dec 2016	Period ended 31 Dec 2015	**Year ended 31 Dec 2016**	Period ended 31 Dec 2015
	€'000	€'000	**€'000**	€'000
Advertising, entertaining and design production	**10,045**	-	**1,177**	-
Corporate branding and training	**2,266**	-	**351**	-
Social media marketing	**2,193**	-	**444**	-
Lead generation and data management	**1,339**	-	**372**	-
	15,843	-	**2,344**	-
Less: Central administration costs and Directors' salaries			**(190)**	-
			2,154	-

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2015 : Nil). All revenue arises from continuing operations in the year ended 31 December 2016.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit earned by each segment without allocation of central administration costs and Directors' salaries. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

b) Geographical information

The Group operates in the following key geographical areas – United Kingdom and Europe, Singapore, Australia and New Zealand, and North America. The Group's revenue from the subsidiary agencies and information about its segment assets and liabilities by geographical areas are detailed below:

	Segmental assets		Segmental liabilities	
	As at 31 Dec 2016	As at 31 Dec 2015	**As at 31 Dec 2016**	As at 31 Dec 2015
	€'000	€'000	**€'000**	€'000
United Kingdom and Europe	**1,088**	-	**(1,519)**	-
Singapore	**3,355**	-	**(1,525)**	-
Australia and New Zealand	**3,020**	-	**(2,434)**	-
North America	**2,863**	-	**(2,428)**	-
	10,326	-	**(7,906)**	-
Unallocated assets (liabilities)	**72,889**	*	**(4,098)**	-
Consolidated total	**83,215**	*	**(12,004)**	-

Unallocated assets (liabilities) primarily relate to goodwill and deferred consideration.

	Revenue from external customers		Profit or loss	
	Year ended 31 Dec 2016	Period ended 31 Dec 2015	**Year ended 31 Dec 2016**	Period ended 31 Dec 2015
	€'000	€'000	**€'000**	€'000
United Kingdom and Europe	**2,147**	-	**(4)**	-
Singapore	**6,150**	-	**1,479**	-
Australia and New Zealand	**5,119**	-	**614**	-
North America	**2,427**	-	**255**	-
	15,843	-	**2,344**	-
Less: Central administration costs and Company Directors' remuneration			**(190)**	-
			2,154	-

* Amount less than €1,000

5. EBIT (EARNINGS BEFORE INTEREST AND TAX)

EBIT from continuing operations is stated after charging:

	Year ended 31 Dec 2016	Period ended 31 Dec 2015
	€'000	€'000
Amortisation of intangible assets	**1**	-
Depreciation of owned fixed assets	**107**	-
Net loss on foreign currency translation	**11**	-
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**62**	-
The audit of the Company's subsidiaries pursuant to legislation	**5**	-
Tax compliance services	**6**	-
Other non-audit services	**5**	-
	78	-

6. STAFF COSTS

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

	Year ended 31 Dec 2016	Period ended 31 Dec 2015
	No.	No.
Number of sales staff	**198**	-
Number of administrative staff	**28**	-

The aggregate payroll costs of these persons were as follows:

	Year ended 31 Dec 2016	Period ended 31 Dec 2015
	€'000	€'000
Wages and salaries (including directors and taxes)	**5,407**	-

7. DIRECTORS' REMUNERATION

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

	Year ended 31 Dec 2016	Period ended 31 Dec 2015
	€'000	€'000
Total remuneration	**10**	-

8. OTHER INCOME

	Year ended 31 Dec 2016	Period ended 31 Dec 2015
	€'000	€'000
Release from indebtedness from certain trade payables	**437**	-
Government grants received	**195**	-
Other similar income	**76**	-
	708	-

9. FINANCE COSTS

	Year ended 31 Dec 2016 €'000	Period ended 31 Dec 2015 €'000
Interest payable on financial liabilities	**56**	-

10. TAX EXPENSES

Income tax recognised in profit or loss

	Year ended 31 Dec 2016 €'000	Period ended 31 Dec 2015 €'000
Current tax		
In respect of the current year	**186**	-
Deferred tax		
In respect of the current year	**(22)**	-
	164	-

Reconciliation of the total tax charge

The tax rate in the income statement for the period is higher than the standard rate of corporation tax in the UK of 20.00% (2015 : 20.00%). The differences are reconciled below:

