New age new era

S[4]Capital plc / Annual Report and Accounts 2018

Our mission

To create a new era, new media solution embracing data, content and technology in an always-on environment for global, multinational, regional and local clients and for millennial-driven brands.

www.s4capital.com/annualreport18

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The story so far

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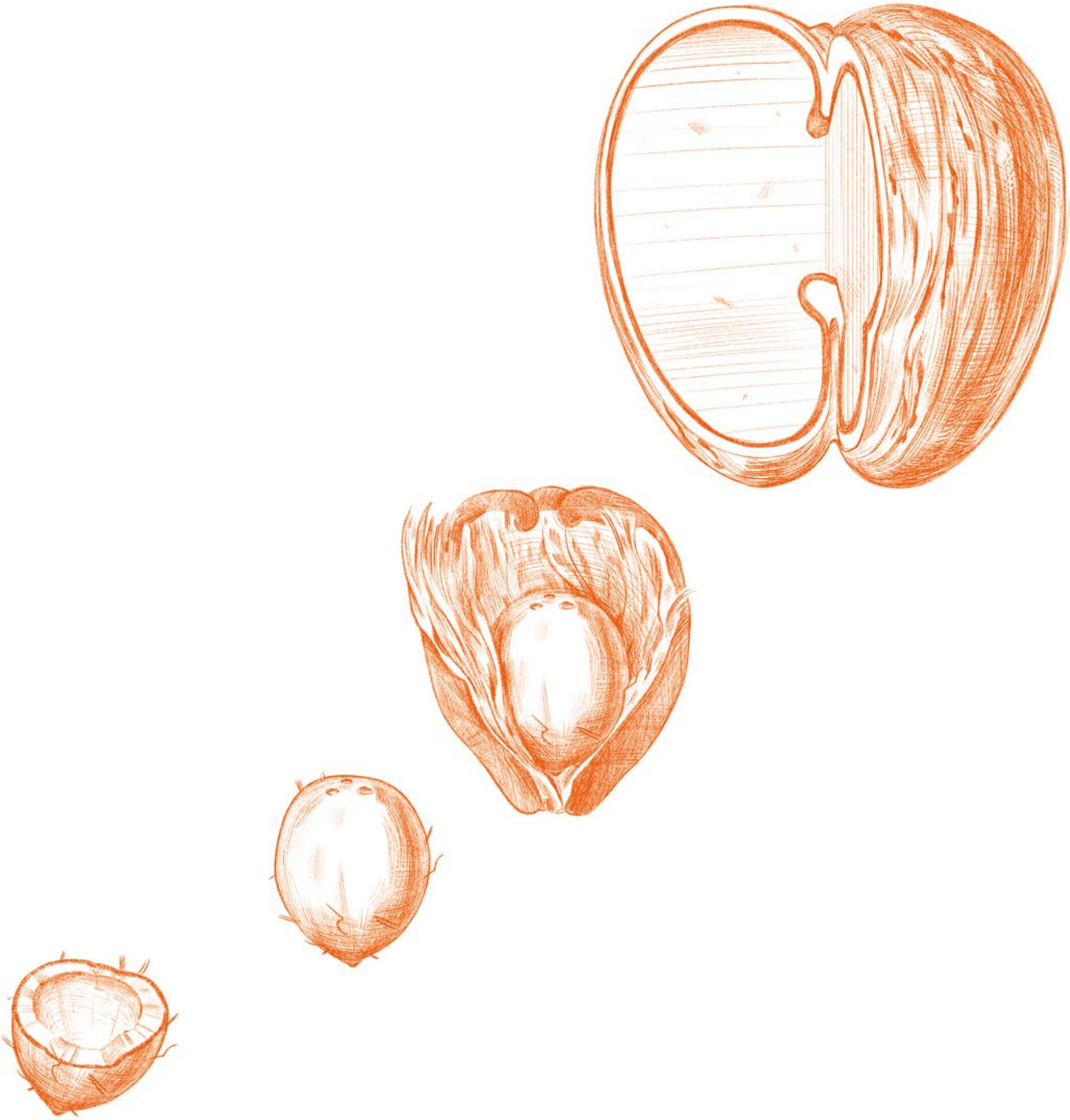


Strategic Report
Financial highlights

Revenue		**Billings**[2]	
£54.8m		£59.1m	
Pro-forma revenue[1]		**Pro-forma billings**[1,2]	
£135.9m	+58%	£291.2m	
Gross profit		**Operational EBITDA**[3]	
£37.2m		£4.7m	
Pro-forma gross profit[1]		**Pro-forma operational EBITDA**[1,3]	
£105.2m	+49%	£22.4m	+99%
Operational EBITDA margin		**Adjusted operating profit**[4]	
12.7%		£4.0m	
Pro-forma operational EBITDA margin[1]		**Pro-forma adjusted operating profit**[1,4]	
21.4%	+5.4 margin points	£21.0m	+109%
Loss before income tax		**Adjusted result**	
-£9.1m		£2.5m	
Pro-forma adjusted profit before income tax[1]		**Pro-forma adjusted result**[1]	
£20.1m	+133%	£15.9m	+260%
Basic loss per share		**Market capitalisation at 23 April 2019**	
-3.3p		£497.9m	
Pro-forma adjusted basic earnings per share[1]		**Share price at 23 April 2019**	
4.6p	+1.3%	137.0p	

For full reconciliation from statutory to non-GAAP measures, please refer to Note 23.

Notes:

1. Pro-forma numbers relate to unaudited full year non-statutory and non-GAAP consolidated results of MediaMonks and MightyHive and S^{4}Capital as if the Group had existed in full for the year and have been presented under comparable GAAP with no consolidation eliminations.
2. Billings is gross billings to clients including pass through costs of MightyHive and S^{4}Capital as if the Group had existed in full for the year and have been prepared under comparable GAAP with no consolidation eliminations.
3. Operational EBITDA is EBITDA adjusted for non-recurring items.
4. Excluding adjusting items of £12.5 million.

1

Letter to shareowners

Following our birth in May 2018, we are delighted to report the inaugural results for the period ending 31 December 2018. Your share price has risen by 20.5% from the announcement of S4Capital's injection into Derriston Capital plc to 137.0 pence at the time of going to press. The Company's market capitalisation is now £497.9 million.

This short period has seen four initial steps in implementing S4Capital's digital data, content and programmatic strategy.

- First, the formation and initial funding of S4Capital.
- Second, the combination of S4Capital with the leading digital content production company, MediaMonks.
- Third, the injection of the enlarged S4Capital into the quoted 'shell' company, Derriston Capital plc.
- And, finally, on Christmas Eve 2018, the combination of S4Capital plc with MightyHive, the leading programmatic company.

A powerful 2018

For our inaugural results, we thought it would be most useful to outline both audited results – MediaMonks for the last six months of 2018 and MightyHive for the last week of the year – and, given the partial period of the year that these results cover, pro-forma results for your Group, as if it had been operating for the whole of 2018.

- Billings were £59.1 million, revenue £54.8 million and gross profit £37.2 million.
- Operational EBITDA was £4.7 million and operational EBITDA margin 12.7%. Result for the period was £8.1 million (loss).
- Basic earnings per share were 3.3p per share (loss).
- Year-end net debt was £20.6[1] million, despite taking out a £45.6 million loan to part fund the MediaMonks combination.
- Pro-forma billings were £291.2 million.
- Pro-forma revenue was £135.9 million and pro-forma gross profit was £105.2 million up 58% and 49% respectively on 2017.
- Pro-forma operational EBITDA was £22.4 million, up 99% on 2017, with operational EBITDA margin at 21.4%, up 5.4 margin points on the previous year.
- Pro-forma adjusted operating profit excluding adjusting items of £12.5 million, was £21.0 million, up 109% on the previous year.
- Pro-forma adjusted pre-tax profits were £20.1 million versus £8.6 million in the previous year, up 133%.
- Pro-forma adjusted result for the period was £15.9 million, up 260%.
- Pro-forma adjusted basic earnings per share before exceptional items were 4.6p, up from 1.3p the previous year.

1. Net debt comprises bank loans minus cash.

In accordance with our previously-announced policy, your Board will not declare a dividend for this period, particularly bearing in mind the need to balance funding future growth versus immediate shareowner return. →

Watch a conversation on how we're doing, with (left to right) Sasha Schmitz of MightyHive, Peter Rademaker, Sir Martin Sorrell and Marta Tomczak of MediaMonks www.s4capital.com/annualreport18

Our business model

Utilise clients' and platform data and grow by business combinations

1. Analyse

First-party data

Assist in the sourcing, analysis and delivery of aggregated and high quality relevant datasets.

Fuel marketing budget ROIs by filtering noise through proprietary tools and frameworks.

Focus on data analytics to fuel creative content and digital media planning.

2. Create & develop

Digital content

Design and develop digital creative content and internal digital media channels.

Create best-of-breed UX and digital design, for specific, dynamic and data-driven content.

Emphasise further geographic and functional development of MediaMonks.

3. Plan & deliver

Programmatic

Provide a backbone for clients to efficiently plan and deliver audience-focused campaigns.

Deliver via location-based micro-targeted mobile ads to omni-channel campaigns.

Analytical capabilities in campaign auditing and cost-analysis further enhance offering.

1,200

people in

Geographic performance

The geographical split on audited results is not provided given the pro-rata consolidation (in time) of both MediaMonks and MightyHive.

By geography, on a pro-forma basis, The Americas accounted for 65% of revenue and 72% of gross profit. Europe, the Middle East & Africa represented 29% of revenue and 22% of gross profit and Asia Pacific 6% of revenue and 6% of gross profit.

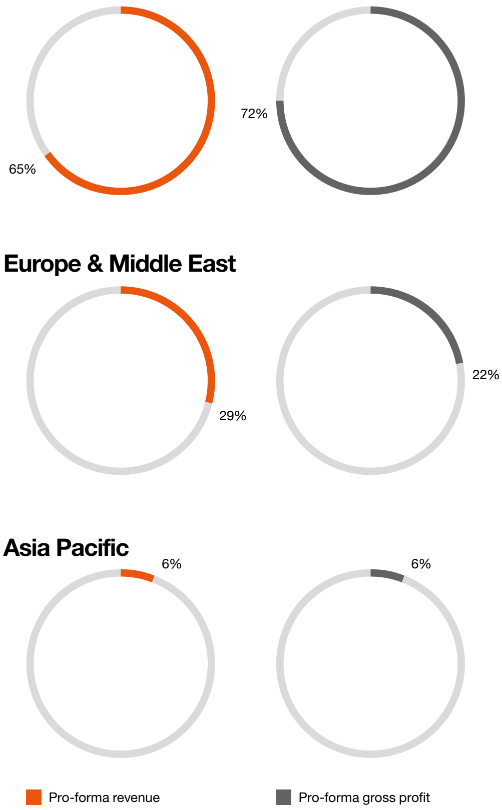
Expanding global presence

Our focus on geographical expansion, particularly in Asia Pacific, has been underlined by the recent appointments of Michel de Rijk as Chief Executive Officer, S4Capital Asia Pacific and Poran Malani as Director of S4Capital's newly-established Indian operation. Michel was Asia Pacific President at WPP's GroupM from 2016-18, and then Global Chief Growth Officer at WPP's Performance Media Group. Poran has over 30 years of experience with Ogilvy, McCann and Coca-Cola, including nine years as president of WPP's Ogilvy South India. →

The Americas

Europe & Middle East

Asia Pacific



18 locations

Segment performance

During 2018, the S4Capital Group has been active in four segments:

1. **Assets at Scale** is involved in the creation of dynamic and data-driven content for global brands.
2. **Platform and E-Commerce** creates digital user experience design, development of branded ecommerce and apps.
3. **Creative Content and Innovation.** This segment is involved in the production of digital content and films using and adapting the latest technology and trends like artificial intelligence, voice, augmented reality and virtual reality.
4. **Media Planning and Buying.** This technology and services pillar encompasses full-service campaign management analytics, creative production and ad serving, platform and systems integration and transition and training and education.

By segment, on a pro-forma basis, Assets at Scale accounted for 24% of gross profit, Platform and E-Commerce 23%, Creative Content and Innovation 20%, and the Media Planning and Buying segment 33%.

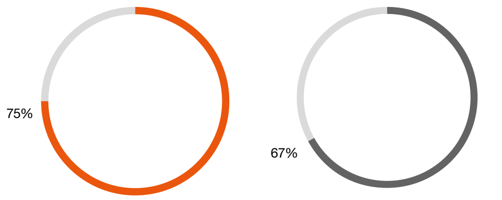
£000	Assets at Scale	Platforms and E-Commerce	Creative Content and Innovation	Media Planning and Buying	Total
Pro-forma gross profit	21,194	25,253	24,232	34,398	105,076
Gross profit	9,759	14,901	11,588	916	37,164

Content leads the way

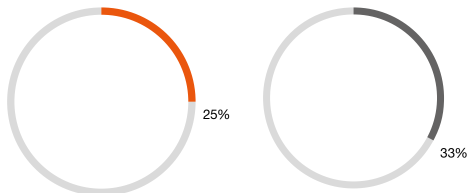
By function, on a pro-forma basis, digital content accounted for 75% of revenue and 67% of gross profit, with operational EBITDA margin of 22%. Programmatic represented 25% of revenue and 33% of gross profit, with EBITDA margin of 24%.

Sector performance

Digital content



Programmatic



Pro-forma revenue
Pro-forma gross profit

Strong new business stream

Significant new business wins include assignments from Procter & Gamble, Nestlé, Avon, Mondelēz, Shiseido, Bayer, Electronic Arts and Electrolux, amongst others.
The current pipeline is approximately twice the level of last year.

Performance summary and outlook

All in all, it was a powerful 2018, with pro-forma revenue and gross profit growth of 58% and 49% and operational EBITDA margin above 20%. This performance is planned to continue into 2019, with budgets and plans targeting strong revenue, gross profit growth and improving operational EBITDA margin and with January and February 2019 showing revenue and gross profit like-for-like growth of well over 30%.

Your Company's three-year plan for the period 2019-2021 calls for a doubling of revenue and gross profit over pro-forma 2018, with an improvement in EBITDA margin.

Strategic imperatives

It's clear that your Company's purely digital model based on first-party data fuelling digital content and programmatic is resonating with clients. Our tag line, 'faster, better, cheaper', and our unitary, one P&L incentive structure also appeal strongly. Your Company now has in place the digital content and programmatic building blocks on which to grow.

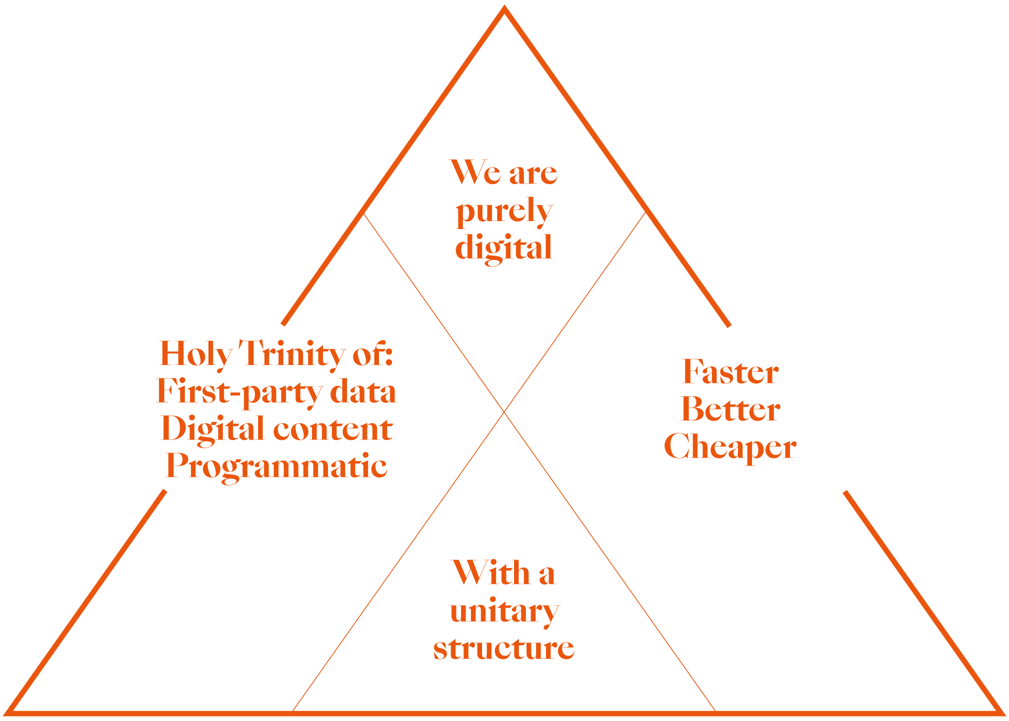
The imperatives will be to:

/ Broaden and deepen relationships with existing and new clients.

/ Broaden and deepen geographical coverage.

/ Attract additional data, content and media talent and resources through direct recruitment, acquisition and/or merger.

Our four core principles



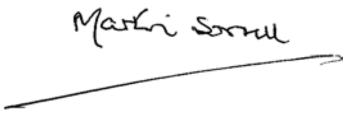
See pages 18 to 25

Different generations

On the cover of this report is a star cluster, known as NGC 1866. In the words of the European Space Agency, it is no ordinary cluster. Different generations of stars are thought to coexist within the cluster. Once the first generation of stars formed, the cluster may have encountered a giant gas cloud that sparked a new wave of star formation and gave rise to a second, younger, generation of stars – explaining why it seems surprisingly youthful.

Like NGC 1866, S4Capital spans generations. Your Board of Directors and our senior managers – the first generation – comprise seasoned and entrepreneurial individuals. The second generation is formed of the talented digital natives of MediaMonks (average age 33) and MightyHive (average age 25). Together, they are a united and potent force built for the new marketing age.

We thank both generations – all stars – for their endeavours in our inaugural year.



Sir Martin Sorrell
Executive Chairman

Peter Rademaker
Group Chief Financial Officer

The Group's strategy is to merge with, rather than acquire, complementary businesses to encourage buy-in, rather than sell-outs, from our businesses. Within parts of this annual report, we use the conventional accounting term of acquisition for reporting purposes.

Sustainability and corporate responsibility

Your Board has overall responsibility for the important issues and initiatives that fall under the sustainability and corporate responsibility umbrella, delegating implementation to the management of the MediaMonks and MightyHive businesses as appropriate.

Each business combination the Group completes brings with it an infusion of new talent and perspectives. These new viewpoints present the Group with a valuable opportunity for reflection on its existing sustainability and corporate responsibility principles. In addition, we can reflect on initiatives to explore new ways of delivering on the Group's core commitment to responsible growth and to enable all our people to maximise their potential.

GHG emissions

As a company admitted to the Official List, the Group is required to measure and report its direct and indirect greenhouse gas emissions. Because the Group was formed during the year from the mergers of private companies which did not previously collect data on their greenhouse gas emissions, the Group is not able to present figures for the year to 31 December 2018 or prior periods. We will begin reporting figures in our next annual report.

> “Each business combination the Group completes brings with it an infusion of new talent and perspectives

Our people

The talent, passion and hard work of our people is at the core of what we do. It is critical for the successful execution of the Group's strategy that we attract, motivate and retain people of the very highest quality.

Both MediaMonks and MightyHive have long recognised this and their commitment to cultivating a work environment with high-level satisfaction and personal development for its people has been at the heart of their growth stories. In January 2019, MightyHive was named one of Built in NYC's Best Midsize Companies to Work For.

The Board is pleased to be able to support MediaMonks and MightyHive's focus on their people. The Group has established the S^{4}Capital Employee Benefit Trust, to provide longer-term incentivisation to a wider group of people at MediaMonks and MightyHive. The S^{4}Capital Employee Benefit Trust has the added benefit of encouraging integration and co-operation between the Group's businesses: in keeping with the Group's strategy to operate on a unitary basis, its people are incentivised at the Group level, not by business-level earn-outs.

The Board aims to ensure that all our people work in an environment that supports diversity and fosters a culture of dignity and respect. It is committed to supporting employment policies and practices that support equal opportunities and non-discrimination, and that exceed mere compliance with relevant local legislation and accepted practice. The Group's policies and practices of equal opportunities and non-discrimination ensure that an individual's ability, aptitude and talent are the sole determinants in recruitment, training, career development and progression opportunities, rather than their age, beliefs, physical challenges, ethnic origin, gender, marital status, race, religion or sexual orientation.

Human rights

We are committed to our obligations to comply with the Modern Slavery Act 2015.

Gender diversity as at 31 December 2018	Female	Male	Total
Directors of S^{4}Capital plc	1	9	10
Senior executives	36	91	127
Group people	329	679	1,008

Principal risks and uncertainties

The success of the Group depends in part on the proper management of risk. The Group has therefore implemented a governance structure to identify and monitor relevant risks and evaluate the likelihood of such risks manifesting and their potential impact. Once identified, the Group then seeks to formulate and deploy mitigating strategies.