	Year ended 31 Dec 2016 €'000	Period ended 31 Dec 2015 €'000
Accounting profit before taxation	**2,154**	-
Accounting profit multiplied by the UK standard rate of corporation tax of 20.00% (2015 – 20.00%)	**431**	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	**27**	-
Effect of income that is exempt from taxation	**(263)**	-
Effect of expenses that are not deductible in determining tax	**119**	-
Effect of tax losses utilised from losses brought forward	**(150)**	-
Total tax charge	**164**	-

10. TAX EXPENSES (continued)

The Group's profit is derived from several geographical areas, the tax rates in these main locations are as follows:

	Year ended 31 Dec 2016	Period ended 31 Dec 2015
	€'000	€'000
United Kingdom	**20%**	20%
Singapore	**17%**	17%
USA	**30%**	30%
Australia	**30%**	30%
New Zealand	**28%**	28%

Deferred tax balances

	As at 31 Dec 2016	As at 31 Dec 2015
	€'000	€'000
Fixed assets timing differences	**10**	-
Tax losses available for future periods	**15**	-
Employee provisions related timing differences	**21**	-
	46	-

11. INTANGIBLE ASSETS

	Customer Contracts	Total
	€'000	€'000
COST		
At 22 May 2015 (date of incorporation) and 31 December 2015	**-**	-
Acquisitions through business combinations (Note 23)	**35**	35
At 31 December 2016	**35**	35
AMORTISATION		
At 22 May 2015 (date of incorporation) and 31 December 2015	**-**	-
Charge for the year	**1**	1
Acquisitions through business combinations (Note 23)	**18**	18
At 31 December 2016	**19**	19
NET BOOK VALUE		
At 31 December 2016	**16**	16
At 31 December 2015	**-**	-

12. PROPERTY, PLANT AND EQUIPMENT

COST	Property and leasehold Improvements €'000	Office equipment, fixtures and fittings €'000	Motor vehicles €'000	Computer equipment €'000	Software €'000	Total €'000
At 22 May 2015 (date of incorporation) and 31 December 2015	-	-	-	-	-	-
Additions	-	46	32	54	-	**132**
Acquisitions through business combinations	117	520	304	934	105	**1,980**
Exchange differences	(2)	1	5	-	3	**7**
At 31 December 2016	**115**	**567**	**341**	**988**	**108**	**2,119**
DEPRECIATION						
At 22 May 2015 (date of incorporation) and 31 December 2015	-	-	-	-	-	-
Charge for the year	9	26	22	47	1	**105**
Acquisitions through business combinations	55	398	128	787	102	**1,470**
Exchange differences	(1)	2	2	(1)	2	**4**
At 31 December 2016	**63**	**426**	**152**	**833**	**105**	**1,579**
NET BOOK VALUE						
At 31 December 2016	**52**	**141**	**189**	**155**	**3**	**540**
At 31 December 2015	-	-	-	-	-	-

During the year, the Group held office equipment, fixtures and fittings, and motor vehicles under finance leases with a net carrying value of €2,000 and €162,000 respectively.

13. INVENTORIES

	As at 31 Dec 2016 €'000	As at 31 Dec 2015 €'000
Marketing material held for sale	**379**	-

14. TRADE AND OTHER RECEIVABLES

	As at 31 Dec 2016	As at 31 Dec 2015
	€'000	€'000
Amounts falling due within one year		
Trade receivables	**5,056**	-
Allowance for impairment	**(563)**	-
	4,493	-
Prepayments	**283**	-
Other receivables	**1,213**	-
Accrued income	**245**	-
	6,234	-

Analysis of trade receivables

	As at 31 Dec 2016	As at 31 Dec 2015
	€'000	€'000
Trade receivables not past due, past due and not impaired:		
Not past due	**195**	-
Less than 30 days	**2,664**	-
30-60 days	**775**	-
60-90 days	**408**	-
	4,042	**-**
Trade receivables that were impaired:		
Trade receivables -nominal amounts:	**1,014**	-
Less: Allowance for impairment	**(563)**	-
	451	**-**
Trade receivables, net of impairment	**4,493**	**-**

Due to the nature and number of the Group's customers, it is not practical to analyse the credit quality of trade receivables that are neither past due nor impaired. Credit risk arises from the possibility that customers may not be able to settle their obligations as agreed. Customers are assessed for financial reliability using external rating agencies.