The Board, through the Audit and Risk Committee, has overall responsibility for the risk management and mitigation process. The Board places a particular emphasis on the scope and nature of the relevant risks when determining how the Group should seek to achieve its strategic objectives.

The Group's strategy is to build a purely digital multinational advertising and marketing services businesses, initially, given its origins, by mergers. In the context of future organic- and business combination-driven growth, the Board is prepared to accept a certain level of risk to build a multinational business that is able to compete with established competitors and capitalise on the digitally-led disruption of the advertising and marketing services sector.

The Group's approach to risk is kept under review. The Group's approach to particular risks or classes of risk may change over time as the Group grows and its market evolves.

The Group is run on a unitary, or single profit centre, basis. Many of the risks faced by the Group as a whole, MediaMonks and MightyHive are similar. The Group therefore seeks to adopt a consistent approach to such risks and to pool expertise in risk management, as appropriate. Nevertheless, the Board considers that it is also appropriate for risk registers to be maintained at the Group level and also at each of the Group's trading businesses. Senior management at MediaMonks and MightyHive are responsible for maintaining risk registers that record the risks that are specific to each business.

Your Company is a global one, well suited to the challenges of the international age and adaptable to political and cultural changes. Whilst it is headquartered in London, its business is multinational and Brexit in any form is not going to significantly impact our operations.

Risk movement

The risks and uncertainties faced by the Group have changed fundamentally since the Company's reverse takeover of S4Capital 2 Limited in September 2018. Accordingly, the Board has not evaluated the movement in the risks outlined on the following pages. In future years, the Directors expect to report on year-on-year changes in the level or nature of risks faced by the Group.

Risks

The principal risks and uncertainties that the Board believes could have a significant adverse impact on the Group's business are set out on pages 13 to 15.

Risk	Description	Management actions
Economic environment		
Adverse developments in the global economy or the local economies in the territories where the Group has operations could impact the level of demand for the Group's services.	The global economy may suffer slower growth than current levels, impacting consumer and business spending and investment. The local economies in the territories where the Group has operations may also experience localised disruption or poor performance with similar consequences. The Group's clients may respond to such circumstances by reducing their advertising and marketing budgets, thereby reducing the demand for the Group's services.	The Group is focused on delivering its services in a manner which is faster, better and more efficient that its competitors. This means that the Group may be able to retain and win new clients even in the context of adverse economic developments. Digital advertising and marketing services continue to grow faster than traditional ones.
People and leadership		
The quality of the services provided by the Group's businesses are fundamentally derived from the quality of the Group's people. The Group's performance could therefore be adversely affected if it is not able to recruit, train and retain key talent in the Group's businesses and at the Group level.	A number of individuals are key to the management and performance of MediaMonks, MightyHive and the execution of the Group's overall strategy. The Directors believe that the loss of key people could significantly impede the Group's financial plans, product development, project completion, marketing and other plans.	Retention of key people is supported by the structure of the Group's incentive plans, which vest over time. Further, members of key management hold significant equity interests in the Group that cannot be sold for a number of years. The Group's trading businesses leverage their industry reputation and networks to source high quality people and emphasise training and development in order to enhance talent internally. The Board, through the Nomination and Remuneration Committee, undertakes succession planning for key roles as appropriate and evaluates pay to ensure that the Group's remuneration policies and incentive plans deliver against the objective of attracting and retaining key talent.
Strategic		
The Group's future results of operation and financial performance are partly dependent on the successful implementation of the Group's strategy. **The Group's strategy is to build a purely digital multinational advertising and marketing services businesses, initially by business combinations.**	In the short and medium term, the success of the Group's strategy will therefore depend on the Group's ability to identify and merge with suitable targets. There is a risk that the Group will not be able to source or complete additional business combinations on commercially acceptable terms or at all. Material management time and Group resources may be allocated to evaluating potential target entities that are not ultimately merged with by the Group. Moreover, when the Group completes mergers, there is a risk that the acquired business may not perform in line with management expectations, or result in the Group's assumption of unforeseen liabilities. As the Group's strategy is to operate on a unitary basis, there is also a risk that the integration of any merged business does not proceed in accordance with management's expectations. The implementation of the Group's strategy is also likely to result in the allocation of Group resources and management time to winning business in new geographies. There is a risk that such new offices fail to perform in line with management expectations.	The Board, making appropriate use of expert advisers where necessary, conducts strategic planning, due diligence and integration planning to ensure that potential business combinations meet the financial and other criteria set by the Board. Management will seek to carry out organic expansion into new geographies in order to meet the needs of an existing client or clients, thereby reducing uncertainty in the start-up phase of any office. Moreover, the Group will seek to scale new sales offices in line with increasing client demand.

Principal risks and uncertainties continued

Risk	Description	Management actions
Competitive environment		
The digital media and communication services industry is highly competitive. The Group's revenues and/or margins could be reduced if clients are lost to competitors, competition erodes the Group's pricing power or the economic environment results in lower demand for advertising and marketing services of the type which the Group provides. **The advertising and marketing services industry is subject to significant and rapid change.**	The Group's competitors include large multinational advertising and marketing communication companies, regional and national marketing services companies and new market participants, such as consultancy businesses and technology companies. It is part of the Group's strategy to exploit the current disruption of the advertising and marketing services industry. Nevertheless, there is a risk that future trends in the advertising and marketing services industry will present challenges to the Group as an incumbent and corresponding opportunities to disruptive competitors.	The Group's strategy is to build a purely digital multinational advertising and marketing services business, initially by mergers. In order to differentiate itself from competitors, the Group is focused on purely digital, end-to-end marketing services. The Group has combined best-in-class businesses on a single profit-centre basis, promoting alignment, an integrated service offering and emphasising transparency to clients. As one of the first such businesses in the advertising and marketing sectors, the Group therefore seeks to capitalise on first-mover advantage and establish durable client relationships that will mitigate against competitive threats in the sector.
IT and data security		
The Group is subject to a number of laws relating to privacy and data protection governing its ability to collect and use personal information. These data protection and privacy-related laws and regulations are becoming increasingly restrictive and complex and may result in greater regulatory oversight and increased levels of enforcement and sanctions. **The European Union's General Data Protection Regulation (GDPR) constitutes a major reform of the EU legal framework on the protection of personal data, and provides for fines of up to 4% of global turnover to be levied for breaches.**	The privacy laws to which the Group is subject could, in addition to increasing compliance costs, result in investigative or enforcement action against the Group, legal claims, damage to the Group's reputation and the loss of clients. To the extent that data protection regulation and legislation, in the EU or in any other territory, restricts or prevents the Group's clients from using underlying customer data to tailor and target marketing and advertisements, their digital marketing budget and/or expenditure on the Group's services could decrease. A failure, of or breach in, cybersecurity may cause the Group to lose proprietary information, suffer data corruption, or lose operational capacity.	The Group has developed guidelines for compliance with data privacy laws in the territories in which it operates and has structured its service offerings around a core of compliance with data protection and privacy laws. The Group ensures that its people are properly trained on the implications of applicable data privacy legislation.
The Group may be vulnerable to hacking, identity theft and fraud.	Cyber incidents may cause disruption and impact business operations, potentially resulting in financial losses, impediments to trading, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs.	The Group has in place security measures and guidelines in an effort to prevent hacking, identity theft and fraud, including the loss of intellectual property.

Risk	Description	Management actions
Financial		
The Group has exposure to credit risk through the default of a client or other counterparty.	The Group's operating business are generally paid for their services in arrears. Accordingly, the Group is therefore exposed to the risk that a client or other counterparty is unable to pay all or any of an amount due to the Group. A relatively small number of clients make up a significant percentage of the Group's debtors. Failure by a client or other counterparty to pay the Group in accordance with agreed contractual terms may result in costs and expenses arising in connection with legal action to recover any such debts. If such debts are not paid in full and in a timely manner, the business, revenues, results of operations, financial condition and prospects of the Group could be adversely affected.	The Group monitors its exposure to individual clients and negotiates payment terms in light of the credit worthiness of its counterparties. The Group is cash generative and the Board maintains focus on the Group's working capital needs.
Regulatory, sanctions and taxation		
The Group is and will continue to be subject to strict anti-corruption, anti-bribery and anti-trust legislation and enforcement in the countries in which it operates.	The Group may operate in a number of markets where the corruption risk has been identified as high by organisations such as Transparency International. Failure to comply or to create a corporate environment opposed to corruption or failing to instil business practices that prevent corruption could expose the Group and senior officers to civil and criminal sanctions.	The Group has a strict anti-bribery and corruption policy on which it is training all of its people.
The Group may be subject to regulations restricting its activities or effecting changes in taxation.	Changes in local or international tax rules, for example prompted by the OECD's Base Erosion and Profit Shifting project (a global initiative to improve the fairness and integrity of tax systems), changes arising from the application of existing rules, or new challenges by tax or competition authorities, for example, the European Commission's State Aid investigation into the UK tax relating to overseas subsidiaries, may expose the Group to significant additional tax liabilities, which would affect the future tax charge.	The Group takes external professional advice on its group structuring, including in relation to its acquisitions and does not participate in overly-aggressive tax planning strategies.
The Group is and will continue to be subject to the laws of the US, the EU and other jurisdictions that impose sanctions and regulate the supply of services to certain countries.	Failure to comply with these laws could expose the Group to civil and criminal penalties including fines and the imposition of economic sanctions against the Group. This could cause reputational damage and withdrawal of banking facilities, which could materially impact the Group's financial position and prospects, as well as its ability to execute its strategy.	

Martin Sorrell

Sir Martin Sorrell
Executive Chairman

Peter Rademaker
Group Chief Financial Officer

A manifesto for the new era

2

A growth business fit for the new marketing age

by Sir Martin Sorrell

In a 2015 *McKinsey Quarterly* article "Why it's still a world of 'grow or go'", the authors looked at why only a small minority of companies in the S&P 500 survived over several economic cycles. The answer was not "having a brilliant CEO" (boo!) or "undertaking radical cost cutting" (hoorah!) but because they operated and continually re-positioned themselves in markets that offered strong revenue growth.

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2

When we started S4Capital, I knew we wanted to invent a very different kind of business from the one I'd left; a company whose structure and approach would be designed for an era that's just beginning. It wouldn't be a company that would try to do everything; instead, taking a leaf out of McKinsey, we would identify the growth segments in the market and focus our attention there.

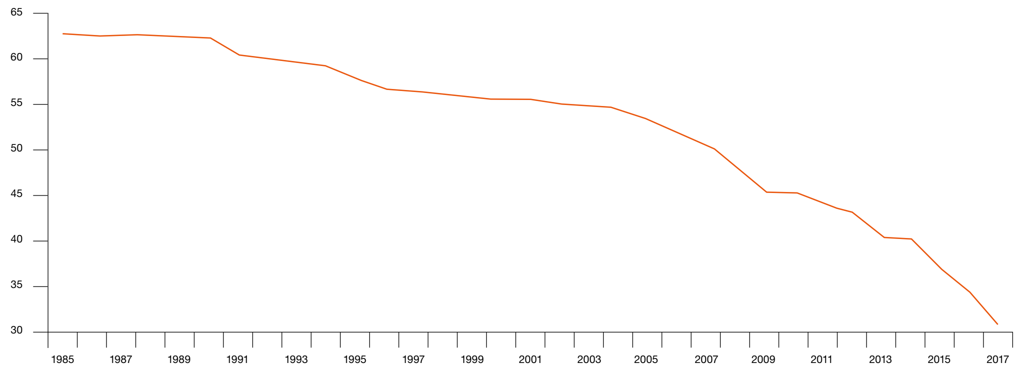
Since the financial crisis of 2007-2008, the environment for marketing has changed significantly. It's been a low-inflation, lower GDP-growth world in which clients can't wield their customary power to generate growth through pricing. Instead cost-cutting has been the clarion call, CFOs have been taking the leadership reins, and procurement has barged its way into the marketing department, which has had to come to terms with a new discipline (recently, perhaps discredited) called zero-based budgeting.

Meanwhile, technology has re-shaped our business, consigning broadcast to the past and making insights-driven targeting the future. The 'Fearsome Five' really dominate that landscape: Google, Facebook, Amazon, TenCent and Alibaba, closely followed by Apple and Microsoft. We see all these companies – the 'Seven Sisters' – as our partners (currently, two of these tech giants are our biggest clients). Marketers are having to adapt fast to this new reality – which means a different kind of agency or consultancy partner equipped for their evolving needs.

Put together, these observations helped us to identify four key principles when we set about building S4Capital – you could call them our 'Four Gospels', our 'Four Noble Truths', or just the four corners that enable us to continually square the circle. These principles are the pillars of our new enterprise and we think they are the prerequisites for success in a lower-overall growth, data-driven era. So here they are: →

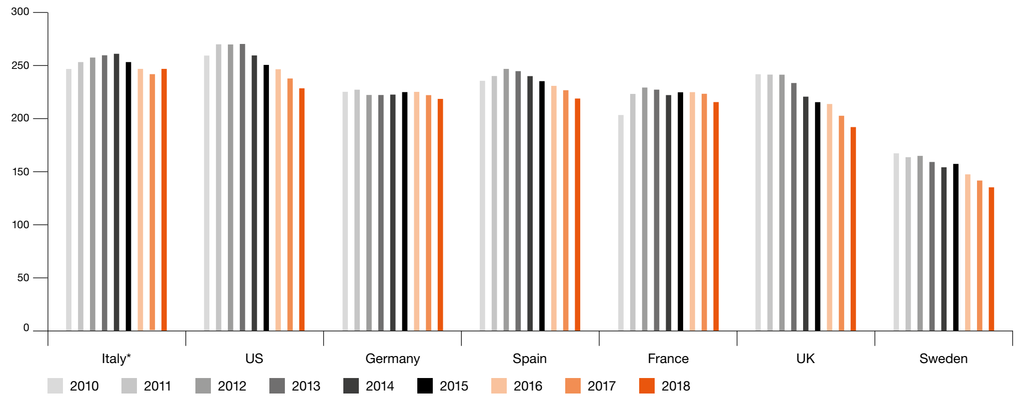
1. We will be purely digital

US paid circulation daily newspapers 000s



Sources: Redburn; Pew Research Centre

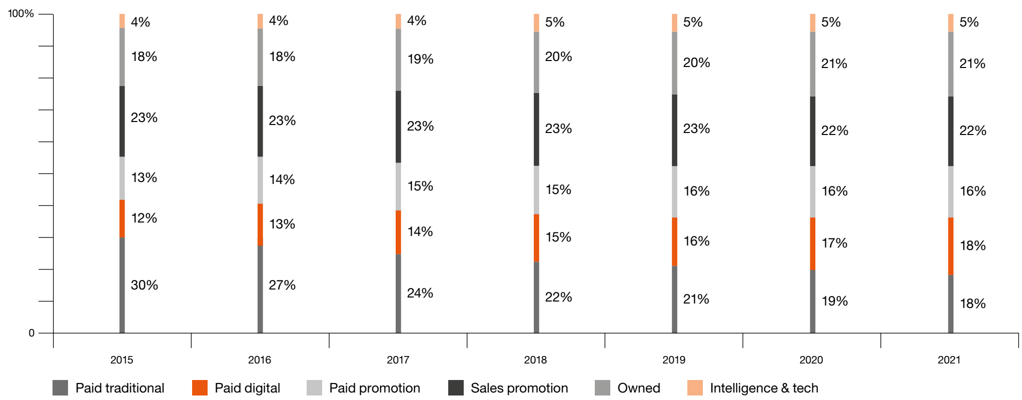
TV viewing minutes per day (all homes) in the US and Europe 2009-18



Source: Redburn

*2018 data: year to October

Marketing expenditure by segment 2015-2021F



Source: Redburn

Estimates of the total amount of marketing expenditure range between $1 trillion and $1.7 trillion – of which around $200 billion is digital. Meanwhile, the readership of newspapers and viewing figures for linear TV face inexorable pressure, although this does vary from market to market.

So, not surprisingly, the migration of marketing spend from traditional media to digital media – and other channels, including intelligence and technology – continues at a very strong pace.

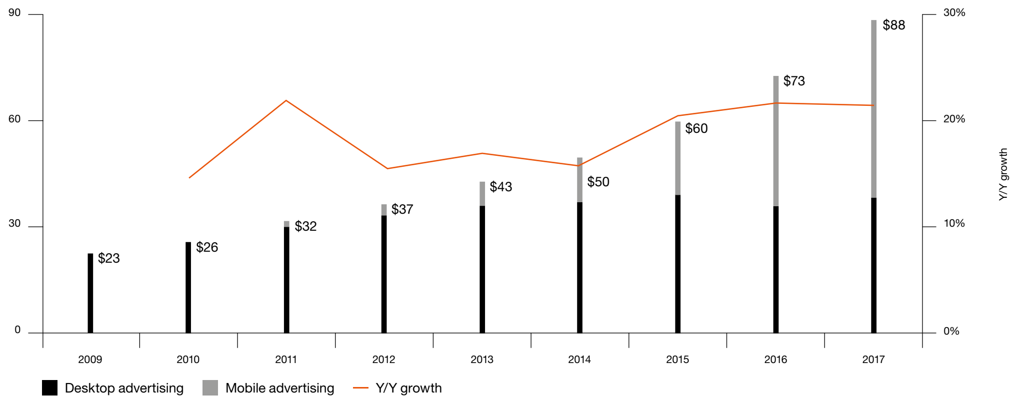
Digital is where the growth is. According to Mary Meeker's research (while she was still at Kleiner Perkins), the overall market for advertising is growing at 3-4%, but the market for internet advertising is expanding at over 20% each year.

She also notes that the global penetration of the internet has just passed 50% of the world's population, suggesting that further uptake will be one significant driver of that growth in digital marketing budgets.

And the amount of time each user spends with digital media is still increasing, which will drive further growth as marketing spend migrates to reflect digital's share of consumer attention, whether that be through eyeballs, keypads or voice.

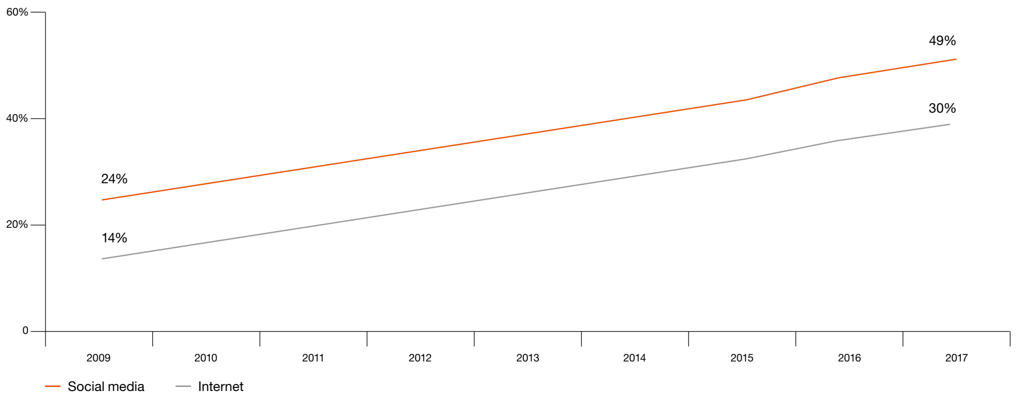
All of which means that, referring back to our lesson about growth from McKinsey, digital is the place to be. →

Internet advertising spend $bn



Source: Kleiner Perkins

Internet and social media global penetration 2009-2017 %



Source: Kleiner Perkins

2. Focus on data, content, programmatic

When I left WPP I sat down and looked at its $20 billion portfolio, and then considered which specific growth areas we should focus on. I picked three, which we have dubbed The Holy Trinity.

First-party data

Consumer data has become the battleground over who controls the consumer relationship. The big digital platforms have used the controversies about privacy, fake news, brand safety and interference in election issues to argue that they can't share their data with our clients. And so clients are frustrated that the walls of the walled gardens are getting higher.

When consumers order a product with Alexa, Amazon chooses which brand to deliver. And when Amazon sees a product or a service that is doing well, they are quick to produce their own private label. It's not surprising that Amazon now sells 30% of the batteries in the US, and a similar percentage of baby wipes (it's a market I've come to know well).

" Clients want to 'take back control' and find ways to manage and develop their own data

And so clients want to 'take back control' and find ways to manage and develop their own data, particularly when the post-Lehman focus on costs has reduced the level of internal marketing resources. Back in the 19th century, advertising was originally created to allow brands to appeal to consumers over the head of the store owner or wholesaler; then retailers like Walmart, Tesco and Carrefour started to build their own relationships and databases to take control of the relationship with the consumer. Now Google, Facebook, Amazon, TenCent and Alibaba are in charge and the brand owners want to regain the initiative.

That's why Unilever bought Dollar Shave Club, and Coca-Cola has bought Costa. And Nestlé bought the Starbucks retail franchise (a stunning deal). It's why we've been talking to Air Asia, with 90 million customers, and Walgreen Boots, with 100 million customers, to make better use of their databases

To see why consumer data matters: I went into a Rolex store recently, because I'd always wanted a Rolex Daytona. The salesman said there was a three-year waiting list – just for the steel one, not the gold or titanium one – but he put my name down anyway. A week later, I get a note from Arnaud Boetsch, who's the Rolex director of communication and image, to say: "I hear you're interested in a Daytona." So I went and had lunch with him and a week later I picked up the watch. The salesman knew me because he follows CNBC, so he must have sent a message. This all happened offline, but what it shows is the power of the data the digital platforms collect every second.

Content and production

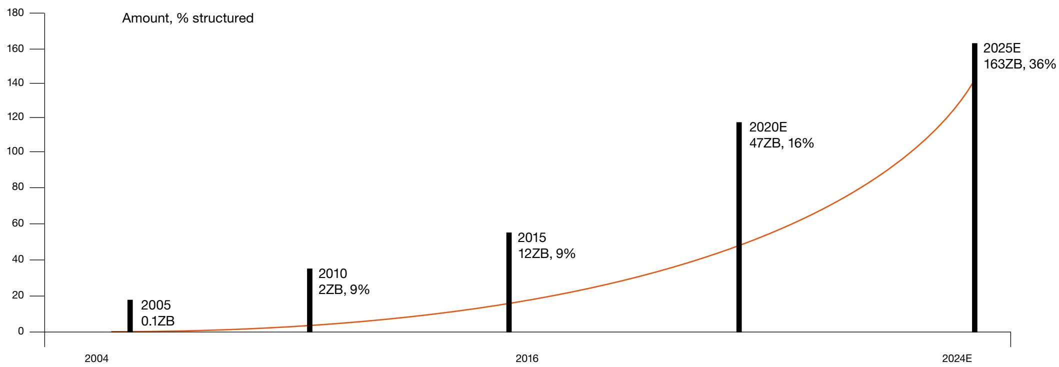
Digital marketing is still about brilliant creative work that wins awards, but now it's changed. Production has become a much more potent part of the process and at the same time it's been de-coupled from the pure creative agency. What Paul Polman and others will tell you is that the game is no longer solely about creating iconic 'tent-pole' campaigns for events like the Superbowl. Instead it's about generating and, ensuring through data analytics, a constant flow of content and making the budget work much harder.

For an agency, the challenge is to produce multiple versions for different users, covering every touch point, every market and multiple formats. In some cases it's about taking the big idea the client has already and adapting it – or coming up with something completely new. With IKEA, MediaMonks shot the entire range of 127 individual assets – horizontal and vertical – in just three days.

Programmatic media buying and planning

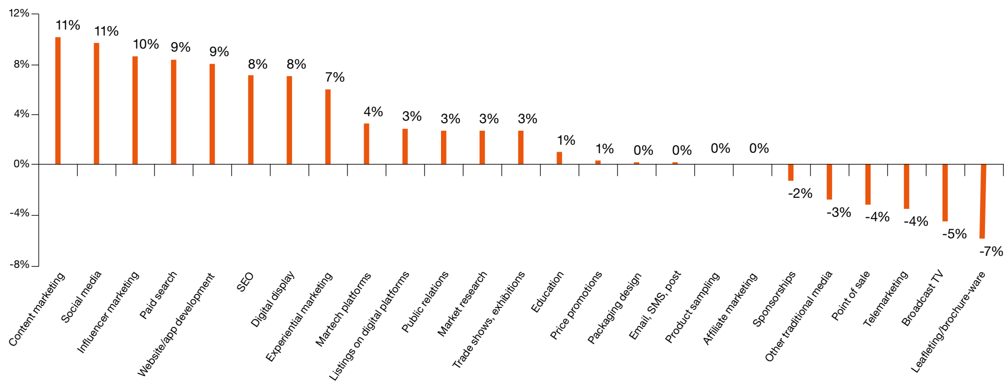
Consumer data yields the insights that enable clients to target the consumer at the right time with the right content. If you're on WSJ.com, Netflix will serve you a business-oriented ad to watch the Mexican drug-trade series *Narcos 3*; if you're surfing gyms and sport centres, you'll get a *Narcos 3* ad that's tailored towards fitness. Targeting enables brands to be much more specific about what the consumer is doing at the time, to acknowledge their state of interest, and to serve them with advertising that is highly relevant. With MightyHive, clients can observe consumer behaviour and in a nanosecond serve up the appropriate creative. →

Growth in data Zettabytes ZB



Source: Kleiner Perkins

Marketing spend and activity 2018-2021



Source: Redburn

3. Faster, better, cheaper

This is our mantra. Clients are all saying, "we're too slow, we've got to move faster." Brands are now operating in an always-on world, where they have to respond to incoming missiles as well as create their own proactive messages. It's tantamount to running a political campaign, but one that has no election date, and when your competitor says or does something you have to react immediately.

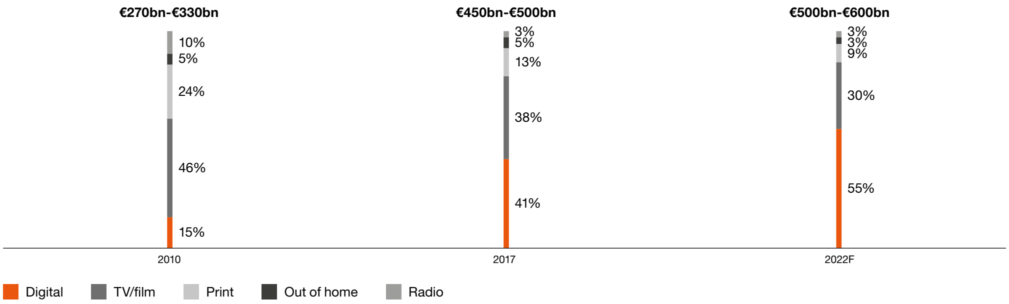
"Better" means using all the technologies in an agnostic fashion – whether it's AI (artificial intelligence) or VR (virtual reality) or AR (augmented reality) or voice, the work that agencies produce has to be more effective than ever – and not just win creative awards.

And "cheaper" means you have to be more efficient. Rather than blow the budget on a big campaign, instead you create a big idea – and you apply it in endless iterations, 24/7. For Netflix's drug barons, we created 1.25 million potential assets at very low cost by cutting up the masters into little sections and producing commercials in multiple different versions that can be placed programmatically, to target consumers with their individual interests. At MediaMonks, they call it Assets at Scale.

And we will even put ourselves out of a job to deliver what the client wants. In my previous existence, when we built the Ford agency or the Colgate agency, it was driven by the genuine urge to ask: what can we do for them that would make us indispensable? But by the law of unintended consequences, clients started to find that they were suffocated, particularly as they had denuded themselves of resources to satisfy the demands of cost-cutting. Now, as they seek to take back control and restore their own marketing capabilities, when clients ask for in-housing, we are happy to oblige. For Avon, we are building an in-house content studio – where they can produce the work themselves, or we can do it for them.

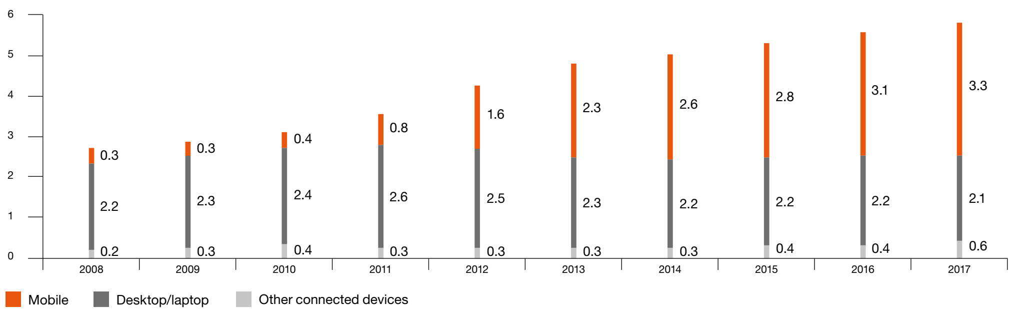
Agility is the name of the game, and that means displaying the flexibility that the client demands.

Growth in advertising spend 2010-2022F €bn



Source: Company estimates

Daily hours spent with digital media per adult user USA %



Source: Kleiner Perkins

4. A unitary structure

In this faster-paced, more reactive and value-driven environment, clients no longer have time to deal with multiple agencies – they want one point of connection and they want true integration. That means we have to create one business, where the content and media people work closely together, driven by the data to produce solutions.

We may care about our agency brands, particularly as we read *Ad Age*, *Campaign* or *The Drum*, clients don't. They want the best people working on their business, wherever they come from.

All our people work within a single profit and loss account. We don't acquire businesses; they merge with us. And there are no earn-outs, which lead to competing motivations and fragmentation – our leaders all own shares directly in our shared business. Over time we will pull everything together even more closely so our people are co-located – Singapore, in May 2019, will be the first to go down that route.

> “We don't acquire businesses; they merge with us. And there are no earn-outs, which lead to competing motivations and fragmentation

Conclusion

So that's the theory. The entire industry is facing the need to restructure along these lines – driven in part by the success enjoyed by the consultancy firms: Accenture (boosted by its recent acquisitions of Droga5 and Shackleton), Deloitte, IBM et al. Some of the legacy marketing communications services groups – the consolidators – are trying to make this transformation by forcing their operating brands together, but it will take them a long time – and it will be painful in the interim.

For S4Capital, digital has been our DNA from the outset. Our response has been to bring together MediaMonks in content and MightyHive in programmatic, and then to leverage the consumer data from our clients where they are available. Acquiring those data assets outright is expensive and difficult. But we already work for some of the digital companies with the most sophisticated first-party data: Microsoft, Netflix and Uber, among many others.

And we are already seeing the fruits of our labour. With P&G's Braun, we came in on the content side, and were invited to pitch for the media. With Bayer, MightyHive is doing the in-housing, and we've been invited to pitch for the content. We have 1,200 people and we've recently opened in India, giving us 16 markets, pretty much 75% of the geographic spread we need.

When we started S4Capital, I likened it to a peanut. Well, clients and investors, take note. According to the *New England Journal of Medicine*, peanuts help you live longer.

The business

3

Highly complementary businesses

MEDIA MONKS

mediamonks.com

Create & develop

MediaMonks partners with clients across industries and markets to craft amazing work for leading businesses and brands.

- **Founded 2001**
- **950+ people**
- **14 locations**
- **128 Cannes Lions**
- ***Ad Age* A-Lister**
- **220+ FWAs**

Its offering includes:

Design and production of high value and innovative content, mostly for campaign-driven digital productions.

Efficient and cost-effective transcreation: roll-out of omnichannel and multi-market content.

Development of ecommerce platforms with optimal UX customer journey and digital design.

Leaders:

Victor Knaap, CEO

Wesley ter Haar, COO

MIGHTYHIVE

mightyhive.com

Plan & deliver

Recognised as a global leader in advanced marketing and advertising technologies, MightyHive provides consulting and media operations services to turn the vision of digital transformation into reality.

- **Founded 2012**
- **250+ people**
- **10 locations**
- **5 stars on Glassdoor.com**
- **Named one of Built In NYC's Best Midsize Companies to Work For in 2019**

Its offering includes:

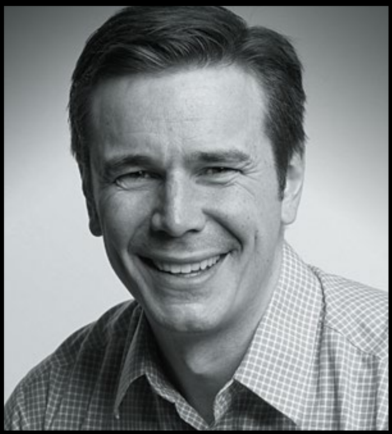
Consulting: enterprise data strategy and in-housing strategy; data science, custom analysis and advanced modelling; cloud-based systems integration.

Platform implementation: analytics and tagging, platform migration and implementation; ad operations.

Media activation: display and video, search, social planning and buying; data-driven creative.

Leaders:

Pete Kim, CEO and co-founder

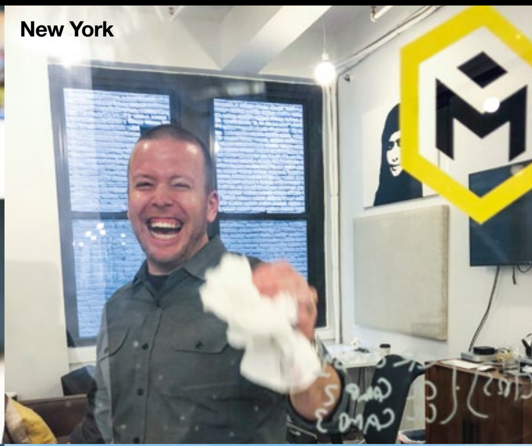


Christopher S. Martin, COO and co-founder

Turn the page for people and work

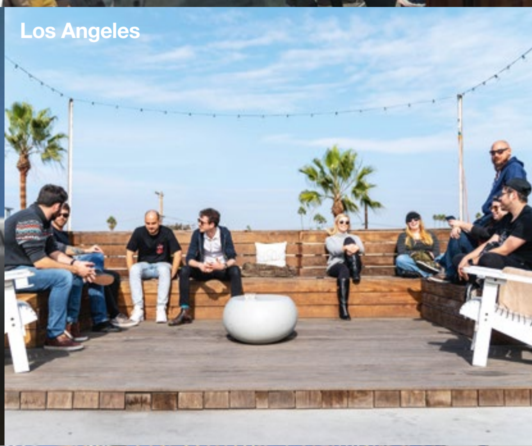
Our kind of people

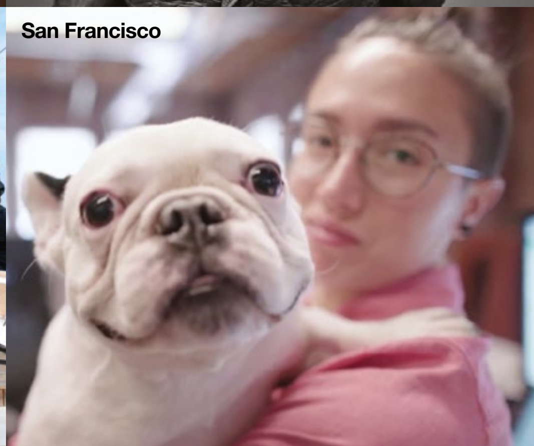

Amsterdam


New York


New York


Amsterdam


Los Angeles


San Francisco


Toronto


San Francisco

San Francisco


San Francisco


Amsterdam


New York

3


Amsterdam


New York


New York


London


Mexico City


Amsterdam


Amsterdam


London


Singapore


Buenos Aires

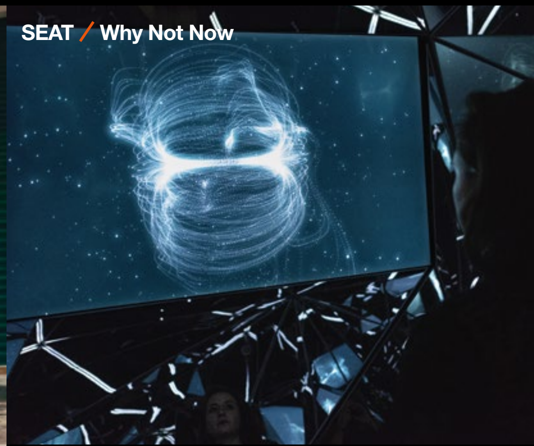

Stockholm


Sydney

Some of our great clients and work


Amazon Prime Studios / The Jack Ryan Experience


Corona / Este Espíritu


SEAT / Why Not Now


Genesis Motors USA / Genesis Car Configurator for Genesis.com


IKEA / Where Good Days Start

usbank

ACE Hardware

Sprint


Bancolombia / School of Sustainability


Lego / Nexo Knights

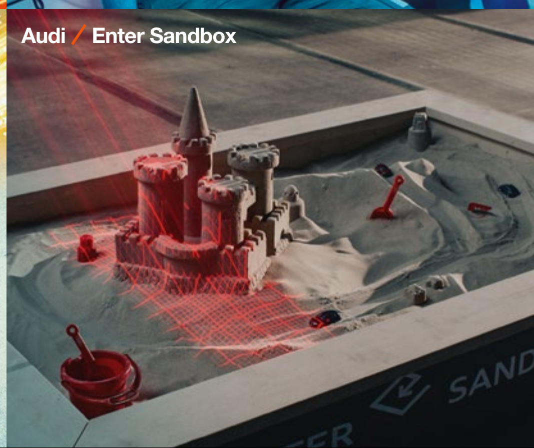

SpaceBuzz / The Overview Effect Foundation

Electrolux

OpenTable

SEPHORA


Netflix / The Little Prince


Audi / Enter Sandbox

3

Watch case studies
www.s4capital.com/annualreport18

Old Spice / Foam Zone

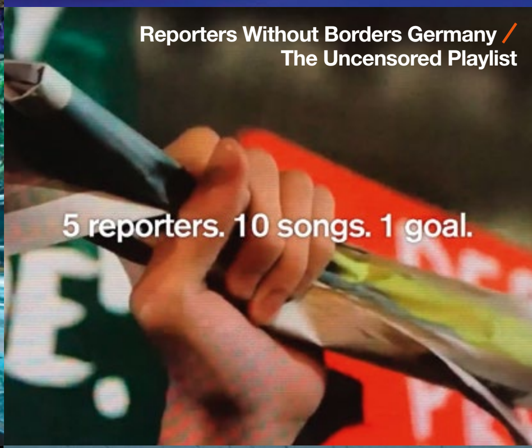
Google / 20th Anniversary Doodle

Mondelēz International

mercari

RENAULT


Nike / Nike Pegasus Turbo



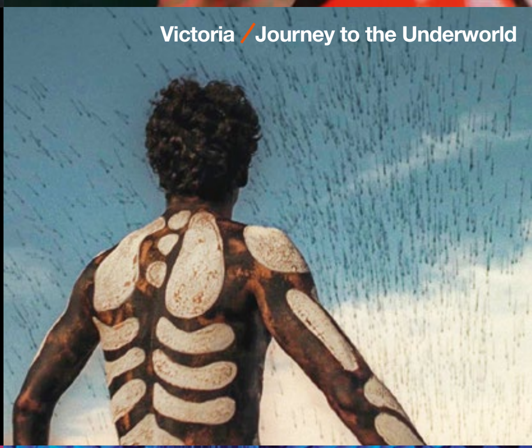
Reporters Without Borders Germany / The Uncensored Playlist

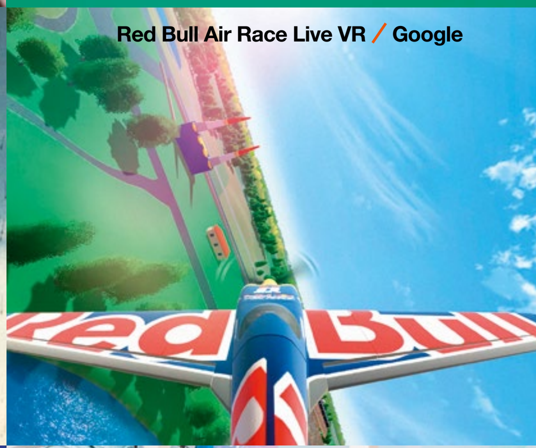

Cesar / Twinning

PANDORA

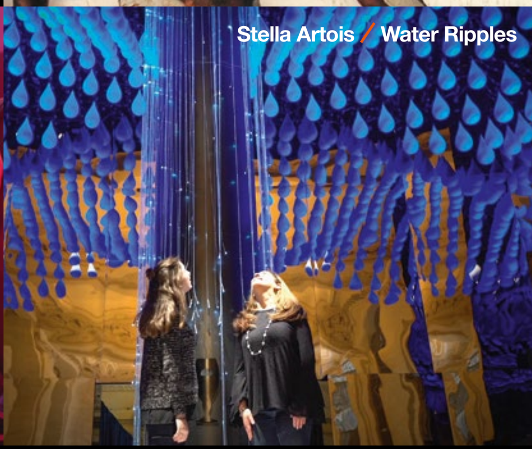
AUTODESK

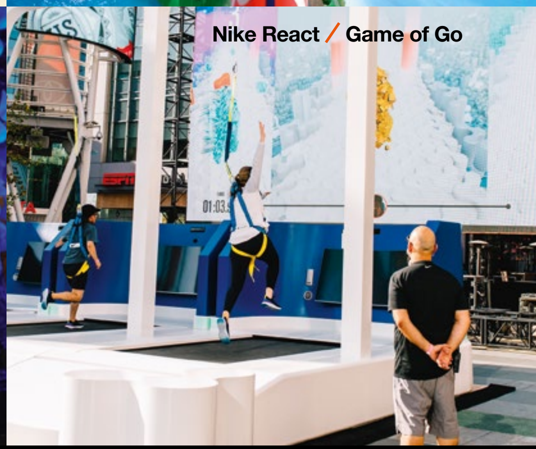
BAYER


Victoria / Journey to the Underworld


Red Bull Air Race Live VR / Google


Vodafone / Formula Brain


Stella Artois / Water Ripples


Nike React / Game of Go

Governance and financial statements

4

Board of Directors

Executive Chairman

1. Sir Martin Sorrell

Executive Directors

2. Wesley ter Haar

3. Victor Knaap

4. Pete Kim

5. Christopher S. Martin

6. Peter Rademaker

Non-Executive Directors

7. Rupert Faure Walker

Senior Independent Director

Chairman of the Audit and Risk Committee

Member of the Nomination and Remuneration Committee

8. Daniel Pinto

9. Sue Prevezer QC

Member of the Audit and Risk Committee

Member of the Nomination and Remuneration Committee

10. Paul Roy

Chairman of the Nomination and Remuneration Committee

Member of the Audit and Risk Committee

Company Secretary

11. Theresa Dadun

Board member biographies appear on the following pages

Sir Martin Sorrell

Executive Chairman

Age:
74

Date of appointment to the Board:
28 September 2018

Nationality:
British

Sir Martin was CEO of WPP for 33 years, building it from a £1 million 'shell' company in 1985 into the world's largest advertising and marketing services company, with a market capitalisation of over £16 billion when he left. Prior to that, he was Group Financial Director of Saatchi & Saatchi Company plc for nine years, and worked for James Gulliver, Mark McCormack and Glendinning Associates before that. Sir Martin supports a number of leading business schools and universities, including his alma maters, Harvard Business School and Cambridge University, and a number of charities, including his family foundation.