15. TRADE AND OTHER PAYABLES

	As at 31 Dec 2016	As at 31 Dec 2015
	€'000	€'000
Amounts falling due within one year		
Trade payables	**1,698**	-
Other payables	**656**	-
PAYE, social security and VAT	**899**	-
Deferred income	**611**	-
Other provisions and accruals	**1,885**	-
	5,749	-
Amounts falling due greater than one year		
Other payables	**394**	-
	6,143	-

16. CURRENT INCOME TAX LIABILITIES

	As at 31 Dec 2016	As at 31 Dec 2015
	€'000	€'000
Amounts falling due within one year		
Income taxes payable	**773**	-

17. FINANCE LIABILITIES

Future minimum rentals payable under non-cancellable finance leases are as follows:

	As at 31 Dec 2016	As at 31 Dec 2015
	€'000	€'000
Amounts falling due within one year		
Line of credit	**479**	-
Finance lease payable	**78**	-
	557	-
Amounts falling due greater than one year		
Finance lease payable	**163**	-
	720	-

The line of credit bears fixed interest of 5.0% (2015: nil%) and are repayable on demand. The line of credit is secured on the assets of one of the subsidiaries, together with a personal guarantee provided by certain directors of the subsidiary

The major part of these commitments relate to finance leases in respect of office equipment and motor vehicles. These finance leases are secured on the assets to which they relate.

18. COMMITMENTS UNDER OPERATING LEASES

Future minimum rentals payable under non-cancellable operating leases are as follows:

	As at 31 Dec 2016	As at 31 Dec 2015
	€'000	€'000
Not later than one year	749	-
After 1 year but not more than 5 years	1,606	-
	2,355	-

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2016 amounted to €452,000 (2015: €nil).

19. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

The Group uses financial instruments, other than derivatives, comprising cash, short term borrowings, trade creditors and trade debtors, which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group is exposed to foreign currency, interest rate, credit and liquidity risks arising from its business. The Company's risk management approach seeks to minimise the potential material adverse effects from these exposures. As a whole, Management has implemented risk management policies and guidelines which set out its tolerance of risk and its general risk management philosophy.

Fair values of financial assets and liabilities

The fair value of financial assets and liabilities are valued using a fair value hierarchy in accordance with IFRS 7. The carrying amounts of the financial assets and liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

Foreign currency risk

The Group has no significant concentration of foreign currency risk as the Group transacts business mainly within the functional currencies of the operating entities. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

Accordingly, no sensitivity analysis is prepared as the Company does not expect any material effect on the Group's profit or loss arising from the effects of reasonably possible changes to exchange rates at the end of the reporting period.

Interest rate risk

The Group's exposure to market risk for changes in interest rate environment relates mainly to its line of credit facility (note 17).

The Group manages its interest rate exposure by maintaining mainly fixed rate borrowings. As such, no sensitivity analysis is prepared as Management does not expect any material effect on the Group's profit or loss arising from the effects of possible changes to interest rates at the end of the reporting period.

Credit risk

The Group has no significant concentration of credit risk. Financial instruments and cash transactions are limited to quality financial institutions. Cash is held with creditworthy financial institutions.

Going concern and liquidity risk

In considering going concern and liquidity risk, the Directors have reviewed the Group's future cash requirements and earnings projections. The Directors believe these forecasts have been prepared on a prudent basis and have also considered the impact of range of potential changes to trading performance. The Directors' have concluded that the Group should be able to operate within its current facilities for the foreseeable future and therefore believe it is appropriate to prepare the financial statements on a going concern basis.

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 and to maintain an optimal capital structure to reduce the cost of capital.

20. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The compensation of the Directors is disclosed in note 7 above.

The Unity Group of Companies Pte. Ltd. ("Unity Group") is a related party as certain Directors of the Company have beneficial interests and are also directors of Unity Group. The company is provided administrative and management services by Unity Group for which no charge is made to the Company.

Transactions with Directors or entities with whom they have an interest

During the year, the Company issued ordinary shares to the following entities and Directors, as part of acquiring the business combinations:

	Number of shares issued	Value of shares issued
	No.	€'000
Entities with whom a Director has a beneficial interest and is also a director of		
Unity Group of Companies Pte. Ltd	1,958,203	2,785
Iona Global Ltd	414,585	972
Five5Five Pte. Ltd.	1,406,579	8,544
JLHC Holdings Pte. Ltd.	2,286,248	9,887
AM Investments Pte. Ltd.	370,139	2,652
Shares issued directly to Directors and their immediate family:	**733,376**	**1,668**

The shares issued to JLHC Holdings Pte. Ltd. were on a nominee basis on behalf of certain vendors as part of the acquisition consideration.

21. ISSUED CAPITAL AND SHARE PREMIUM

	As at 31 Dec 2016	As at 31 Dec 2015
	€'000	€'000
Share capital	**175**	*
Share premium	**69,352**	-
	69,527	*

* Amount less than €1,000.

Issued capital comprises of 35,093,728 fully paid ordinary shares of €0.005 each (2015-2 fully paid ordinary shares of €1 each)

	Number of shares	**Share capital**	**Share premium**
		€'000	**€'000**
Balance at 22 May 2015 (date of incorporation)	-	-	-
Issue of shares	2	*	*
Balance at 31 December 2015	2	*	*
Issue of shares for acquisition of subsidiaries	35,093,728	175	69,352
Balance at 31 December 2016	35,093,728	175	69,352

The number of shares outstanding as at 31 December 2016 includes shares held in treasury.

	As at 31 Dec 2016	As at 31 Dec 2015
	Number of shares	Number of shares
Shares held in treasury		
Cancellation of shares relating to the cancelled acquisition of Astute Ltd	**5,660,583**	-
Allotment of shares relating to the proposed acquisition of TDA Group LLC	**1,636,893**	-
	7,297,476	-

The Group made share based payments amounting to €28,000 (2015: €Nil) in relation to equity-settled share-based transactions for the financial year ended 31 December 2016.

22. SUBSIDIARIES

The Marketing Group plc group consists of the below subsidiary undertakings, all of which are included within the consolidated financial statements.

Name of subsidiary	PRINCIPAL ACTIVITIES	Place of incorporation	Proportion of ownership interest and voting power held by the Company	
			2016	2015
WBB Group Ltd	Investment holding	United Kingdom	100%	-
Ulysses Group Ltd	Investment holding	United Kingdom	100%	-
Augustus Group Ltd	Investment holding	United Kingdom	100%	-
Vodrum Ltd	Investment holding	United Kingdom	100%	-
Rinnik Ltd	Investment holding	United Kingdom	100%	-
Black Marketing Pte. Ltd.	Marketing agency	Singapore	100%	-
Creative Insurgence Pte. Ltd.	Event and PR management	Singapore	100%	-
Nice & Polite Ltd	Creative agency	United Kingdom	100%	-
One9ninety Pte. Ltd.	Social media marketing agency	Singapore	100%	-
DAE Advertising Inc.	Marketing agency	United States of America	100%	-
Subsidiaries under WBB Group Limited				
The Lead Generation Company Pty Ltd	B2B telemarketing	Australia	100%	-
Rainmakers MSA Limited	Media, digital, strategy and implementation	New Zealand	100%	-
Subsidiaries under Ulysses Group Limited				
Clickverta Limited	Inbound marketing and growth driven design agency	United Kingdom	100%	-
Marker Metro Limited	Digital agency	New Zealand	100%	-
Skye MM, LLC	Corporate content development	United States of America	100%	-
Wilkin Marketing Ltd. Co.	Creative agency	United States of America	100%	-
Interaktyvi Reklama UAB	Digital agency	Lithuania	100%	-
Horsepower 360 Marketing, LLC	Creative agency	United States of America	100%	-
Subsidiaries under Augustus Group Limited			100%	-
Imagine Group Entertainment Pte. Ltd.	Television production	Singapore	100%	-
Marker Limited	Software packages provider	New Zealand	100%	-
Subsidiaries under Vodrum Ltd			100%	-
The Brand Theatre Pte. Ltd.	Public relation consultancy services	Singapore	100%	-
Ranieri Public Relations Limited	Communications consultancy	United Kingdom	100%	-
Channel Zero Pty Ltd	Creative agency	Australia	100%	-
Slingshot Sponsorship Ltd	Sponsorship sales agency	United Kingdom	100%	-
Subsidiaries under Rinnik Ltd			100%	-
Addiction Advertising Pte Ltd	Marketing agency	Singapore	100%	-
Subsidiaries under Nice & Polite Ltd			100%	-
Digital Virtue Ltd	Creative agency	United Kingdom	100%	-

The above companies were acquired during the year.