Wesley ter Haar

Executive Director

Age:
40

Date of appointment to the Board:
4 December 2018

Nationality:
Dutch

Wesley is Chief Operations Officer and Co-Founder of MediaMonks since 2001. Under his leadership the company has grown into a global platform. He is European Chair and a member of SoDa's Board of Directors – the international organisation for the Digital Society – and has spoken at and judged for various industry events including Cannes Lions Festival of Creativity and the Webbys, the leading international award honouring excellence on the internet.

Victor Knaap

Executive Director

Age:
41

Date of appointment to the Board:
4 December 2018

Nationality:
Dutch

Victor is Chief Executive Officer and Partner of MediaMonks. Since joining in 2003, his role in leading MediaMonks' intercontinental expansion has seen the company's workforce grow to over 900 people worldwide. As well as his international business success, his experience makes him a sought-after speaker and opinion leader for the digital industry.

Other current appointments:

- Board member of Dutch charity GET IT DONE
- Advisory Board member of IAB NL

Pete Kim

Executive Director

Age:
45

Date of appointment to the Board:
24 December 2018

Nationality:
American

Pete is an experienced advertising technology executive with over a decade of industry leadership experience and has served as CEO of MightyHive since its founding in 2012.

Pete was formerly Head of Business Development for Google's Media Platforms, and Director of Product Management at Yahoo!, where he helped pioneer the use of dynamic creative in marketing.

Other current appointments:

- Board member of the Center for Investigative Reporting

4

Christopher S. Martin

Executive Director

Age:
40

Date of appointment to the Board:
24 December 2018

Nationality:
American

Christopher S. Martin, COO of MightyHive since its founding in 2012, has a 14-year track record of building and leading successful operations and client services organisations.

Prior to co-founding MightyHive, Christopher held multiple leadership positions at Yahoo!, including Chief of Staff to the Controllership and Director of Targeting Operations for Dynamic Creative and Audience Targeting Ad Products, where he was responsible for multi-billion-dollar P&Ls. While at Yahoo!, Christopher spearheaded the acquisition integrations of Dappy, 5to1 and Interclick.

Peter Rademaker

Executive Director and Group Chief Financial Officer

Age:
55

Date of appointment to the Board:
4 December 2018

Nationality:
Dutch

Peter joined MediaMonks as CFO in September 2015 with over 20 years' experience as a financial officer in the media and entertainment industry. Before joining MediaMonks, he was CFO, and later CEO, at CMI Holding BV. Prior to this, he held various CFO positions at prominent Dutch media companies including Eyeworks and Talpa.

Rupert Faure Walker

Non-Executive Director

Senior Independent Director

Chairman of the Audit and Risk Committee

Member of the Nomination and Remuneration Committee

Age:
71

Date of appointment to the Board:
28 September 2018

Nationality:
British

Rupert qualified as a Chartered Accountant with Peat Marwick Mitchell in 1972. He joined Samuel Montagu in 1977 to pursue a career in corporate finance. Over a period of 34 years Rupert advised major corporate clients on mergers, acquisitions, IPOs and capital raisings, including advising WPP on its acquisitions of JWT, Ogilvy & Mather and Cordiant, together with related funding. He was appointed a director of Samuel Montagu in 1982 and was Head of Corporate Finance between 1993 and 1998. He was a Managing Director of HSBC Investment Banking until his retirement in 2011.

Daniel Pinto

Non-Executive Director

Age:
52

Date of appointment to the Board:
24 December 2018

Nationality:
French and British

Daniel Pinto is Chief Executive and Founding Partner of Stanhope Capital, the global investment management and advisory group overseeing $11 billion of client assets. He has considerable experience in asset management and merchant banking having advised prominent families, entrepreneurs, corporations and governments for over 25 years. Formerly Senior Banker at UBS Warburg in London and Paris concentrating on mergers and acquisitions, he was a member of the firm's Executive Committee in France. He was also Chief Executive of a private equity fund backed by CVC Capital Partners. Daniel founded the New City Initiative, a think tank comprised of the leading independent UK and European investment management firms. He is the author of *Capital Wars* (Bloomsbury 2014), a book which won the prestigious Prix Turgot (Prix du Jury) and the HEC/Manpower Foundation prize.

Other current appointments:

- Director of Soparexo (Holding of Chateau Margaux)
- Director of the New City Initiative

Sue Prevezer QC

Non-Executive Director

Member of the Audit and Risk Committee

Member of the Nomination and Remuneration Committee

Age:
59

Date of appointment to the Board:
14 November 2018

Nationality:
British

Sue is Co-Managing Partner of law firm Quinn Emanuel Urquhart & Sullivan (UK) LLP and has over 25 years of experience of arguing and managing large complex commercial cases at every level of the UK judicial system and in arbitration. She is a qualified solicitor and barrister, and sits as a Deputy High Court Judge, an arbitrator and as a CEDR Mediator. Sue has co-managed the London office of Quinn Emanuel since its inception in 2008. Sue's clients include major corporates, funds, investors, trustees, office holders and high net worth individuals, for whom she manages complex, high value, domestic and international litigation. Sue has particular expertise in company, insolvency related, securitisation and restructuring litigation.

Paul Roy

Non-Executive Director

Chairman of the Nomination and Remuneration Committee

Member of the Audit and Risk Committee

Age:
71

Date of appointment to the Board:
28 September 2018

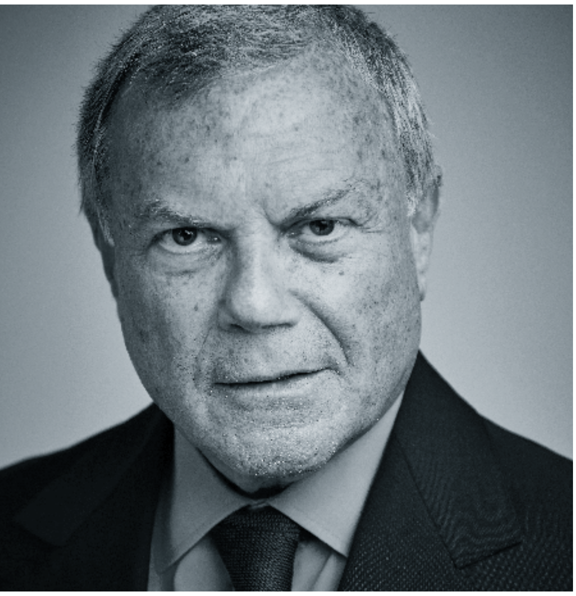
Nationality:
British

Paul has over 40 years' experience in the banking, brokerage and asset management industries. In 2003, he co-founded NewSmith Capital Partners LLP, an independent investment management company which was acquired by Man Group in 2015. Prior to founding NewSmith, he was Co-President of the Global Markets and Investment Banking division at Merrill Lynch & Co and had responsibility for worldwide Investment Banking, Debt and Equity Markets.
Paul joined Merrill Lynch in 1995 when it acquired Smith New Court Plc a leading market making and brokerage firm on the London Stock Exchange where he was CEO. Between 2007 and 2013, Paul served as Chairman of the British Horseracing Authority responsible for governance and regulation of the sport.

Other current appointments:

/ Chairman of Retraining of Racehorses

Executive Chairman's governance statement



On behalf of the Board, I am pleased to present the Group's governance statement for the year ended 31 December 2018. Governance, especially in relation to environmental and social issues, is critical to good business. Our people and our clients expect us to uphold the ethical standards which they aspire to, and we strive to do so in every aspect of our work.

By Sir Martin Sorrell

As the Company has a Standard Listing, it is not formally required to comply or explain non-compliance with the UK Corporate Governance Code (April 2016) issued by the Financial Reporting Council ('the Code').

2018 was a transformational year for your Company. Since readmission to listing on 28 September 2018, we have strived to establish and improve existing governance structures to ensure that they are appropriate for a company of our size and ambition. But there is always more that can be done.

Our commitment to high standards of governance informs the composition of the Board as well as the way it operates. I have held the role of Executive Chairman of the Company since 28 September 2018. In that capacity I have asked five other executives to join the Board so that there is substantial and robust challenge to my single voice. I have chosen Non-Executive Directors to join us on our journey who have vast and differing experiences of the corporate world and reputations as wise advisers. Ours is a Board which is designed to and willing to challenge me so that even though S4Capital is my creation, it is our Company, sculpted and driven for the benefit of our shareowners, not me, alone. The Board has discussed the scope of my role and is satisfied that it is appropriate for me to continue to act in a combined capacity as the Executive Chairman.

> Ours is a Board which is designed to and willing to challenge me so that even though S[4]Capital is my creation, it is our Company, sculpted and driven for the benefit of our shareowners, not me alone

The Board changed significantly in the period under review. As a consequence, we determined that conducting an appraisal of the effectiveness of the Board and its committees at this stage would not be meaningful. It is the intention of the Board that, beginning with the financial year ending 31 December 2019, the Board will conduct an annual review of its effectiveness and that of its committees, with input from external consultants at least every third year. We will request that the review is robust and challenging.

We welcome the support we have received from shareowners during 2018. Their support by participating in our share issues over the year helped to finance our two mergers and continues to be reflected in our share price. Unlike many smaller listed companies who issue their shares only to institutional shareowners in share placings, we have taken the time and additional expense to allow all our shareowners to participate in our equity fundraisings. We believe this is an important part of being a company run for the interests of all shareowners, not a few.

We will continue, if we choose to raise further equity finance in the future, to seek to allow existing shareowners to participate where possible.

A key part of the Board's commitment to high standards of governance is active dialogue with shareowners. With that in mind, we will be holding our first AGM on 29 May 2019 at the British Library, London. We welcome dialogue with shareowners outside of our general meetings.

Our Company may still be only a growing coconut, but it is our coconut, growing on our shareowners' palm trees.

Martin Sorrell

Sir Martin Sorrell
Executive Chairman

25 April 2019

Governance Report
The role of the Board

The strategy of the Group is set and the management of the Company is controlled by an experienced and effective Board. While the management teams of the Group's operating businesses have an important role in running the Group's day-to-day activities, a number of matters are formally reserved for the determination of the Board. These include setting strategy, evaluating corporate actions, incurring further debt and approving budgets and financial statements. Each of the Group's operating businesses is represented by multiple executives at the Board level, contributing to the Group's strategy of operating on a unitary basis.

There were eight meetings of the Board in the year to 31 December 2018, of which three were held following readmission on 28 September 2018. Attendance at these meetings is summarised on page 46. Board meetings consider business and financial performance, updates on key initiatives, strategy, reports from committees of the Board and shareowner communications and feedback.

The Board also receives regular updates on the performance of the Group's businesses, operational matters and legal updates from the Executive Chairman and the Executive Directors who act as management of MediaMonks and MightyHive. All Board members have full access to the Group's advisers for seeking professional advice at the Group's expense. The Group's wider organisational structure has clear lines of responsibility. Operating and financial responsibility for all subsidiary companies rests with the Board.

Board composition

As at the date of this report, the Board comprises six Executive Directors and four Non-Executive Directors. Biographical details of each of the Directors, their dates of appointment and committee memberships are set out on pages 36 to 41.

As referred to in the Executive Chairman's governance statement, the roles of Chairman and Chief Executive of the Company are carried out on a combined basis by Sir Martin Sorrell. The Board has considered Sir Martin's role as Executive Chairman in the context of the Board's commitment to achieving high standards of corporate governance.

Sir Martin has been a leading figure in the communication services industry for over 40 years; his expertise, knowledge and global network of relationships are an unparalleled advantage to the Group, the formulation and execution of its strategy and its day-to-day operations. In light of this, the Board believes that combining the roles of Chairman and Chief Executive is in the best interests of your Company, shareowners and other stakeholders, at the present.

The Board believes that it remains very effective with robust challenge and thoughtful advice being provided both at formal Board meetings and through informal interactions between Directors. In the context of the combination of vast and differing experience and expertise of the Directors, the Board considers that the combination of the roles of Chairman and Chief Executive has not affected the promotion of a culture of openness and debate and constructive relations between and among the Executive and Non-Executive members of the Board.

The Nomination and Remuneration Committee considers that the Board can be further strengthened by the addition of two female Non-Executive Directors, one from the US West Coast and one from China. It is searching for candidates whose background and experience will bring more global experience and diversity to its decision-making.

Committees of the Board

The Board has established two committees, an Audit and Risk Committee and a Nomination and Remuneration Committee. If the need should arise, the Board may set up additional committees as appropriate.

Audit and Risk Committee

The Audit and Risk Committee's role is to assist the Board of the Company with the discharge of its responsibilities in relation to internal and external audits and controls, including reviewing the Group's annual financial statements, considering the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal control systems in place within the Group. The Audit and Risk Committee seeks to meet not fewer than three times a year.

The Audit and Risk Committee is chaired by Rupert Faure Walker and its other members are Sue Prevezer and Paul Roy. Sir Martin Sorrell may be invited to attend meetings of the Audit and Risk Committee, but is not entitled to count in the quorum of such meetings or vote on business.

The report of the Audit and Risk Committee is set out on page 48.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee assists the Board of the Company in determining the composition and make-up of the Board of the Company and recommends what policy the Company should adopt on executive remuneration, determines the levels of remuneration for each of the Executive Directors of the Company and recommends and monitors the remuneration of members of senior management. It is also responsible for periodically reviewing the structure of the Company's Board and identifying potential candidates to be appointed as Directors, as the need may arise and for producing an annual Remuneration Report to be approved by the members of the Company at the Annual General Meeting. The Nomination and Remuneration Committee also determines succession plans for the Executive Chairman. The Nomination and Remuneration Committee will meet when appropriate and not fewer than twice a year.

The Nomination and Remuneration Committee is chaired by Paul Roy and its other members are Rupert Faure Walker and Sue Prevezer. Sir Martin Sorrell has observer rights and may be invited to attend meetings of the Nomination and Remuneration Committee, but is not entitled to count in the quorum of such meetings or vote on business.

The report of the Nomination and Remuneration Committee is set out on page 50. →

Board and committee membership and attendance in the year to 31 December 2018

	Full Board	Audit and Risk Committee	Nomination and Remuneration Committee
Total number of scheduled meetings	8	–	–
Sir Martin Sorrell	2 (of 3)[5]	–	–
Rupert Faure Walker	2 (of 3)[5]	–	–
Paul Roy	3 (of 3)	–	–
Sue Prevezer	2 (of 2)	–	–
Victor Knaap	1 (of 1)	–	–
Wesley ter Haar	1 (of 1)	–	–
Peter Rademaker	1 (of 1)	–	–
Pete Kim*	–	–	–
Christopher S. Martin*	–	–	–
Daniel Pinto*	–	–	–
Harry Hyman	5 (of 5)	–	–
James Serjeant	5 (of 5)	–	–
Rodger Sargent	5 (of 5)	–	–

Notes:

* Pete Kim, Christopher S. Martin and Daniel Pinto were appointed as Directors of the Company on completion of the merger with MightyHive on 24 December 2018. Before that date, all three attended a Board meeting to approve the prospectus required for the MightyHive merger.

1. Sir Martin Sorrell, Rupert Faure Walker and Paul Roy were appointed as Directors of the Company on 28 September 2018.
2. Sue Prevezer was appointed as a Director of the Company on 14 November 2018.
3. Victor Knaap, Wesley ter Haar and Peter Rademaker were appointed as Directors of the Company on 4 December 2018.
4. Harry Hyman, James Serjeant and Rodger Sargent resigned their offices as Directors of the Company on 28 September 2018.
5. The missed meetings were a result of unavoidable conflicting engagements.
6. The Board also held a number of further meetings to discuss and approve procedural matters.
7. The Audit and Risk Committee has met four times following the end of year to 31 December 2089, on 22 January (attended by Paul Roy and Rupert Faure Walker), on 8 March (attended by all members), on 15 March (attended by all members) and on 17 April (attended by Paul Roy, Rupert Faure Walker and Sue Prevezer).
8. The Nomination and Remuneration Committee has met twice following the end of year to 31 December 2018, on 6 March (attended by Rupert Faure Walker and Paul Roy) and on 17 April (attended by Paul Roy, Rupert Faure Walker and Sue Prevezer).

Controlling shareowner

As the founder of the Group, Sir Martin has been issued with a B Share which provides him with enhanced control rights. As the owner of the B Share, Sir Martin has the right to:

- appoint one Director of the Company from time to time and remove or replace such Director from time to time;
- ensure no executives within the Group are appointed or removed without his consent;
- ensure no shareowner resolutions are proposed (save as required by law) or passed without his consent; and
- save as required by law, ensure no acquisition or disposal by the Company or any of its subsidiaries of an asset with a market or book value in excess of £100,000 (or such higher amount as Sir Martin may agree) may occur without his consent.

The B Share will lose the B Share Rights if it is transferred by Sir Martin and also:

(i) in any event after 14 years from 28 September 2018 (being the date on which the B Share was issued), or, if earlier, the date on which Sir Martin retires or dies; or

(ii) if Sir Martin sells any of the Ordinary Shares that he acquired on 28 September 2018 (other than in order to pay tax arising in connection with his holding of such shares).

In order to ensure that Sir Martin's exercise of the rights attaching to the B Shares do not prejudice the Company's ability to comply with the Listing Rules, Sir Martin and the Company have entered into a relationship agreement. Pursuant to this relationship agreement, Sir Martin has undertaken to ensure that:

- transactions and arrangements with Sir Martin (and/or any of his associates) will be conducted at arm's length and on normal commercial terms;
- neither Sir Martin nor any of his associates will take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules; and
- neither Sir Martin nor any of his associates will propose or procure the proposal of a shareowner resolution, which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

The Group has policies in place to ensure that the rights attaching to the B Share are not infringed.

Report of the Audit and Risk Committee

The Audit and Risk Committee has an important role in ensuring the integrity of the Group's financial report, monitoring the adequacy of the Group's risk management and internal controls and overseeing the performance of the external auditors.

By Rupert Faure Walker

Following re-admission of the Company to the official list upon the reverse takeover of the S^{4}Capital Group, I was appointed as Chairman of the Audit and Risk Committee, with Paul Roy and Sir Martin Sorrell (the only two other Directors at the time) as the Committee's other members. Since re-admission, two further independent Non-Executive Directors have joined the Board. One of these new Non-Executive Directors, Sue Prevezer has joined the Committee and accordingly, Sir Martin has stepped down from his role as a member of the Committee.

Change of auditor

2018 was a transformational year for the Company and the Group. Upon re-admission, the Company became the parent of a fast-growing Group with operations in 10 jurisdictions. Following the business combination with MightyHive, the Group's geographical footprint continues to grow, with new offices opened in Japan and India since the end of the financial period and more planned. Accordingly, we felt that the Group would benefit from having auditors with global reach. Following a review in the final months of 2018, in January 2019, the Committee recommended to the Board that PricewaterhouseCoopers LLP (PwC) be appointed as the Group's external auditors.