23. BUSINESS COMBINATION

a) Acquisition of subsidiaries

During the year, the Group acquired the following companies. These transactions have been accounted for by the acquisition method of accounting, with no consideration paid in cash.

	Black Marketing	CIPL, N&P and One9ninety	WBB Group Ltd	Ulysses Group Ltd	Augustus Group Ltd	Vodrum Ltd	Rinnik Ltd	Digital Virtue Ltd	DAE Advertising Inc.
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Fair value of assets acquired									
Non-current assets									
Fixed and intangible assets	4	11	59	105	92	234	6	4	12
Loans receivables	-	-	527	-	-	-	-	-	-
Current assets									
Trade and other receivables	278	1,073	571	1,322	505	1,636	34	21	525
Cash at bank and in hand	37	178	25	169	552	479	472	12	566
Deferred tax	-	-	-	15	9	19	-	-	-
Current liabilities									
Trade and other payables	(173)	(850)	(750)	(1,010)	(1,890)	(1,364)	(223)	(77)	(1,079)
Bank overdraft	-	-	-	(10)	(20)	(50)	-	-	-
Loans payable and finance leases	(45)	-	(320)	(437)	(82)	(34)	-	(10)	-
Income tax payable	-	(154)	-	-	-	-	(144)	-	(144)
Non-current liabilities									
Loans payable and finance leases	(49)	-	-	-	-	(153)	-	-	-
Net Assets (Liabilities)	52	258	112	154	(834)	767	145	(50)	(120)
Goodwill	5,794	8,306	6,923	18,429	7,410	12,933	7,079	139	5,919
Consideration transferred	**5,846**	**8,564**	**7,035**	**18,583**	**6,576**	**13,700**	**7,224**	**89**	**5,799**
Consideration - TMG shares	5,846	8,564	7,035	18,583	6,576	13,700	5,592	89	3,350
Deferred consideration - TMG shares	-	-	-	-	-	-	1,632	-	2,449
Total consideration	**5,846**	**8,564**	**7,035**	**18,583**	**6,576**	**13,700**	**7,224**	**89**	**5,799**
Net cash inflow on acquisition of subsidiaries	**37**	**178**	**25**	**159**	**532**	**429**	**472**	**12**	**566**

i) Black Marketing Pte. Ltd.

Black Marketing Pte. Ltd. was acquired by The Marketing Group plc on 1 January 2016 in exchange for shares of €5,846,000. The transactions are included within these consolidated financial statements from the date it was acquired.

ii) Creative Insurgence Pte Ltd, Nice & Polite Ltd and One9ninety Pte Ltd ("CIPL, N&P and One9ninety")

These companies were acquired by The Marketing Group plc on 1 March 2016 in exchange for shares of €8,564,000. The transactions are included within these consolidated financial statements from the date it was acquired.

iii) WBB Group Ltd

The company was acquired by The Marketing Group plc on 30 June 2016 in exchange for shares of €7,035,000. The transactions are included within these consolidated financial statements from the date it was acquired.

iv) Ulysses Group Ltd

The company was acquired by The Marketing Group plc on 25 August 2016 in exchange for shares of €18,583,000. The transactions are included within these consolidated financial statements from the date it was acquired.

v) Augustus Group Ltd

The company was acquired by The Marketing Group plc on 1 August 2016 in exchange for shares of €6,576,000. The transactions are included within these consolidated financial statements from the date it was acquired.

vi) Vodrum Ltd

The company was acquired by The Marketing Group plc on 22 August 2016 in exchange for shares of €13,700,000. The transactions are included within these consolidated financial statements from the date it was acquired.

vii) Rinnik Ltd

The company was acquired by The Marketing Group plc on 26 September 2016 in exchange for shares of €7,224,000, of which €5,592,000 had been issued and €1,632,000 is included within deferred consideration. The transactions are included within these consolidated financial statements from the date it was acquired.

viii) Digital Virtue Ltd

The company was acquired by a subsidiary of The Marketing Group plc on 26 July 2016 in exchange for shares of €89,000. The transactions are included within these consolidated financial statements from the date it was acquired.

ix) DAE Advertising Inc.

DAE Advertising Inc was acquired by The Marketing Group plc on 21 November 2016 in exchange for shares of €5,799,000. The transactions are included within these consolidated financial statements from the date it was acquired.

Subsequent to the end of the year, the Group issued 1,368,042 shares in The Marketing Group plc as final settlement of the deferred consideration (€2,449,000) from the acquisition of DAE Advertising Inc.

b) Acquisition of business

During the year, Nice & Polite Ltd, a wholly-owned subsidiary of The Marketing Group plc acquired all the sales books, client information, contracts and rights of the business of VOQS Limited, incorporated in United Kingdom, on 26 August 2016 in exchange for shares of €90,000. The transactions are included within these consolidated financial statements from the date it was acquired.

These transactions have been accounted for by the acquisition method of accounting, with no consideration paid in cash.

23. BUSINESS COMBINATION

c) Goodwill arising on acquisitions

	Goodwill €'000
Consideration transferred arising from the acquisition of subsidiaries	73,416
Less: Fair value of identifiable net assets acquired	(484)
	72,932
Add: Alignment of Group accounting policies for provision of doubtful debts	460
Consideration transferred arising from the acquisition of business	190
Total goodwill arising on acquisition	**73,582**

Goodwill amounting to €73,582,000 arose in the acquisition of the above companies and business because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development of these companies. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

d) Impact of acquisitions on the results of the Group

Included in the revenue and profit for the year is €15,843,000 and €2,017,000 respectively attributable to the additional business generated by the above acquisitions.

Had these business combinations been effected at 1 January 2016, the revenue and profit for the year of the Group from continuing operations would have been €36,277,000 and €3,722,000 respectively. The Directors consider these "pro-forma" numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point of comparison in future periods.

The net profit after tax is not an accurate representative of the trading results for the Group as the pre-acquisition results include significant one-off transactions which would not normally occur under the Group's ownership if the companies have been acquired at the beginning of the current year.

e) Deferred Consideration

The deferred consideration comprises of the amounts highlighted in note 23a being the issue of shares in the Group for the acquisition of Rinnik Ltd (€1,632,000) and DAE Advertising Inc (€ 2,449,000). There are no cash amounts required for the final settlement of the deferred consideration on acquisition.

24. EARNINGS PER SHARE

	Year ended 31 Dec 2016	Period ended 31 Dec 2015
	€	€
	Cents per share	Cents per share
Basic earnings per share	**11.27**	-
Diluted earnings per share	**11.27**	-

There is no difference between the figures used for the basic and diluted earnings per share calculations.

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	Year ended 31 Dec 2016	Period ended 31 Dec 2015
	€'000	€'000
Earnings used in the calculation of basic earnings per share from continuing operations	1,990	-

	Year ended 31 Dec 2016	Period ended 31 Dec 2015
	No.	No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	17,657,892	-

25. SHARE-BASED PAYMENTS

The Company has a Share Incentive Scheme for executives and senior employees of the subsidiaries of the Group, which was approved by shareholders at a general meeting on 27 June 2016.

In accordance with the terms of the Share Incentive Scheme, the participants to the Agglomeration Agreements used to acquire the subsidiaries, may be granted additional equity shares in the Company should the subsidiary for which they are responsible, achieve increased profits in excess of its previous year, provided that this is in excess of the base year for assessment which is the year up to the date of acquisition. For every unit of additional EBITDA generated by the subsidiary over that of the previous year, the participant to the Agglomeration Agreement is entitled to receive additional equity shares in the Company equivalent in value to three times that amount, subject to satisfactory due-diligence conducted by the board of the Company.

The additional equity shares being allotted and issued within 60 days of the Company's financial year end.

The fair value of shares awarded under this Share Incentive Scheme is their market value on the date of award. The share based payment expense is recognised in the period to match the achievement of the relevant vesting requirement (i.e. is expensed in the same period that the subsidiaries achieve an EBITDA greater than their comparative period). Because of the inherent uncertainties in forecasting the subsidiaries future performance, no estimate is made to accrue for the value of potential awards for incomplete subsidiary periods.

At each reporting period the Directors review the performances of each of the subsidiaries, comparing their achieved EBITDA to the EBITDA they achieved in their comparative period, to assess the value of additional equity shares that are due to be issued under the Share Incentive Scheme.

At 31 December 2016, none of the subsidiaries had achieved the vesting requirement.

During the year ended 31 December 2016, there were no additional equity shares issued under the Share Incentive Scheme.