I would like to take this opportunity to thank haysmacintyre, the Company's outgoing auditors, for its service since the Company's formation in 2016.

Internal control and risk management

As part of the re-admission process, the Board carried out a detailed assessment of its systems and controls as part of the completion of its Financial Position, Prospects and Procedures Memorandum. This has subsequently been revised to take into account the business combination with MightyHive that took place in late December 2018. The Board's assessment was focused on the following key areas:

- the overall reporting environment, including Board composition, the Committee's constitution and the Group's finance function;
- the preparation and assessment of budgets and the management reporting framework of the Group;
- significant transaction complexity, potential financial exposures and risks;
- the evaluation of strategic projects and initiatives, including new business streams and business combinations;
- the Group's financial accounting and reporting procedures, and audit arrangements; and
- information systems.

Work has started on the integration of the Group's two operating businesses and greater integration is one of the goals for this year. The Board, senior management and this Committee continue to focus on improving and harmonising the Group's risk identification processes, financial reporting timetables and processes and compliance.

The Board is ultimately responsible for establishing and maintaining the Group's internal controls. The Audit and Risk Committee's role is to review this system and its effectiveness through reports received from management and the external auditor.

As from 2019, risks will be reviewed formally semi-annually at the level of the operating businesses and the Company and presented to the Board and the Committee as appropriate. To the extent that significant new risks arise or existing risks require new mitigation strategies or procedures, these will be raised and discussed at Board meetings.

Consolidated management accounts are prepared monthly and presented at Board meetings, providing relevant, reliable and current information to management. Annual plans and forecasts are used to monitor the development of the Group's businesses and to measure progress towards objectives. Budget approval is a matter reserved to the Board.

The Group is in the process of formalising its whistleblowing procedures in a new staff handbook addendum. Whistle-blowers can report in confidence to the Chair of the Audit and Risk Committee, who has responsibility for investigating any concerns. The Board and the Committee are made aware of any concerns at Board or Committee meetings as appropriate and informed as to the resolution or other status of complaints.

Internal audit

The Group does not have a separate internal audit function, as the Board does not consider that the complexity or size of the Group's business warrants this. The Committee will regularly review the need for an internal audit function as the Group grows and develops.

External audit

The Audit and Risk Committee has responsibility for monitoring the performance, objectivity and independence of the Group's auditor, PwC. PwC were auditors to the MediaMonks Group prior to its merger with the S4Capital Group, but this is the first year that PwC has acted as external auditors to the Company. In assessing the appointment of PwC as external auditors the Committee considered:

- the external audit plan, including the key audit risk areas, materiality and significant judgment areas;
- the terms of the audit engagement letter and the associated level of audit fees; and
- the independence of the external auditors in the context of the non-audit services provided.

The Committee will also assess the effectiveness of PwC as external auditor in the forthcoming year against these criteria.

Taking into account the above factors, the Committee concluded that the appointment of PwC as auditors for the forthcoming year was in the best interests of the Company and its shareowners. The resolution to appoint PwC will propose that it holds office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company, at a level of remuneration to be determined by the Audit and Risk Committee.

Rupert Faure Walker
Chair, Audit and Risk Committee

Report of the Nomination and Remuneration Committee

On behalf of the Board, I am pleased to present the Nomination and Remuneration Committee's report for the year ended 31 December 2018.

By Paul Roy

In carrying out its nomination function, the Committee assists the Board in determining the composition and makeup of the Board, having regard to the skills, knowledge and experience required and also to the benefits of all forms of diversity. The Committee, pursuant to its remuneration function, recommends to the Board what policy the Company should adopt on executive remuneration, determines the levels of remuneration for each of the Executive Directors and recommends and monitors the remuneration of members of senior management.

We have presented the Committee's Remuneration Report in two parts. In the first, we present the annual report on remuneration on pages 52 to 57. This includes the amounts earned by the Directors in respect of the period ended 31 December 2018 and details of their interests in incentive schemes and is subject to an advisory shareowner vote at the AGM. In the second, on pages 57 to 63, we present the forward-looking Remuneration Policy for Directors. This sets out the policy which is subject to approval by shareowners through a binding vote at the AGM and which, subject to that approval, will be applied immediately.

I was appointed as the Chair of the Nomination and Remuneration Committee since its establishment in September 2018, when the Company completed its reverse takeover and was renamed S4Capital plc. Sir Martin Sorrell and Rupert Faure Walker have been members of the Committee since I was appointed. Sue Prevezer joined the Committee following her appointment as a Director in November 2018 and Sir Martin has stepped down but may be invited to attend meetings as an observer. Rupert, Sue and I are considered independent for governance purposes. That being the case, the Committee has, since establishment, had at least two independent Directors. The Committee did not hold any formal meetings in the short period between the completion of the Company's reverse takeover of the S4Capital Group at the end of September 2018 and at the end of the financial year. We have, however, subsequently met to agree the Remuneration Policy indicated above.

As a result of the reverse takeover of the S4Capital Group, there were a number of changes to the Company's existing remuneration arrangements, as well as the composition of the Board. Before the reverse takeover, Harry Hyman and James Serjeant were not entitled to any fee as a result of their office. Rodger Sargent was entitled to receive the national minimum wage for his services. Due to the exceptional time required in respect of the Company's reverse takeover of the S4Capital Group, the Company agreed to pay Harry Hyman and Rodger Sargent a stipend of £5,000 each per month for June, July and August 2018.

Upon completion of the reverse takeover, Harry Hyman, Rodger Sargent and James Serjeant resigned and were replaced by Sir Martin Sorrell (who has since stepped down from the Committee), Rupert Faure Walker and me. Existing remuneration and incentive arrangements were in place at the S4Capital Group and these were consequently adopted by the Group upon completion of the reverse takeover. Equally, the business combination with MightyHive in late December 2018 resulted in the adoption of new remuneration and incentive arrangements, as well as the appointment of a number of new Directors to the Board.

An important component of the Group's remuneration framework is the S4 Limited Scheme which has been in place since before the Company's reverse takeover of the S4Capital Group. The S4 Limited Scheme and the rest of our approach to remuneration are based on the core philosophy that executive remuneration should support the Group's strategy and deliver pay for performance. It is the firm conviction of the Committee that executive remuneration should be linked to the creation of value for and delivery of returns to shareowners. The S4 Limited Scheme was designed to support this objective and provide alignment between management and shareowners in the long term. The terms of the S4 Limited Scheme are set out more fully in the Remuneration Report.

The inaugural Remuneration Policy that we present to shareowners in this report is centred on supporting the Group's long-term strategic objectives through alignment of management, employee and shareowner interests.

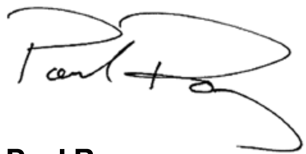
As this is the Committee's first remuneration report, the feedback of shareowners is very welcome. We hope we will receive your support for both the Remuneration Report and for our proposed Remuneration Policy at the 2019 AGM.

Induction and training

There was an induction programme for the new Executive and Non-Executive Directors that included a comprehensive pack of information on the Group, meetings with senior management and other Board members, visits to the Group's offices and briefings to share the Group's strategy.

The Directors have access to ongoing training as required.

On the recommendation of the Committee all Directors will offer themselves for election or re-election at the forthcoming AGM.



Paul Roy
Chair, Nomination and Remuneration Committee

25 April 2019

Governance Report
Remuneration Report

The information provided in this annual Remuneration Report is subject to audit except where indicated otherwise. Details of the Directors' interests in the share capital of the Company are set out on page 54.

The remuneration of the Executive Directors for the year to 31 December 2018 is presented below with a comparison for the period from incorporation on 14 November 2016 to 31 December 2017 included for completeness.

Executive Directors' remuneration as a single figure (Audited)

Year to 31 December 2018 £000	Salary	All taxable benefits	Annual bonus	Incentive shares	Pension	Total
Sir Martin Sorrell	61	–	61	–	18	140
Victor Knaap[5]	14	–	–	–	–	14
Wesley ter Haar[5]	14	–	–	–	–	14
Peter Rademaker	19	–	–	–	–	19
Pete Kim	3	–	–	–	–	3
Christopher S. Martin	3	–	–	–	–	3
Rodger Sargent	15	–	–	–	–	15

Period to 31 December 2017 £000	Salary	All taxable benefits	Annual bonus	Incentive shares	Pension	Total
Rodger Sargent	–	–	–	–	–	–

Notes:

1. Sir Martin Sorrell was appointed to the Board on 28 September 2018 but has been a Director of S4 Limited since 23 May 2018. His remuneration is reported pro rata for the period from 23 May 2018.
2. Victor Knaap, Wesley ter Haar and Peter Rademaker were appointed to the Board on 4 December 2018. Their remuneration is reported pro rata from that date and converted into sterling from euros using the average exchange rate for the year, consistent with the basis of the presentation of financial performance in the financial statements.
3. Pete Kim and Christopher S. Martin were appointed to the Board on 24 December 2018. Their remuneration is reported pro rata from that date and converted into sterling from US dollars using the average exchange rate for the year, consistent with the basis of the presentation of financial performance in the financial statements.
4. Rodger Sargent retired from the Board on 28 September 2018. His remuneration is reported for the period to that date. Upon his retirement from the Board, the Ordinary Shares held by Rodger Sargent were released from a performance condition to which their disposal had previously been subject.
5. As disclosed in the Company's prospectus dated 11 September 2018, Victor Knaap and Wesley ter Haar were each paid a €3 million bonus in connection with the merger with MediaMonks and a further €3 million is due to be paid in July 2019.
6. During the year to 31 December 2018, key management remuneration was £253,722. This amount comprises the remuneration paid to Victor Knaap, Wesley ter Haar and Peter Rademaker during the period between 9 July 2018, when MediaMonks became part of the S4Capital Group, but does not include the bonuses paid to Victor Knaap and Wesley ter Haar disclosed in Note 5 above. The remuneration of key management is reported pro rata between those dates and converted into sterling from euros using the average exchange rate for the year, consistent with the basis of the presentation of financial performance in the financial statements.

Salary

The annual salary of Sir Martin with effect from 23 May 2018 was £100,000. The annual salaries of Victor Knaap, Wesley ter Haar and Peter Rademaker with effect from 9 July 2018 were, respectively, €210,000, €210,000 and €294,000. The annual salaries of Pete Kim and Christopher S. Martin with effect from appointment were $207,360 each. For 2019, there have been no increases to the salary levels disclosed above.

Annual bonus scheme

Certain of the Executive Directors are eligible for discretionary annual bonuses pursuant to which the minimum payout is nil and the maximum is set out below.

Maximum annual bonus entitlement £000	Maximum	% of base salary
Sir Martin Sorrell	100	100%
Victor Knaap	93	50%
Wesley ter Haar	93	50%
Pete Kim	154	100%
Christopher S. Martin	154	100%

During 2018, the Group was being assembled by way of business combinations with MediaMonks and MightyHive and it was not possible for the Nomination and Remuneration Committee to establish financial KPIs against which to measure Sir Martin's performance. At the end of the period, Sir Martin's performance was measured against the success of the completed business combinations and the Nomination and Remuneration Committee granted him his maximum bonus, pro rata for the period from 23 May 2018.

For 2019, the Nomination and Remuneration Committee has established metrics reflecting the Group's strategic priorities against which all Executive Directors' bonuses will be measured. 70% of bonus will be payable by reference to performance measured against financial and operational metrics, and 30% will be payable by reference to the qualitative goal of integrating the Group's businesses. The financial goals set by the Nomination and Remuneration Committee will reflect management's stated objective of doubling net revenue within three years.

Full details of the specific metrics will be disclosed in next year's Remuneration Report.

Pension

Sir Martin Sorrell is provided with a lump sum pension contribution equivalent to 30% of his annual base salary.

Non-Executive Directors' remuneration as a single figure (Audited)

£000	**Year to 31 December 2018 Fees**	Period to 31 December 2017 Fees
Rupert Faure Walker	**6**	n/a
Paul Roy	**6**	n/a
Sue Prevezer	**3**	n/a
Daniel Pinto	**0.5**	n/a
Harry Hyman	**15**	–
James Serjeant	**–**	–

Notes:

1. Rupert Faure Walker, Paul Roy, Sue Prevezer and Daniel Pinto are each entitled to annual Directors' fees of £25,000. Rupert Faure Walker and Paul Roy were appointed to the Board on 28 September 2018, Sue Prevezer was appointed to the Board on 14 November 2018 and Daniel Pinto was appointed to the Board on 24 December 2018. Their fees for the year to 31 December 2018 are shown pro rata for the length of their respective service in the year to 31 December 2018.
2. Harry Hyman and James Serjeant retired as Directors on 28 September 2018. Neither was entitled to a base fee during their period of service. Nevertheless, in light of the material increase in time commitment required in connection with the reverse takeover, the Company agreed to provide Harry Hyman with a stipend of £5,000 per month for each of June, July and August 2018.
3. Upon the retirement of Harry Hyman and James Serjeant from the Board, their respective interests in Ordinary Shares were released from a performance condition to which their disposal had previously been subject.

Directors' interests in shares and share options

The consideration payable by the Group in respect of business combinations has included a substantial proportion of equity in the Company. Equity consideration has, to date, been issued subject to a two-year restriction on sale or transfer. It is the intention of the Board to continue to structure transactions in this fashion in order both to incentivise senior management (and the Group's people more broadly) in the long term and to support the Company's strategy of operating the Group on a unitary basis.

As a consequence, the Executive Directors who previously held equity in MediaMonks or MightyHive now hold a substantial number of the Company's shares. Further, Sir Martin Sorrell is a substantial shareowner in the Company as a consequence of his foundational investment into S^4 Limited.

	Interest in Ordinary Shares	Interest in Incentive Shares (unvested)	
	At 31 December 2018[1]	At 31 December 2018	At 31 December 2017
Sir Martin Sorrell	46,403,700	4,000	–
Victor Knaap[2]	19,809,538	–	–
Wesley ter Haar[2]	19,809,538	–	–
Peter Rademaker	708,132	–	–
Pete Kim[2]	9,718,862	–	–
Christopher S. Martin[2]	8,532,760	–	–
Rupert Faure Walker	1,303,776	–	–
Paul Roy	1,592,863	–	–
Sue Prevezer	227,272	–	–
Daniel Pinto[3]	27,505,328	–	–
Rodger Sargent[4]	145,000	–	–
Harry Hyman[4]	333,581	–	–
James Serjeant[4]	213,475	–	–

Notes:

1. Or, where relevant, the date of resignation as a Director.
2. Victor Knaap and Wesley ter Haar hold their interests in Ordinary Shares through (i) Oro en Fools B.V., their joint personal holding vehicle which is owned (indirectly) 50% by Victor Knaap and 50% by Wesley ter Haar; and (ii) Zen 2 B.V. the ordinary share capital of which is owned 51% by Oro en Fools B.V. and 49% by funds managed by Bencis Capital Partners B.V. The interests in ordinary shares of Victor and Wesley noted above are the aggregate totals of the ordinary shares held by these entities. Certain of the interests of Christopher S. Martin and Pete Kim are held by them through certain family trust arrangements.
3. Daniel Pinto's holding includes Ordinary Shares which are held by SEF4 Investment SCSp, which is managed by Stanhope Capital LLP, part of the Stanhope Group, of which Daniel Pinto is the CEO.
4. At 31 December 2017, Rodger Sargent held 1,450,000 shares, Harry Hyman 1,062,500 and James Serjeant 1,262,500 shares in Derriston Plc.

The S^4 Limited Scheme

Arrangements were put in place shortly after the formation of S^{4}Capital 2 Limited (formerly S^{4}Capital Limited) (S^4 Limited) to create incentives for those executives who are expected to make key contributions to the success of the Group. The Group's success depends upon the sourcing of attractive investment opportunities and the improvement of the performance of any businesses that are acquired. Accordingly, an incentive scheme was created to reward key contributors for the creation of value (the S^4 Limited Scheme) through the use of Incentive Shares.

To date, Sir Martin Sorrell is the only executive who has subscribed for A2 Incentive Shares, which are subject to a number of conditions, as set out more fully below. The Directors of S^4 Limited have the authority to issue a further 4,000 A1 Incentive Shares. The issue of further Incentive Shares will not increase the aggregate entitlement of the holders of Incentive Shares above 15% of the growth in value of S^4 Limited and will instead operate to dilute the interests of existing holders of the Incentive Shares.

Terms of the S^4 Limited Scheme

The Incentive Shares entitle the holders, subject to certain vesting criteria and leaver provisions, to up to 15% of the growth in value of S^4 Limited provided that the growth condition (as described below) has been met.

Provided that the growth condition has been satisfied, the Incentive Shares entitle the holders to their return upon a sale or merger of S^4 Limited, its liquidation, the takeover or merger of the Company or, if none of those events has occurred prior to 9 July 2023 (being the fifth anniversary of the merger with MediaMonks by S^4 Limited), if Sir Martin Sorrell serves notice on the Company requiring it to acquire all of the Incentive Shares eligible for sale on or before 9 July 2025 (being the seventh anniversary of the merger with MediaMonks). If Sir Martin serves such a notice, the growth in value of S^4 Limited is measured against the market capitalisation of the Company based on an average of the mid-market closing price of the Ordinary Shares over the preceding 30 trading days, plus any dividends or distributions over time. Once triggered, all of the Incentive Shares eligible for sale receive value at the same time on a pro rata basis and then automatically reset such that they may receive the same return over a second period of up to seven years.

The consideration payable if the Incentive Shares are triggered, save on a takeover, liquidation or merger of S^4 Limited, will be satisfied by the issue of Ordinary Shares at the average of the mid-market closing price of the Ordinary Shares over the 30 trading days preceding the triggering of the Incentive Shares.

Growth condition

The growth condition is the compound annual growth rate of the invested capital in S^4 Limited being equal to or greater than 6% per annum since the foundational investment into S^4 Limited on 29 May 2018. The growth condition takes into account the date and price at which shares in S^4 Limited have been issued, the date and price of any subsequent share issues and the date and amount of any dividends paid or capital returned by S^4 Limited to the Company. Any cash raised by the Company from time to time has been and will continue to be invested in S^4 Limited so that the growth condition will apply to that capital also.

Vesting conditions

The Incentive Shares are subject to certain vesting conditions, at least one of which must be (and continue to be) satisfied in order for Sir Martin Sorrell (as the holder of the majority of the A2 Incentive Shares) to elect for the Incentive Shares to be sold to the Company. The Incentive Shares will vest in the following circumstances:

- a sale of all or a material part of the business of S^4 Limited;
- a winding up of S^4 Limited occurring;
- a sale or change of control of S^4 Limited or the Company; or
- if later, on 9 July 2023 (being the fifth anniversary of the MediaMonks merger).

Compulsory redemption

If the growth condition is not satisfied on or before 9 July 2025 (being the seventh anniversary of the merger with MediaMonks), or such later date as the Company and each of the Incentive Share classes agree, the Incentive Shares must be sold to the Company at a price per Incentive Share equal to the subscription price.

Leaver provisions

The Incentive Shares are subject to leaver provisions. If a holder of Incentive Shares ceases to be employed by or hold office with the Group, that holder will become a 'Leaver' and, depending on the circumstances of his or her departure, certain of his or her Incentive Shares may be subject to forfeiture.

Scheme interests awarded during the financial year

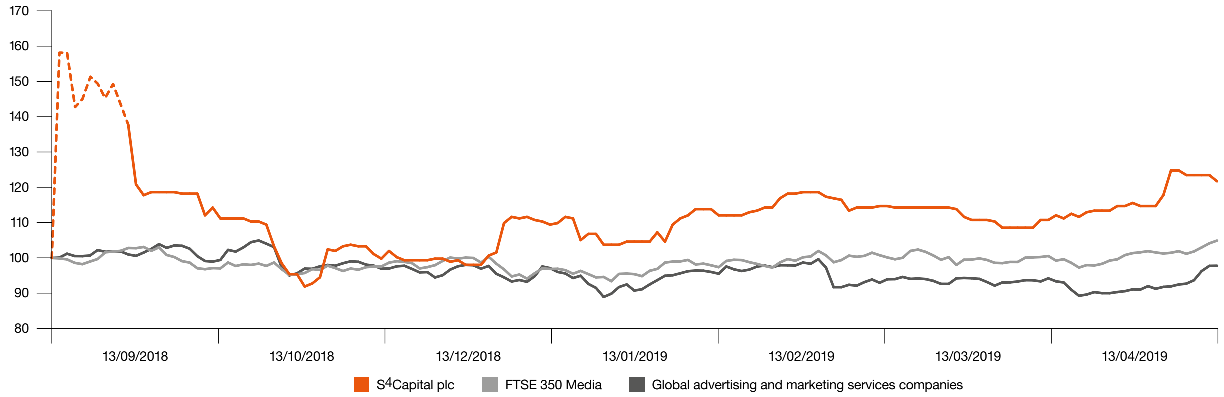
	Date of subscription	Participation in the growth in value		Issue price	Number	Subscription value
		Maximum	Minimum[1]			
Sir Martin Sorrell	29 May 2018	15 p.p.	7.5 p.p.	£25.00	4,000	£100,000
Total					**4,000**	

Note:

1. The minimum participation shown assumes the growth condition has been met.

Share price

The chart below illustrates the performance over the period of an investment of £100 in the Company's shares made on 13 September 2018, shortly before the Company acquired the S4Capital Group and was re-admitted to trading on the Official List, to 18 April 2019, which has been compared to the performance of the same investment on the same date in both (i) the FTSE 350 Media Sector, and (ii) a market capitalisation-weighted basket of six global advertising and marketing services companies. The Board believes that these are the most appropriate broad comparators for the Company's performance for the purpose of the reporting regulations. The dashed section of the line below represents the period before the Company was named S4Capital.