Valuation of Share-Based Payments

The Group made share-based payments amounting to €28,000 (2015: €Nil) in relation to equity settled share based transactions for the financial year ended 31 December 2016.

26. SUBSEQUENT EVENTS

On 3 January 2017, the Group issued 1,368,042 shares in The Marketing Group plc as final settlement of the deferred consideration (€2,449,000 – refer to note 23) in respect of the acquisition of DAE.

On 27 January 2017, the Directors' passed a board resolution to cancel 5,660,583 shares in The Marketing Group plc, that had originally been issued and held as treasury shares, pending completion of the acquisition of Astute Limited, which did not complete. These ordinary shares of €0.005 each had originally been issued at a value of €6.47, their cancellation being recorded at the same value and having already been deducted from share premium on 31 December 2016.

On 14 February 2017, the Group acquired 100% of The Content Agency Pty Ltd, a provider of premium content and content strategies based a in Sydney, Australia. The total consideration of the acquisition is €107,000 which will be settled by an allotment of 59,000 shares in The Marketing Group plc.

Auditor’s report on the parent company financial statements

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF THE MARKETING GROUP PLC

We have audited the parent company financial statements of The Marketing Group plc for the year ended 31 December 2016 which comprises the Parent Company Statement of Financial Position, the Parent Company Statement of Changes in Equity and the related notes lettered A to L. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Standard 101 - *Reduced Disclosure Framework*.

This report is made solely to the Company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors’ Responsibilities Statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s (APB’s) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the parent company’s affairs as at 31 December 2016, and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006;

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Director’s Report have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors’ Report.

OTHER MATTERS

We have reported separately on the Group financial statements of The Marketing Group plc for the year ended 31 December 2016 on page 19.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

James Blake ACA (Senior Statutory Auditor)
For and on behalf of

Statutory Auditor
Office: Portsmouth Date: 28 February 2017

Parent Company statement of financial position

	Note	As at 31 Dec 2016 €'000	As at 31 Dec 2015 €'000
ASSETS			
Non-current assets			
Investment in subsidiaries	D	73,659	-
		73,659	-
Current assets			
Other receivables	E	378	-
Cash and cash equivalents	F	45	*
		423	*
Total assets		74,082	*
LIABILITIES			
Current liabilities			
Trade and other payables	G	454	-
Deferred consideration	H	4,082	-
Other liabilities	I	46	-
Total liabilities		4,582	-
NET ASSETS		69,500	*
EQUITY			
Issued capital and share premium	J	69,527	*
Retained earnings		(27)	-
Total equity		69,500	*

* Amount less than €1,000.

These financial statements were approved by the Directors and authorised for issue on 28 February 2017, and were signed on their behalf by:

Jeremy Harbour
Executive Chairman, The Marketing Group plc
Company Registration Number 09604581

The notes on pages 57 to 61 form part of the parent company financial statements.

Parent Company statement of changes in equity

	Called up share capital	Share premium	Retained earnings	Total
	€'000	€'000	€'000	€'000
At 22 January 2015 (date of incorporation)				
Issue of shares	*	-	-	*
At 31 December 2015	*	-	-	*
Loss for the year	**-**	**-**	**(27)**	**(27)**
Total comprehensive loss for the year	**-**	**-**	**(27)**	**(27)**
Contributions by the owners:				
Issue of ordinary shares as consideration for a business combination	**175**	**69,324**	**-**	**69,499**
Recognition of share-based payments	**-**	**28**	**-**	**28**
At 31 December 2016	**175**	**69,352**	**(27)**	**69,500**

* Amount less than €1,000.

The notes on pages 57 to 61 form part of the parent company financial statements.

Notes to the Parent company financial statements

A. ACCOUNTING POLICIES

a) Statement of compliance with FRS 101

These financial statements (the parent company financial statements) were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101) and in accordance with applicable accounting standards.

No profit or loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006. The results of The Marketing Group plc are included in the consolidated financial statements of The Marketing Group plc which are included on pages 19 to 52.

The accounting policies which follow set out those policies which apply in preparing the parent company financial statements for the year ended 31 December 2016. The parent company financial statements are presented in Euros (EUR).

b) Basis of preparation

The Company's previous financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. For the year ended 31 December 2016, the Company has applied the reduced disclosure framework of FRS 101 for all periods presented.

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

- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 *Share Based Payments*;
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 *Business Combinations*;
- The requirements of IFRS 7 *Financial Instruments: Disclosures*;
- The requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*;
- The requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 *Presentation of Financial Statements;*
- The requirements of IAS 7 *Statement of Cash Flows;*
- The requirements of paragraph 73(e) of IAS 16 *Property, Plant and Equipment;*
- The requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies;*
- The requirements of paragraph 17 of IAS 24 *Related Party Disclosures;*
- The requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- The requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 *Impairment of Assets.*

c) Fixed asset investments

In the parent company financial statements, investment in subsidiaries are measured at cost less accumulated impairment.

d) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, call and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

A. ACCOUNTING POLICIES (continued)

e) Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the statement of financial position date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except in respect of deferred income tax assets which are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

f) Financial instruments

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

g) Amounts owed to/from group undertakings

Amounts owed to/from group undertakings are recognised at fair value, less provision for impairment. Provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

h) Share capital

Ordinary shares are classified as equity.

i) Foreign currency translation

Transactions in foreign currencies are recorded at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. Differences arising on the translation of monetary assets and liabilities are taken to the income statement.

The financial statements of the parent company are presented in Euros. The functional currency of the parent company is Euros.

j) Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 25.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

B. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. However, the nature of estimation means that actual outcomes could differ from those estimates. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. Details regarding judgements which have the most significant effect on the amounts recognised in the financial statements are as follows:

Impairment of non-financial assets

The parent company applies the same consideration for impairment on its investments as it applies to the consideration of goodwill impairment in the consolidated financial statements. For details of the consideration of the goodwill impairment see note 3 in the consolidated financial statements.

C. LOSS FOR THE YEAR

As permitted by Section 408 of the Companies Act 2006, the parent company's profit or loss account has not been included in these financial statements. The parent company's loss after tax was €27,000 (2015 - €nil).

The total Director's emoluments paid through the parent company was €13 (2015 : nil). There were no employees (2015: nil) other than the Directors.

The audit fee is disclosed in note 5 of the consolidated financial statements.

D. INVESTMENT IN SUBSIDIARIES

	Investment in subsidiaries
	€'000
COST AND NET BOOK VALUE	
At 22 May 2015 (date of incorporation) and 31 December 2015	-
Additions	**73,659**
At 31 December 2016	**73,659**

All of the subsidiary undertakings are included within note 22 of the consolidated financial statements.

E. OTHER RECEIVABLES

	As at 31 Dec 2016	As at 31 Dec 2015
	€'000	€'000
Amounts falling due within one year		
Receivables due from related companies	**378**	-

Receivables due from related companies are non-interest bearing and are generally on between 30 and 60 days' terms and are shown net of any provisions for impairment. As at 31 December 2016, no material impairment of trade receivables was required.

Due to the nature and number of the Group's customers, it is not practical to analyse the credit quality of trade receivables that are neither past due nor impaired. Credit risk arises from the possibility that customers may not be able to settle their obligations as agreed.

F. CASH AND CASH EQUIVALENTS

	As at 31 Dec 2016 €'000	As at 31 Dec 2015 €'000
Cash and cash equivalents		
Cash in bank	**45**	*

* Amount less than €1,000.

G. TRADE PAYABLES AND OTHER PAYABLES

	As at 31 Dec 2016 €'000	As at 31 Dec 2015 €'000
Amounts falling due within one year		
Trade payables	**405**	-
Provision and accruals	**49**	-
	454	-

H. DEFERRED CONSIDERATION

	As at 31 Dec 2016 €'000	As at 31 Dec 2015 €'000
Amounts falling due within one year		
Deferred consideration	**4,082**	-

Disclosures in respect of deferred consideration are provided in note 23 to the consolidated financial statements.

I. OTHER LIABILITIES

	As at 31 Dec 2016 €'000	As at 31 Dec 2015 €'000
Amounts falling due within one year		
Other payables	**46**	-

J. ISSUED CAPITAL AND SHARE PREMIUM

Disclosures in respect of share capital and share premium of the Company are provided in note 21 to the consolidated financial statements.

K. POST BALANCE SHEET EVENTS

Disclosures in respect of subsequent events of the Company are provided in note 26 to the consolidated financial statements.

L. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under FRS 101 from disclosing transactions with wholly owned group companies.

Disclosures in respect of transactions with other related parties of the Company are provided in note 20 to the consolidated financial statements.

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