The table below sets out the performance of an investment of £100 made in the Group on 29 May 2018, which was the date of the foundational investment into S4 Limited, through the dates of the Group's placings and business combinations, the end of the year to 31 December 2018 and up to 18 April 2019. This has been compared against the performance of an equivalent investment made on 29 May 2018 in the same comparators used in the chart above.

	29 May 2018	9 July 2018	24 December 2018	31 December 2018	18 April 2019
S4Capital	100	116	128	138	161
FTSE 350 Media	100	105	95	96	105
Global advertising and marketing services companies	100	101	83	86	91

Executive Chairman's total remuneration as a single figure

The table below sets out the Executive Chairman's total remuneration as a single figure, together with the percentage of maximum annual incentive awarded over the same period as the chart above in respect of the Company's share price.

	Year to 31 December 2018
Executive Chairman total remuneration (£000)	140
Annual incentive awarded (% of maximum)	100%
Share award vesting (% of maximum)	n/a

As the Company had no trading business before it acquired the S4Capital Group on 28 September 2018, no previous comparisons are included.

Percentage change in remuneration of Director undertaking the role of Chief Executive

As noted above, it is not possible to present meaningful or comparable analysis on the change in remuneration of the Director undertaking the role of Chief Executive. The Company acquired the S4Capital Group on 28 September 2018 and prior year comparisons for the Executive Chairman and all of the Group's people are not considered meaningful.

Relative importance of spend on pay

The chart below shows the relative importance of spend on pay for all of the Group's people in comparison to distributions to shareowners. Total pay includes wages and salaries, pension costs, social security and share-based payments. Taking into account the timing of the mergers during the year, the Group has employed an average of 688 staff. The Company did not make any distributions to shareowners in respect of the financial period.

Total personnel costs (£000)	25,153
Total distributions to shareowners (£000)	–

Remuneration Policy

Following re-admission to the Official List on 28 September 2018, the Company will present its first Remuneration Policy at the 2019 AGM. It is proposed that the Policy, which is subject to a binding vote, will take effect from the close of the AGM on 29 May 2019 and unless there is any reason to review it earlier, it will continue to apply until no later than 29 May 2022, being three years from its date of approval.

As a consequence of the Company's history, and that of the S4Capital Group, much of the Remuneration Policy (in particular with regard to the Incentive Shares, the Group's long-term incentive scheme) had already been established as part of the formation of the S4Capital Group and its re-admission to the Official List. The formalisation of the Remuneration Policy has been undertaken with the goal of establishing a holistic and balanced package around this established long-term incentive arrangement to ensure that the remuneration packages offered, and the terms of the contracts of service are competitive and will attract, retain and motivate Executive Directors of the highest quality whilst seeking alignment between all of the Group's people and its shareowners.

In order to achieve this, the Company's policy is to offer a lower-than-market-rate base salary, combined with a higher-than-market-rate incentive payment as a reward for outstanding performance. Reward for long-term performance is delivered through the Incentive Shares and the significant share ownership of the Executive Directors and senior management.

Remuneration packages for Executive Directors

The table on pages 58 and 59 summarises the core components of the remuneration package for Executive Directors and explains the purpose of each element and how it furthers the strategy of the Group. The table also summarises the operation of each element and its performance conditions where relevant, the opportunity for remuneration and the relevant performance metrics.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance assessment
Base salary	A fixed element of the Executive Directors' remuneration, intended to provide a base level of income.	Salary is reviewed annually and otherwise by exception. Takes into account the role performed by the individual and information on the rates of pay for similar jobs in companies of comparable size and complexity. Salary is typically below market rates.	Annual increases will ordinarily be in line with awards to other people within the Group. Consistent with other roles within the Group, other specific adjustments may be made to take account of any changes to individual circumstances, such as an increase in scope and responsibility, an individual's development and performance in the role and any realignment following changes in market levels.	An individual's performance is one of the considerations in determining the level of annual increase in salary.
Benefits	A fixed element of the Executive Directors' remuneration, intended to attract, retain and motivate them, whilst remaining competitive.	Benefits such as insurance, fully-expensed transportation, private medical insurance and life assurance may be paid to the Executive Directors in line with market practice.	Benefits are set at a level which the Nomination and Remuneration Committee considers to be commensurate with the role and comparable with those provided in companies of a similar size and complexity.	n/a
Pension	A fixed element of the Executive Directors' remuneration, intended to attract, retain and motivate them, whilst remaining competitive.	Takes into account the role performed by the individual and information on the rates of pay and pension contributions for similar jobs in companies of comparable size and complexity. Payment may be made into private pension plans or paid cash in lieu.	Maximum 30% of base salary. Contributions for individual Executive Directors are set at a level which the Nomination and Remuneration Committee considers to be commensurate with the role and comparable with those provided in companies of a similar size and complexity.	n/a

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance assessment
Annual incentive scheme[1]	The annual incentive scheme is intended to reward Executive Directors for their achievements and the performance of the Group in the financial year and may be set at above market rates to compensate for lower-than-market-base salaries and highly incentivise performance.	Following the end of each financial period, the Nomination and Remuneration Committee reviews actual performance against the objectives set under the scheme and determines awards accordingly. Awards are normally paid in cash but the Nomination and Remuneration Committee has discretion to determine a proportion of the bonus should be invested in shares.	Maximum of 100% of salary.	The targets against which annual performance is judged are determined annually by the Nomination and Remuneration Committee. From and including 2019, annual performance will be assessed against a combination of financial, operational strategic and personal goals. Malus and clawback provisions apply to payments under the annual incentive scheme.
Long-term incentive scheme[1]	The Incentive Shares are intended to motivate the Executive Directors who are invited to subscribe for them to contribute towards the long-term development of the Group. As set out below, Executive Directors may become eligible to participate in other long-term incentive arrangements.	The Nomination and Remuneration Committee reviews the development of the Group against the terms of the scheme.	In aggregate, for all holders of Incentive Shares, 15% of the growth in value of S^4 Limited, as described above on page 54.	A compound annual growth rate of 6% since the foundational investment into S^4 Limited, as described on page 54.
Equity ownership	While there is no mandatory minimum level of share ownership level required of Executive Directors, the shares in the Company held by the Executive Directors are intended to incentivise the Executive Directors over the longer term and to promote the development of the Group on a unitary basis.	The shares held by the Executive Directors are not subject to any performance conditions but are subject to sale and transfer restrictions for a two-year period from issue.	As shareowners, the Executive Directors will participate in any increase in the Company's share price and any dividends or other distributions paid by the Company from time to time.	n/a

Note:

1. The performance measures chosen for the annual incentive scheme and the growth condition applying to the Incentive Shares have been chosen to align with the key strategic priorities of the Company and its long-term growth aspirations.

Due to the long-term nature of the rewards offered by the S4 Limited Scheme, which only allows the owners of the Incentive Shares to receive benefits under that scheme once shareowners have experienced significant growth in the value of their investment, there are no clawback arrangements in respect of awards. Awards are, however, subject to leaver provisions intended to motivate holders to remain with the Group over the long term (up to 14 years).

Share ownership guidelines

In the context of the significant share ownership of the Executive Directors there is no formal minimum shareholding requirement. Nevertheless, should an Executive Director be appointed who does not have a material holding of the Company's shares, the Committee would expect such Director to acquire shares having a value equal to two times base salary as soon as reasonably practicable following appointment.

Other payments

The Committee reserves the right to make payments outside the Remuneration Policy for minor administrative matters in exceptional circumstances. The Committee would only use this right where it believes that this is in the best interests of the Company and when it would be disproportionate to seek the specific approval of the shareowners in a general meeting.

Legacy arrangements

Executive Directors are eligible to receive payment from any remuneration arrangement agreed prior to the approval of the Remuneration Policy. Any payments of this nature will be disclosed at the appropriate time.

Payment on loss of office

The service agreements for the Executive Directors allow for lawful termination of employment by making a payment in lieu of notice, by making phased payments over any remaining unexpired period of notice, or, in relation to contracts governed by Californian law, by paying 12 months' base salary. There is no automatic or contractual right to annual incentive payments. At the discretion of the Committee, for certain leavers, a pro rata annual incentive may become payable at the normal payment date for the period of employment and based on full year performance. Should the Committee decide to make a payment in such circumstances, the rationale would be fully disclosed in the annual Remuneration Report.

The Committee reserves the right to make additional liquidated damages payments outside the terms of the Directors' service contracts where such payments are made in good faith in order to discharge an existing legal obligation, or by way of damages for breach of such an obligation, or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment.

Employee incentive schemes

The Group currently has two share option schemes: one that was established in connection with the MediaMonks merger; and another that was established in connection with the MightyHive merger. The purpose of these plans is to incentivise and support the retention of the Group's people more broadly at the level of the operating businesses over the longer term. While no Directors have been granted any awards under these schemes to date, awards have been granted to senior management and may in future be used to provide an additional long-term incentive to Executive Directors. If this flexibility were to be used, options will be granted over shares worth no more than 400% of base salary each year and will vest over a period of up to four years with exercise subject to the satisfaction of performance conditions set by the Nomination and Remuneration Committee.

Long-term incentive arrangements

Other long-term incentive schemes may be introduced for the Executive Directors in the future. Any scheme would be aligned to the Company's medium and long-term strategy and the metrics would be based on a mix of relative total shareholder return (compared against a basket of marketing services companies) and financial metrics, such as return on equity and earnings per share (unless the Committee determines that other targets are appropriate).

If any new long-term incentive plan is established, awards would be made over shares worth up to 200% of base salary each year if granted as performance shares (with awards of no more than a similar equivalent fair value possible if made as other types of award). Such awards would vest over a period of up to four years, subject to the satisfaction of performance targets set by the Nomination and Remuneration Committee.

Recruitment

When hiring a new Executive Director, the Committee will use the Remuneration Policy to determine the Executive Director's remuneration package as the initial basis for formulating the package. To facilitate the hiring of candidates of the appropriate calibre to implement the Group's strategy, the Committee may include any other remuneration component or award not explicitly referred to in this Remuneration Policy (or a higher award opportunity than that set out in the Remuneration Policy table) sufficient to attract the right candidate. Awards outside the normal policy would only be made (i) if they are considered a necessary part of an acquisition which involves a new director joining the Board and/or (ii) to buy out awards being foregone by the incoming Executive Director, with the value of these buyout awards reflecting the value of the awards foregone. Where the recruitment requires the individual to relocate, appropriate relocation costs may be offered.

Whilst the Group's policy on base salaries and bonuses is consistent, where senior people join the Group as a result of acquisition, the Group will continue to honour their existing remuneration packages and over time move to align them with the Group's policy.

In determining the appropriate remuneration, the Committee will take into consideration all relevant factors, including the quantum and nature of the remuneration, to ensure the arrangements are in the best interests of the Company and its shareowners.

Contracts of service

The Company's policy is to offer contracts of employment that attract, motivate and retain skilled people who are incentivised to deliver the Company's strategy.

The Executive Directors have service agreements with the Company, but are remunerated pursuant to agreements concluded with other entities in the Group. A summary of the agreements pursuant to which the Executive Directors are remunerated is set out below.

Director	Date of appointment	Date of contract	Notice period (months)	Length of service (at 31 December 2018) (months)
Sir Martin Sorrell	28 September 2018[2]	24 June 2018	12[1]	3
Victor Knaap	4 December 2018	9 July 2018	6	1
Wesley ter Haar	4 December 2018	9 July 2018	6	1
Peter Rademaker	4 December 2018	9 July 2018	6	1
Pete Kim	24 December 2018	24 December 2018	At will[1]	–
Christopher S. Martin	24 December 2018	24 December 2018	At will[1]	–

Notes:

1. After a three-year initial term.
2. Sir Martin has acted as a Director of S4 Limited since its foundation on 23 May 2018, which is the effective date of the start of his employment pursuant to his service agreement.

Remuneration of the Non-Executive Directors

Element	Purpose and link to strategy	Operation	Maximum opportunity
Fees	To attract and retain Non-Executive Directors with adequate experience and knowledge.	The fees of the Non-Executive Directors are determined by the Board based upon comparable market levels and time commitment. The Non-Executive Directors do not participate in any performance-related incentive arrangements, nor do they have any entitlement to benefits or pension contributions. Directors may be paid additional amounts for service as a committee chair.	n/a

Fees

The annual fee to which each of the Non-Executive Directors is currently entitled is £25,000.

Letters of appointment

The terms of appointment of the Non-Executive Directors are set out in their respective letters of appointment. Appointment as a Non-Executive Director is subject to a three-month notice period. Notice periods do not apply and the Group has no obligation to make termination payments if a Non-Executive Director is not re-elected as a Director at an AGM.

The appointments of Rupert Faure Walker and Paul Roy are governed by their appointment letters with S4 Limited, which remained in place following the completion of the Company's acquisition of S4 Limited on 28 September 2018.

Director	Date of appointment	Date of letter of appointment	Notice period (months)	Length of service (at 31 December 2018) (months)
Rupert Faure Walker	28 September 2018	24 June 2018	3	3
Paul Roy	28 September 2018	24 June 2018	3	3
Sue Prevezer	14 November 2018	9 July 2018	3	2
Daniel Pinto	24 December 2018	9 July 2018	3	–

Illustrations of the application of the policy

The charts below show an indication of the level of remuneration that each Executive Director could receive in the following year under the Group's Remuneration Policy.

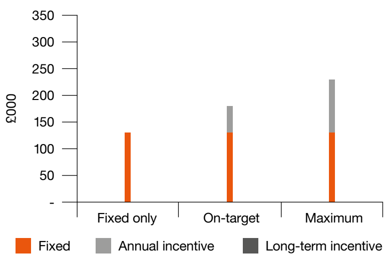
The chart shows the level of remuneration on three bases of performance:

/ **Fixed only** includes remuneration in the following year that is not subject to specific performance criteria, including salary, taxable benefits and pension contributions.

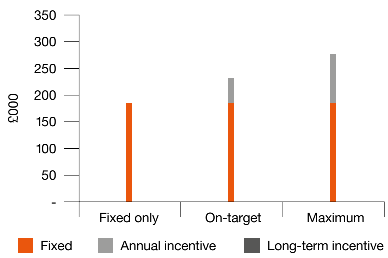
/ **On-target** includes, in addition to fixed remuneration, the level of remuneration subject to performance criteria. For this purpose, it has been assumed for the annual incentives that the objective, as set in the policy above, has been met as to 50%.

/ **Maximum** includes, in addition to fixed remuneration, the level of remuneration subject to performance criteria, assuming that the relevant objectives have been met in full. As the S4 Limited Scheme is not expected to vest until 2023, the maximum amount payable to the Executive Directors does not include a representation of the value that may ultimately be realised by the Executive Directors pursuant to the S4 Limited Scheme. As a result, the charts do not include an assessment of the potential impact of share price appreciation on the maximum remuneration receivable.

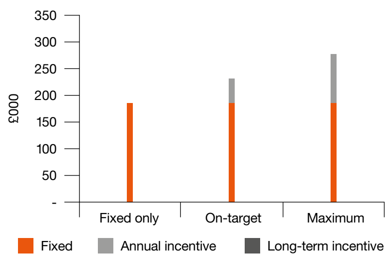
Sir Martin Sorrell



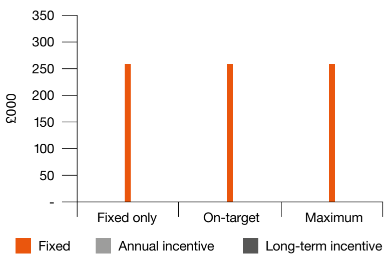
Victor Knaap



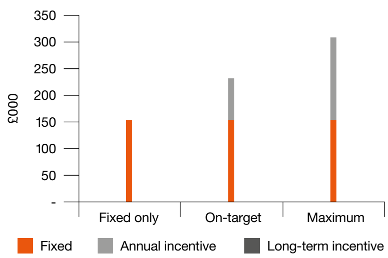
Wesley ter Haar



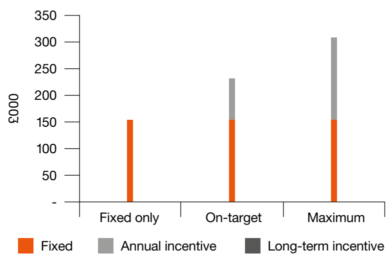
Peter Rademaker



Pete Kim



Christopher S. Martin



Note:

When MediaMonks became part of the S4Capital Group, the S4Capital Group agreed to pay bonuses of €3 million to each of Victor Knaap and Wesley ter Haar on 9 July 2018 and a further €3 million each on 9 July 2019. These amounts are not subject to performance criteria but have not been included in the calculation of fixed remuneration for the year ending 31 December 2019.

The salaries of each of the Executive Directors remains unchanged for the current year.

In addition to the amounts shown above, the Executive Directors have substantial share ownership in the Company and will therefore benefit accordingly from any increase in the price of the Company's Ordinary Shares and/or any dividends or other distributions paid on the Ordinary Shares from time to time.

Outside appointments

The Company recognises that Executive Directors may be invited to become non-executive directors of other companies and that this can help broaden the skills and experience of a Director. Subject to Board approval, Executive Directors are permitted to take on other non-executive positions with other for-profit companies and to retain their fees in respect of such a position.

Statement of consideration of employment conditions elsewhere in the Group

The Group applies the same key principles to setting remuneration for its people as those applied to the Directors' remuneration. In setting salaries and benefits each business considers the need to retain and incentivise key people to ensure the continued success of the Group. The Group's people were not consulted in setting the Remuneration Policy.

Consideration of shareowner views

The Committee considers it extremely important to maintain open and transparent communication with the Company's shareowners. The views of shareowners received through various avenues, such as at the AGM, during meetings with investors and through other contact during the year, are considered by the Committee and will help to inform the development of the overall Remuneration Policy.

Discretion

The Nomination and Remuneration Committee will operate the annual incentive scheme and the long-term incentive scheme according to their rules. Consistent with standard market practice, the Committee has certain discretion regarding the operation and administration of these schemes, including as to:

- participants;
- timing of grants or awards;
- size of awards;
- determination of how far performance metrics have been met;
- treatment of leavers or arrangements on a change of control; and
- adjustments of targets and/or measures if required following a specific event (e.g. material acquisition or disposal).

Any use of these discretions would be explained in the annual report on remuneration for the relevant year.

Directors' report

S4Capital plc is incorporated and domiciled in the UK and is registered in England with the registered number 10476913. The correspondence address and registered office of the Company is 12 St James's Place, London SW1A 1NX.

The Company changed its name from Derriston Capital plc on 28 September 2018.

This report has been drawn up and presented in accordance with, and in reliance upon, applicable English law and the liabilities of the Directors in preparing this report shall be subject to the limitations and restrictions provided by such law. The Director's report is designed to inform shareowners and help them assess how the Directors have performed their duty to promote the success of the Company.

Strategic Report and corporate governance

The Strategic Report can be found on pages 4 to 15 and is included by reference into this Director's report. The Strategic Report sets out the development and performance of the Group's business during the financial period, the position of the Company at the end of the period, a description of the principal risks and uncertainties facing the Company, indications of future developments in the business, reporting of Greenhouse Gas Emissions and the Group's Governance Report.

Dividend

No dividend was declared or paid in respect of the year to 31 December 2018 and the Directors are not recommending that any dividend be paid.

Share capital

The shares in issue at the year-end comprised 363,396,923 Ordinary Shares of £0.25 each (2017: 25,000,000 old ordinary shares of 2.5p each) and one B Share of £1.00 (2017: nil), giving a total nominal value of £90.8m (2017: £0.6m).

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at general meetings of the Company. The holder of the B Share has no right to receive dividends and is entitled to one vote at general meetings of the Company when voting in favour of resolutions, and such number of votes as may be required to defeat the relevant resolution when voting against.

Movements in the Company's share capital in the year are shown in Note 20 to the Group's financial statements.

Powers of the Company Directors

The AGM in 2018 authorised the Directors to allot shares up to a maximum nominal amount of £0.2m (i.e. one-third of the Company's then-issued and outstanding share capital). This authority was not exercised in the period.

Substantial shareholdings

As at 23 April 2019, the Directors had been advised of the following interests representing 3% or more of the Company's issued and outstanding Ordinary Shares.

Substantial shareowners of 3% or more, as at 23 April 2019	Number of shares	% shareholding
Kames Capital	11,403,019	3.14%
EBT	15,271,032	4.20%
Rathbones	16,514,051	4.54%
Merian Global Investors	18,945,555	5.21%
Canaccord Genuity Wealth Management	26,420,548	7.27%
Stanhope	27,482,961	7.56%
Oro en Fools B.V.	30,808,225	8.48%
Toscafund Asset Management	34,827,170	9.58%
Sir Martin Sorrell	46,403,700	12.77%

It should be noted that these holdings may have changed since being notified to the Company. However, notification of any change is not required until the next applicable threshold is crossed. As at the date of this report, no further changes had been notified to the Company pursuant to Rule 5.1 of the Disclosure and Transparency Rules.

Directors

The Directors of the Company up to the date of this report are named on pages 36 to 41 together with their profiles. Harry Hyman, Rodger Sargent and James Serjeant resigned from the Board with effect from 28 September 2018.

All Directors who have served during the year and who remain a Director as at 31 December 2018 will retire and offer themselves for election at the forthcoming AGM. The interests of the Directors in the share capital of the Company at 31 December 2018, the Directors' total remuneration for the year and details of their service contracts and Letters of Appointment are set out in the Directors' Remuneration Report on pages 52 to 63.

Other than the Incentive Shares held by Sir Martin Sorrell as disclosed on page 54, no Directors have beneficial interests in the shares of any subsidiary company. The interests of the Directors in the share capital of the Company have not changed between 31 December 2018 and 23 April 2019.

Directors' indemnities

The Company maintains Directors' and officers' liability insurance, which gives appropriate cover for legal actions which might be brought against its Directors and officers. The Directors also have the benefit of an indemnity from the Company, the terms of which are in accordance with the Companies Act.

Directors' conflict of interest

The Group has procedures in place for managing conflicts of interest. Should a Director become aware that he or she, or his or her connected parties, have an interest in an existing or proposed transaction with the Group, he or she should notify the Board in writing or at the next Board meeting. Internal controls are in place to ensure that any related party transactions involving Directors, or their connected parties, are conducted on an arm's length basis. Directors have a continuing duty to update any changes to these conflicts.

Significant agreements – change of control

The Group's term loan and revolving facility contain customary prepayment, cancellation and default provisions including, if required by a lender, mandatory prepayment of all utilisations provided by that lender upon the sale of all or substantially all of the business and assets of the Group or a change of control. The Company does not have agreements with any Director that would provide compensation for loss of office or employment resulting from a takeover except for provisions which may cause awards granted under such arrangements to vest on a takeover.

Corporate responsibility

The Board considers that issues of corporate responsibility are important. The Board's report, including the Group's policies on employee involvement and disability, and a statement on Greenhouse Gas Emissions for the Group, is set out on page 10.

Political donations

During the year the Group did not make any donations to any political party or other political organisation and did not incur any political expenditure within the meanings of sections 362 to 379 of the Companies Act 2006.

Events after the balance sheet date

Events after the balance sheet date are disclosed in Note 25 to the financial statements. There have been no events after the balance sheet date which require disclosure.

Annual General Meeting

The AGM of the Company will be held at the Knowledge Centre, British Library, 96 Euston Road, London NW1 2DB at 11.00 am on 29 May 2019.

The resolutions being proposed at the 2019 AGM are general in nature and include the receipt of this Annual Report and Accounts including the Directors' Remuneration Report and Remuneration Policy, the election or re-election of all the members of the Board, the reappointment of the auditors, the renewal for a further year of the limited authority of the Directors to allot the unissued share capital of the Company and the disapplication of pre-emption rights, the renewal of the authority to make off-market purchases and the request for shareowner approval to reduce the notice period for calling general meetings (other than the AGM) to 14 clear days.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 4 to 33. The financial position of the Group, its billings, gross profit and profitability are described on pages 4 to 8. In addition, Note 5 to the Group financial statements include the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk. Having considered the Group's cash flows, liquidity position and borrowing facilities, the Board has a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future and have therefore continued to adopt the going concern basis in preparing these financial statements.

Independent auditor

PricewaterhouseCoopers LLP has confirmed its willingness to assume office as auditors of the Group. In accordance with section 489 of the Companies Act 2006, separate resolutions for the appointment of PricewaterhouseCoopers LLP as auditors of the Group and for the Directors to determine its remuneration will be proposed at the forthcoming AGM of the Company.

Statement as to disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and Accounts 2018 in accordance with applicable law and regulation.

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

Directors' confirmations

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareowners to assess the Group and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Governance Report confirm, that to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties it faces.

In the case of each Director in office at the date the Directors' Report was approved:

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

Martin Sorrell

Sir Martin Sorrell
Executive Chairman

25 April 2019

Peter Rademaker
Group Chief Financial Officer

Independent auditors' report to the members of S4Capital plc

Report on the audit of the financial statements

Opinion

In our opinion:

- S4Capital plc's Group financial statements and Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2018 and of the Group's loss and cash flows for the period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts 2018 (the 'Annual Report'), which comprise: the Consolidated balance sheet and Company balance sheet as at 31 December 2018; the Consolidated statement of profit or loss and Consolidated statement of comprehensive income, the Consolidated statement of cash flows, and the Consolidated and Company statements of changes in equity for the period then ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

We have provided no non-audit services to the Group since its inception in May 2018 or the Company in the period from 1 January 2018 to 31 December 2018.

Our audit approach

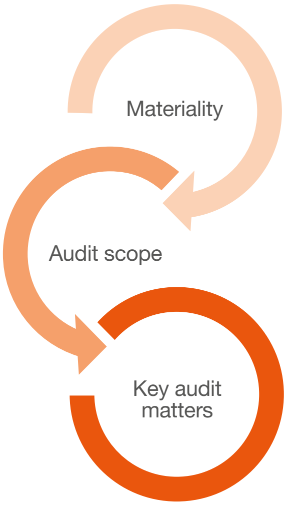
Context

This is the Group's first period of existence. It was created as a result of the purchase by S4Capital Acquisitions 3 B.V of the MediaMonks Multimedia Holding B.V and its subsidiaries ('MediaMonks') group in July 2018. Subsequent to this S4Capital 2 Limited, a parent of S4Capital Acquisitions 3 B.V, reversed into S4Capital plc (previously known as Derriston Capital plc), an entity already listed on the Main Market of the London Stock Exchange. This transaction was effected by a share for share transfer. Because S4Capital plc effectively had no substance, and in fact S4Capital 2 Limited was acting as the parent of the Group, the consolidated Group is accounted for as a capital reorganisation rather than a business combination. S4Capital 2 Limited is treated as the accounting acquirer and S4Capital plc the accounting acquiree. The assets and liabilities of the S4Capital 2 Limited Group have therefore been recorded in the consolidated financial statements at their pre-combination amounts.

This results in the consolidated accounts being presented as if the Group had been in existence from May 2018 when S4Capital 2 Limited was created.

As S4Capital 2 Limited is considered as the acquirer, there are no comparatives to be presented in the consolidated accounts. S4Capital 2 Limited was incorporated in May 2018 and acquired all of its business in 2018.

The share capital in the consolidated accounts however reflects that of the legal acquirer, being S4Capital plc. The Company accounts are those of S4Capital plc and therefore include comparatives.



Overview

- Overall Group materiality: £5 million, based on 1% of total assets.
- Overall Company materiality: £3.5 million, based on 1% of total assets.

- Full coverage of MediaMonks and MightyHive Inc. and its subsidiaries ('MightyHive') components and the S^4Capital plc Company balance sheet.

- Purchase price allocation and acquisition accounting – Group.
- Accounting for and disclosure of A2 shares – Group.
- Fraud in revenue recognition – Group.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we considered the principal risks of non-compliance with laws and regulations. The Group does not operate in a regulated industry and therefore there are no specific additional laws and regulations. We considered the extent to which non-compliance with laws and regulations might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulation of significant estimates including acquisition adjustments, material allocations of value between amortising intangibles and goodwill, and share based payments. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management, the Audit and Risk Committee and the Group's legal advisors, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Challenging assumptions and judgments made by management in their significant accounting estimates, in particular in relation to purchase price allocation (see related key audit matter below); and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations and period end journals.

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

Key audit matters

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

Independent auditors' report to the members of S4Capital plc continued

Key audit matter	How our audit addressed the key audit matter
Purchase price allocation and acquisition accounting – Group The Group acquired MediaMonks and MightyHive in the period. IFRS 3 requires an allocation of the excess of the purchase price over the net assets and liabilities acquired between goodwill and other intangible assets. This allocation is a judgment and has a material effect on the amortisation recognised in future periods as well as the goodwill balance recognised and tested in future for impairment. Please refer to Note 4.	For MediaMonks we read the sale and purchase agreement and we obtained management's assessment of the purchase price allocation. We reviewed the purchase price allocation documents provided by management's experts, and considered the valuer's ability to prepare an analysis to reasonably estimate the value of the acquired intangible assets. We assessed the completeness of the intangible assets recognised by management and the valuation methodologies used, to consider if these were the correct methods of valuation for these types of assets. We recalculated the amounts included. We agreed the underlying projections to management's cash flow models signed off by the board to ensure both consistency and actual cash flows being in line with those predicted. We challenged the assumptions used including growth rates and margins applied, capital expenditure and working capital assumptions, tax rate applied, discount rates and the terminal growth rate. We also tested the consideration back to bank statements and share registers and tested the fair value of the assets and liabilities acquired. With respect to the acquisition of MightyHive, we read the sale and purchase agreement, and tested the consideration paid back to bank statements and share registers. We tested the fair value of the assets and liabilities held on the balance sheet as at the acquisition date where possible. Management had not concluded their purchase price allocation work by the time of our audit, as permitted by IFRS 3 Business Combinations, and therefore we did not perform any further work.
Accounting for and disclosure of A2 shares – Group The A2 shares were created at set up of S4Capital 2 Limited in May 2018, prior to the purchase of any operating businesses, to incentivise senior management. The only holder of these shares has been Sir Martin Sorrell. The accounting for these types of plans can be judgmental and involve a significant degree of estimation with respect to a plan's fair value.	We read the memorandum and articles for S4Capital 2 Limited and the legal documentation pertaining to the timing and issuance of the shares, which is the entity which issued these A2 shares. We held discussions with management, the Company's legal counsel, and management's experts with respect to the substance of these shares. We then considered whether this plan should be accounted for under IFRS 2 Share Based Payments or IAS 32 Financial Instruments: Presentation. We concluded that the substance of the transaction and legal form was such that there was an implied service condition on Sir Martin Sorrell, which means he purchased these shares as an employee. The scheme is also open only to other employees. As a result we concluded management had correctly accounted for the scheme under IFRS 2 Share Based Payments, and fair valued the share issue at grant date. The fair value ascribed at this date was £100,000.

Key audit matter	How our audit addressed the key audit matter
Fraud in revenue recognition – Group As the Group was newly formed during the year, and has ambitious growth plans, we considered there to be an incentive for management to perpetrate fraud by removing revenue which related to the 2018 financial period and instead recognise it incorrectly during the 2019 financial year in order to increase future revenues.	As the MediaMonks revenue forms the majority of the Group's revenue our work to address this risk was focused mainly on this component. The component auditors tested whether revenue posted during period 1 of financial year 2019 and revenue reversed in period 12 of the current period were genuine. We reviewed the working papers of the component auditors, attended calls and discussions to ensure the correct approach was taken.

We determined that there were no key audit matters applicable to the Company to communicate in our report.

How we tailored the audit scope

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

The Group is simple and consists of a very small head office in the UK and two main operational centres in Hilversum, the Netherlands and San Francisco, USA with some much smaller satellite offices across Europe and South America. The Company accounting function is located at the Hilversum centre. We conducted Group audit work in the Netherlands, as well as auditing the trading businesses in the Netherlands and the USA. These trading businesses were audited by component auditors.

The Group engagement team visited both the Netherlands and the USA. We attended calls with local management as well as the component auditors, we reviewed the component auditors' significant working papers and also conducted our own specific procedures at these sites.

Our audit scope addressed 100% of Group revenues and 100% of Group losses.

Materiality

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

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

	Group financial statements	Company financial statements
Overall materiality	£5 million	£3.5 million
How we determined it	1% of total assets	1% of total assets
Rationale for benchmark applied	As the Group was only formed in May 2018, with material acquisitions in July and December we considered total assets to be the primary measure of the performance of the Group for the 2018 financial period.	For the period, we believe that total assets is the primary measure considered by shareowners with respect to the Company's results, and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £3.859 million and £1.35 million.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £225,000 (Group audit) and £90,000 (Company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Financial statements
Independent auditors' report to the members of S4Capital plc
continued

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

Reporting on other information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 and ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' report

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

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

Directors' Remuneration

In our opinion, the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the Directors on 28 January 2019 to audit the financial statements for the period ended 31 December 2018 and subsequent financial periods. This is therefore our first period of uninterrupted engagement.

Mark Jordan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

25 April 2019

Financial statements

Consolidated statement of profit or loss

For the seven-month period from May to December 2018

	Notes	2018 £000
Revenue	6	54,845
Cost of sales		17,681
Gross profit		37,164
Operating expenses	7	45,634
Total operating expenses		45,634
Operating loss		(8,470)
Adjusted operating profit		4,042
Adjusting items	23	(12,512)
Operating loss		(8,470)
Finance income	8	324
Finance expenses	8	(975)
Loss before income tax		(9,121)
Income tax credit	9	1,011
Loss for the period		(8,110)
Loss is attributable to:		
Owners of the Company		(8,110)
Non-controlling interests		–
		(8,110)
Loss per share attributable to the ordinary equity holders of the company:		
Basic loss per share (pence)	10	(3.3)
Diluted loss per share (pence)	10	(3.3)

Note:

The accompanying Notes form an integral part of the consolidated statement of profit or loss.

Consolidated statement of comprehensive income

For the seven-month period from May to December 2018

	2018 £000
Loss for the period	**(8,110)**
Other comprehensive income	
Items that may be reclassified to profit or loss	
Foreign operations – foreign currency translation differences	1,870
Total comprehensive loss for the period	**(6,240)**
Total comprehensive loss of the period attributable to:	
Owners of the company	(6,240)
Non-controlling interests	–
	(6,240)

Note:

The accompanying Notes form an integral part of the consolidated statement of comprehensive income.

Financial statements

Consolidated balance sheet

As at 31 December 2018

	Notes	31 December 2018 £000
Assets		
Non-current assets		
Intangible assets	11	387,275
Property, plant and equipment	12	4,007
Deferred tax assets	13	188
Other receivables	15	1,438
Total non-current assets		392,908
Current assets		
Trade and other receivables	16	81,121
Cash and cash equivalents	17	25,005
Total current assets		106,126
Total assets		499,034
Liabilities		
Non-current liabilities		
Deferred tax liabilities	13	26,930
Loans and borrowings	18	45,638
Other payables	19	5,260
Total non-current liabilities		77,828
Current liabilities		
Trade and other payables	19	77,779
Current tax liabilities	19	4,107
Total current liabilities		81,886
Total liabilities		159,714
Net assets		339,320
Equity		
Share capital		90,849
Reserves		248,371
Capital and reserves attributable to owners of the company	20	339,220
Non-controlling interests	20	100
Total equity		339,320

Note:

The accompanying Notes form an integral part of the consolidated balance sheet.

The financial statements were authorised for issue by the Board of Directors on 25 April 2019 and were signed by:

Martin Sorrell

Sir Martin Sorrell
Executive Chairman

Peter Rademaker
Group Chief Financial Officer

Consolidated statement of cash flows

For the seven-month period from May to December 2018

	2018 £000
Cash flows from operating activities	
Loss before income tax	(9,121)
– Depreciation and amortisation	8,172
– Acquisition related-transaction costs	5,013
– Increase in trade and other receivables	(2,208)
– Increase in trade and other payables	1,235
Cash flows from operations	3,091
Income taxes paid	(581)
Net cash flows from operating activities	2,510
Cash flows from investing activities	
Cash brought forward from Derriston Capital plc	2,172
Acquisition of property, plant and equipment	(1,476)
Acquisition of subsidiaries, net of cash acquired	(264,186)
Disposal of financial fixed assets	5
Cash flows from investing activities	(263,485)
Cash flows from financing activities	
Proceeds from issuance of shares	246,500
Proceeds from finance institutions	45,618
Repayments of loans and borrowings	(6,138)
Cash flows from financing activities	285,980
Net movement in cash and cash equivalents	25,005
Cash and cash equivalents beginning of the period	–
Cash and cash equivalents at 31 December	25,005

Note:

The accompanying Notes form an integral part of the consolidated statement of cash flows.

Financial statements

Consolidated statement of changes in equity

For the seven-month period from May to December 2018

	Share capital £000	Share premium £000	Merger reserves £000	Treasury shares £000	Foreign exchange reserves £000	Retained losses £000	Total £000	Non-controlling interests £000	Total equity £000
Balance at 22 May 2018	–	–	–	–	–	–	–	–	–
Derriston Capital plc equity	625	1,689	–	–	–	(156)	2,158	–	2,158
Loss for the period	–	–	–	–	–	(8,110)	(8,110)	–	(8,110)
Foreign currency translation differences	–	–	–	–	1,870	–	1,870	–	1,870
Total comprehensive loss for the period	–	–	–	–	1,870	(8,110)	(6,240)	–	(6,240)
Transactions with owners of the Company									
Issue of Ordinary Shares as consideration for a business combination	90,224	51,182	205,717	–	–	–	347,123	–	347,123
Non-controlling interests on acquisition of subsidiaries	–	–	–	–	–	–	–	100	100
Employee share schemes	–	–	–	(3,821)	–	–	(3,821)	–	(3,821)
	90,224	51,182	205,717	(3,821)	–	–	343,302	100	343,402
Balance at 31 December 2018	**90,849**	**52,871**	**205,717**	**(3,821)**	**1,870**	**(8,266)**	**339,220**	**100**	**339,320**

Note:

The accompanying Notes form an integral part of the consolidated statement of changes in equity.

Notes to the consolidated financial statements
for the seven-month period from May to December 2018

1. General information
S4Capital plc ('S4Capital' or 'Company'), formerly Derriston Capital plc, is a public limited company incorporated on 14 November 2016 in the United Kingdom. The Company has its registered office at 12 St James's Place, London, SW1A 1NX, United Kingdom.

The consolidated financial statements represent the results of the Company and its subsidiaries (together referred to as 'S4Capital Group' or the 'Group'). An overview of the subsidiaries is included in Note 14A.

S4Capital Group is a new age/new era digital advertising and marketing services company.

2. Basis of preparation
A. Statement of compliance
The financial statements have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority. They have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs), with IFRS Interpretations Committee (IFRS IC) interpretations and in accordance with the Companies Act 2006.

The consolidated financial statements were authorised for issue by the Board of Directors on 25 April 2019.

B. S4Capital Group in 2018
On 28 September 2018 S4Capital plc (formerly Derriston Capital plc) acquired S4Capital 2 Ltd by virtue of a share for share transfer as to facilitate the obtaining of a listing for the combined Group. The coming together of S4Capital 2 Ltd and S4Capital plc (formerly Derriston Capital plc) does not constitute a business combination and as such the transaction has been accounted for as in substance a capital reorganisation of the S4Capital business. S4Capital 2 Ltd is treated as the accounting acquiror and S4Capital plc the accounting acquiree. The share capital in the consolidated accounts however reflects that of the legal acquiror, being S4Capital plc (formerly Derriston Capital plc). As such, from an accounting perspective, the previous comparatives, and any results prior to 28 September 2018 of S4Capital plc (formerly Derriston plc) have not been presented and the assets and liabilities of the S4Capital 2 Ltd group have been recorded in the consolidated financial statements at their pre-combination amounts. S4Capital 2 Ltd itself was incorporated as an acquisition vehicle on 22 May 2018 to facilitate the acquisition of MediaMonks Multimedia Holding Group. Therefore, there are also no comparatives for S4Capital 2 Ltd.

MediaMonks Multimedia Holding Group was acquired on 9 July 2018 and MightyHive Group was acquired on 24 December 2018 as detailed in Note 4. These acquisitions meet the definition of a business combination and have been accounted for using the acquisition method in accordance with the Group's accounting policy.

C. Functional and presentation currency
The consolidated financial statements are presented in pounds sterling (£), the Company's functional currency. All financial information in pounds sterling has been rounded to the nearest thousand unless otherwise indicated.

D. Basis of measurement
The consolidated financial statements are prepared on a going concern basis. The consolidated financial statements are prepared on the historical cost basis, unless otherwise indicated.

E. Critical accounting estimates and judgments
In preparing these consolidated financial statements, S4Capital Group makes certain estimates and judgments. Estimates and judgments are continually evaluated based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The judgments and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Goodwill and other intangible assets acquired in a business combination

As set in the accounting policies, goodwill and other intangible assets acquired in a business combination are capitalised. In this financial reporting period, both the MediaMonks Multimedia Holding Group and MightyHive Group were acquired. The initial valuation of the MediaMonks Multimedia Holding Group acquisition of allocating between goodwill and other intangibles require judgment for the identification and classification of intangible assets. The identified intangible assets, brands, customer relationships and order backlog were valued based on the relief from royalty method (brands) and the multi-period excess earnings method (customer relationships and order backlog). The cash flows used in determining the PPA values contain estimates, amongst other annual growth rate in revenue in the range of 12% to 25% for the CGU and a projected gradually rising EBITDA margin as a result of operating leverage (i.e. growth in net revenue in excess of overall cost growth) in the explicit forecast term (financial year 2018 through financial year 2021). The long term growth rate used is 2.1% per year. The discount rates used (WACC) vary from 9.3% to 10.8%. The identified intangible assets constitute approximately 44% of the total purchase consideration, which is considered reasonable. An increase (decrease) in the PPA valuation of the identified intangible assets of 10% would lead to an increase (decrease) of intangible assets of £11.3 million and a corresponding decrease (increase) of goodwill.

The initial accounting for the business combination of the MightyHive Group, acquired as of 24 December 2018, is incomplete by the end of the reporting period. As of 31 December 2018, the identifiable intangibles acquired are not yet identified and consequently not yet measured and are therefore not deducted from goodwill. During the measurement period in 2019, S[4]Capital Group shall obtain the information necessary to identify and measure the identifiable intangible assets and retrospectively adjust the provisional amounts recognised at the acquisition date.

F. Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

/ Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

/ Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

/ Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Further information about the assumptions made in measuring fair values is included in the applicable Notes.

G. New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and subsequently endorsed by the European Union in November 2017. It results in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The Group will apply IFRS 16 from its mandatory adoption date of 1 January 2019.

For leases currently classified as operating leases, under current accounting requirements the Group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term and discloses the total commitment in its accounts. The Group is likely to apply the modified retrospective approach in IFRS 16, and therefore will only recognise leases on the balance sheet as at 1 January 2019. In addition, it has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. This will ensure there is no immediate impact to net assets on that date. At 31 December 2018 operating lease commitments for existing office buildings amounted to £8.2 million. If the group where to apply the fully Retrospection approach the effect of discounting those commitments would result in right-of-use assets of approximately £7.2 million and lease liabilities of approximately £7.6 million being recognised on 1 January 2019.

Instead of recognising an operating expense for its operating lease payments, the Group will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. This will improve the reported EBITDA by the amount of its current operating lease cost, which for the 7 months period ended 31 December 2018 would have been approximately £1.6 million.

3. Significant accounting policies

A. Basis of consolidation

Business combinations

The Company accounts for business combinations using the acquisition method when control is transferred to the S4Capital Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is recognised as a residual and is tested annually for impairment. As all acquisitions occurred in the period no impairment test was performed for the period ended 2018. Any gain on a bargain purchase is recognised in the income statement immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts, to the extent that they exceed the settlement amounts, are generally recognised in the income statement.

Any deferred contingent consideration payable is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss. There was no contingent consideration in the period.

Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The Company recognises non-controlling interests in an acquired entity at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Non-controlling interests within equity and within profit for the period are presented separately.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

B. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the Board of Directors. There are four segments, Assets at Scale, Platform and E-commerce, Creative Content and Innovation, and Media Planning and Buying.

C. Revenue recognition

S4Capital Group produces digital campaigns, films, creative content, platforms and ecommerce for home-grown and international brands and provides programmatic solutions for future thinking marketers and agencies. S4Capital Group has four principal operating segments which are Assets at Scale, Platform and E-Commerce, Creative Content and Innovation and Media Planning and Buying. Projects in the Assets at Scale have, on average, a one- to two-month duration and have a mix of fixed pricing and projects on actual time spend basis. The focus of the Platform and E-Commerce pillar is on retaining repeat work with a longer lasting characteristics with prices that are mostly based on actual time spent. The characteristics of the projects in the Creative Content and Innovation pillar include a life cycle of two to four months and fixed prices. The Media Planning and Buying pillar encompasses full-service campaign management analytics, creative production and ad serving, platform and systems integration and transition and training and education. Revenue from this pillar is generated primarily from marketing platform services, various consulting arrangements and pass-through media. For contracts from customers where the Company is acting as an agent, pass-through expenses are deducted from revenue and cost of sales.

Revenue is recognised when a performance obligation is satisfied in accordance with the terms of the contractual agreement. Typically, performance obligations are satisfied over time as services are rendered. Revenue recognised over time is based on the proportion of level of service performed.

Notes to the consolidated financial statements continued

for the seven-month period from May to December 2018

S4Capital Group determines at contract inception whether each performance obligation will be satisfied (that is, control will be transferred) over time or at a point in time. S4Capital Group satisfies a performance obligation and recognises revenue over time, as the asset has no alternative use to the Group and the Group is entitled to payment for performance-to-date. The asset for each project is produced to a customer's specification and the asset can only be used by the customer.

For each performance obligation that is satisfied over time, revenue is recognised by measuring progress towards completion of that performance obligation. The project revenue and costs are recognised as net revenue and costs in the statement of profit or loss in proportion to the services provided as at the balance sheet date, based on the percentage stage of completion of the contracts, calculated based on costs incurred. The primary input of substantially all work performed under these contracts is labour.

If profit on the project can be determined reliably, revenue is recognised in proportion to the services provided at reporting date. Otherwise, revenue is recognised based on the cost incurred.

Where the total project costs exceed the project revenue, the loss is recognised in cost of sales in the statement of profit or loss. The provision for this loss is included in the work in progress.

For projects which are sold on a time and material basis and meet the criteria of recognising revenue over time, the revenue is recognised as the service is performed at the rate contracted on a time and material basis.

Accrued income and deferred income arising on contracts is included in trade and other receivables as accrued income and in trade and other payables as deferred income, as appropriate. No element of financing is deemed present as the sales are made with a credit term of 30 days; for some large multinational customers with a credit term of 45 days to 120 days.

Revenue is recognised when the revenue recognition criteria as disclosed above for each contract have been met.

Practical exemptions

S4Capital Group has applied the practical exemptions in IFRS 15:

- not to account for significant financing components where the time difference between receiving consideration and transferring control of goods (or services) to its customer is one year or less; and
- expense the incremental costs of obtaining a contract when the amortisation period of the asset otherwise recognised would have been one year or less.

Cost of sales

Cost of sales represents the direct and indirect expenses that are attributable to the services or product sold.

D. Foreign currency

The main currencies for S4Capital Group are the US dollar (USD), euro (EUR) and pound sterling (GBP).

Foreign currency transactions and balances

- Foreign currency transactions are translated into the functional currency using the average exchange rates in the month. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.
- Share capital, share premium, brought forward earnings are translated using the exchange rates prevailing at the dates of the transactions.

Consolidation of foreign entities

On consolidation, results of the foreign entities are translated from the local functional currency to pounds sterling using average exchange rates during the period. All assets and liabilities are translated from the local functional currency to pounds sterling using the reporting period end exchange rates. The exchange differences arising from the translation of the net investment in foreign entities are recognised in other comprehensive income and accumulated in a separate component of equity.

Exchange differences are recycled to profit or loss as a reclassification adjustment upon disposal of the foreign operation.

E. Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if S4Capital Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

Stock-based compensation expense for all share-based payment awards granted is based on estimated grant-date fair value. S4Capital Group recognises these compensation costs, net of an actual forfeitures, and recognises the compensation costs for only those shares expected to vest on a straight-line basis over the requisite service period of the award. The calculated fair value of option grants is estimated using the Black-Scholes option pricing model.

As per 31 December 2018, a total number of 15,271,032 shares are held by Equity Benefit Trust (EBT), being 11,709,601 shares related to the acquisition of the MediaMonks Group and 3,561,431 shares related to the acquisition of the MightyHive Group (see Note 20A). The EBT will be used for future option schemes and bonus shares for employees. The terms and conditions are still under review and have not been approved as per 31 December 2018. No material stock-based compensation expense has arisen in the year and therefore no expense has been recognised in the profit or loss account in 2018. However on 30 November 2018, management had committed to granting options based on the number of years of service at MediaMonks Group as at a 30 November 2018 with a range of 0 to 1,750 share awards per employee. Precise vesting conditions and grants have not yet been determined. It is expected that the share award will be realisable from 30 November 2020. No formal communication has been made in respect of the MightyHive Group acquisition.

As at 31 December 2018, 4,000 A2 incentive shares in S4Capital 2 Ltd were held by senior management. Full disclosure of these shares is contained within the Remuneration Report on page 54.

Defined contribution plans

S4Capital Group accounts for retirement benefit costs in accordance with IAS 19 Employee Benefits. For defined contribution plans, contributions are charged to the statement of profit or loss as payable in respect of the accounting period.

F. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the seven-month period and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for temporary differences arising on:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss;
- investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which S4Capital Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

G. Intangible assets

Recognition and measurement

Goodwill

S4Capital Group uses the acquisition method of accounting for the acquisition of subsidiaries. The consideration transferred is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed in the period. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair value of net identifiable assets and liabilities acquired. Where an acquisition is made close to the year end such as MightyHive, the standards permit provisional amounts to be used and subsequently remeasured up to 12 months from acquisition. As such MightyHive goodwill is considered provisional.

Goodwill is measured at cost less accumulated impairment losses.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of profit or loss on the acquisition date.

Other intangible assets

Brands, customer relationships and order backlog arising on the acquisition of subsidiaries, are measured at cost less accumulated amortisation and accumulated impairment losses. The acquired brands are well-known brands which are registered, have a good track record and have finite useful lives. Customer relationships are measured at the time of the business combination and have finite useful lives. Order backlog have finite useful lives and represents the contracted but not yet fulfilled revenues at the time of the business combination.

Purchased software has finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is charged to profit or loss to allocate the cost of intangible assets over their estimated useful economic lives, using the straight-line method. Goodwill is not amortised.

The estimated useful economic lives of intangible assets for current and comparative periods are as follows:

/ Brands	10–20 years
/ Customer relationships	12.5–16.5 years
/ Order backlog	6 months
/ Software	3–5 years

Amortisation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

H. Property, plant and equipment

Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation

Depreciation is charged to profit or loss to allocate the cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives, using the straight-line method. The estimated useful lives for current and comparative periods range as follows:

/ Motor vehicles	3–5 years
/ Furnitures and fixtures	5 years
/ Computer equipment	3–5 years
/ Leasehold improvements	5 years

Depreciation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

I. Impairment of non-financial assets

Impairment of goodwill

Goodwill is allocated to appropriate cash generating units (CGUs). Goodwill is not amortised but is tested annually for impairment or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

Any impairment in carrying value is being charged to the consolidated statement of profit or loss. An impairment loss recognised for goodwill cannot be reversed.

Impairment of other non-financial assets

Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment in carrying value is being charged to the consolidated statement of profit or loss. Other non-financial assets that have been impaired are reviewed for possible reversal of the impairment loss at the end of each reporting period.

J. Financial instruments

Financial instruments include non-current other receivables, trade and other receivables, cash and cash equivalents, loans and borrowings, other non-current liabilities, trade payables and other payables.

Financial assets and financial liabilities – recognition and derecognition

S4Capital Group initially recognises financial assets and financial liabilities issued on the date when they are originated.

S4Capital Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by S4Capital Group is recognised as a separate asset or liability.

S4Capital Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position if, and only if, S4Capital Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets – measurement

Financial assets at amortised cost

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less loss allowances.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. See Notes 5 and 16 for further information about the Group's accounting for trade receivables and for a description of the Group's impairment policies.

Financial liabilities – measurement

Financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Trade payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the seven-month period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

K. Impairment of financial assets

Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Financial assets are measured through a loss allowance at an amount equal to:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

A loss allowance for full lifetime expected credit losses is used for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition, as well as to trade receivables.

For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses.

The loss allowance for financial instruments is measured at an amount equal to lifetime expected losses if the credit risk of a financial instrument has increased significantly since initial recognition, unless the credit risk of the financial instrument is low at the reporting date in which case it can be assumed that credit risk on the financial instrument has not increased significantly since initial recognition. The credit risk is considered low if there is a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. It is presumed the credit risk has increased significantly when contractual payments are more than 30 days past due. If a significant increase in credit risk that had taken place since initial recognition and has reversed by a subsequent reporting period (cumulatively credit risk is not significantly higher than at initial recognition) then the expected credit losses on the financial instrument revert to being measured based on an amount equal to the 12-month expected credit losses.

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

L. Equity

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's Ordinary Share capital is classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

M. Operating leases

Rentals paid under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease.

N. Cash flow statement

The cash flow statement is composed using the indirect method. The cash and cash equivalents in the cash flow statement comprise cash and cash equivalents except for deposits with a maturity of longer than three months and minus current bank loans drawn under overdraft facilities. Cash flows denominated in foreign currencies are converted based on average exchange rates. Exchange rate differences affecting cash items are shown separately in the cash flow statement.

Income taxes paid and received are included in cash flows from operating activities. Dividends received are included in cash flows from investing activities and interest paid and dividends paid are included in cash flows from financing activities. Purchase consideration paid for acquired subsidiaries are included in cash flows from investing activities, insofar as the acquisition is settled in cash. Cash and cash equivalents of the acquired subsidiaries is deducted from the purchase consideration. Transactions not resulting in inflow or outflow of cash are not included in the cash flow statement.

4. Acquisitions

In 2018, S4Capital plc (formerly Derriston Capital plc) acquired the following:

- 100% of the shares of MediaMonks Multimedia Holding B.V. (including subsidiaries), as of 9 July 2018; and
- 100% of the shares on MightyHive Inc (including subsidiaries), as of 24 December 2018.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

MediaMonks Multimedia Holding B.V.

	Fair value £000
Intangible assets – Brand names	8,493
Intangible assets – Order backlog	4,360
Intangible assets – Customer relationships	100,665
Intangible assets – Software	51
Property, plant and equipment	2,615
Financial fixed assets	847
Cash and cash equivalents	4,150
Trade and other receivables	21,049
Trade and other payables	(19,785)
Other non current liabilities	(489)
Deferred taxation	(28,444)
Net assets	93,512
Goodwill	168,248
Total purchase consideration	261,760
Payment in kind (common stock and (un)vested options)	56,359
Cash	205,401
Total purchase consideration	261,760
Purchase consideration – cash	205,401
Cash and cash equivalents	(4,150)
Cash outflow on acquisition (net of cash acquired)	201,251

MightyHive Inc.

	Provisional fair value £000
Property, plant and equipment	566
Financial fixed assets	664
Cash and cash equivalents	7,874
Trade and other receivables	54,043
Trade and other payables	(59,260)
Net assets	3,887
Goodwill	111,634
Total purchase consideration	115,521
Payment in kind (common stock and (un)vested options)	43,613
Deposit on escrow amount	4,338
Cash	67,570
Total purchase consideration	115,521
Purchase consideration – cash	67,570
Cash and cash equivalents	(7,874)
Cash outflow on acquisition (net of cash acquired)	59,696

There is no contingent consideration payable. Several escrow accounts were established pending finalisation of the closing balance of MightyHive Inc. The closing balance is expected to be finalised in the first half year of 2019.

Acquisition costs of £3.5 million arose as a result of the MediaMonks Multimedia Holding B.V. transaction and £1.5 million arose as a result of the MightyHive Inc transaction. The total acquisition-related transaction costs of £5.0 million have been recognised in the statement of profit or loss.

The goodwill represents the potential growth opportunities and synergy effects from the acquisition. The goodwill is not deductible for tax purposes. Trade receivables net of expected credit losses acquired are considered to be fair value and are expected to be collectable in full.

The initial accounting for the business combination of MightyHive Inc, acquired as of 24 December 2018, is incomplete by the end of the reporting period. As of 31 December 2018, the identifiable intangibles acquired are not yet identified and consequently not yet measured and are therefore not deducted from goodwill. During the measurement period in 2019, S^{4}Capital Group shall obtain the information necessary to identify and measure the identifiable intangible assets and retrospectively adjust the provisional amounts recognised at the acquisition date.

Since the acquisition date, the acquired companies contributed £54.8 million (MediaMonks £53.9 million, MightyHive £0.9 million) to the revenue of S^{4}Capital Group and £3.7 million (MediaMonks £3.6 million, MightyHive £0.1 million) into S^{4}Capital Group's profit for the period ended 31 December 2018.

If the acquisition had occurred on 1 January 2018, S^{4}Capital Group's revenue would have been £135.9 million (MediaMonks £101.5 million, MightyHive £34.4 million) and S^{4}Capital Group's result for the period would have been £5.3 million (MediaMonks £10.2 million, MightyHive £6.9 million).

5. Financial instruments – fair values and risk management

The Board of Directors of S4Capital plc (formerly Derriston Capital plc) has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. S4Capital Group reports in pounds sterling. All funding requirements and financial risks are managed based on policies and procedures adopted by the board. S4Capital Group does not issue or use financial instruments of a speculative nature.

S4Capital Group is exposed to the following financial risks:

a) Market risk

b) Credit risk

c) Liquidity risk

In common with all other businesses, S4Capital Group is exposed to risks that arise from its use of financial instruments. The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents and restricted cash
- Trade and other payables
- Bank loans

To the extent financial instruments are not carried at fair value in the consolidated balance sheet, the carrying amount approximates to fair value as of the seven-month period end due to the short-term nature.

Financial instruments by category

Financial assets as at 31 December

	2018 £000
Cash and cash equivalents	25,005
Trade receivables (net)	75,884
Accrued income	95
Other receivables	6,062
Loans and receivables at amortised cost	**107,046**

Financial liabilities as at 31 December

	2018 £000
Trade payables	60,704
Amounts due to Group undertakings	2
Accruals	11,631
Amounts held in escrow and earn out accruals	4,852
Trade and other payables	**77,189**
Bank loans (secured)	45,638
Loans and borrowings	**45,638**
Financial liabilities at amortised cost	**122,827**

The management of risk is a fundamental concern of S4Capital Group's management. This Note summarises the key risks to the Group and the policies and procedures put in place by management to manage them.

A) Market risk

Market risk arises from S4Capital Group's use of interest bearing and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or foreign exchange rates (currency risk).

Interest rate risk

S4Capital Group is exposed to cash flow interest rate risk from bank borrowings at variable rates. S4Capital Group's bank loans and other borrowings are disclosed in Note 18. S4Capital Group manages the interest rate risk centrally.

The following table demonstrates the sensitivity to a 1% change (lower/higher) to the interest rates of the loans and borrowings as of the seven-month period end to the profit before tax (increase/decrease) and net assets (increase/decrease) for the period:

	2018 £000
Bank loans	45,638
1% impact +/- (for the seven-month period)	266

The contractual repricing or maturity dates, whichever dates are earlier, and effective interest rates of borrowings are disclosed in Note 18 Loans and Borrowings.

Foreign exchange risk

Foreign exchange risk is the risk that movements in exchange rates affect the profitability of the business. S4Capital Group manages this risk through natural hedging.

The effect of fluctuations in exchange rates on the USD, EUR and other currencies denominated trade receivables and payables is partially offset.

As of 31 December 2018, the S4Capital Group's gross exposure to foreign exchange risk is as follows:

31 December 2018	USD £000	EUR £000	Other currencies £000	Total £000
Trade and other receivables	61,847	7,218	9,201	78,266
Cash and cash equivalents and restricted cash	13,473	1,823	2,315	17,611
Trade and other payables	(57,619)	(8,186)	(9,069)	(74,874)
Loans and borrowings	(22,363)	(23,275)	–	(45,638)
Financial assets/(liabilities)	(4,662)	(22,420)	2,447	(24,635)
10% impact – +/-	(466)	(2,242)	245	(2,464)

The impact of 10% movement in the foreign exchange rates will result in an increase/decrease of profit after tax and financial assets/(liabilities) by £2.4 million at 31 December 2018.

B) Credit risk

Credit risk is the risk of financial loss to S4Capital Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. S4Capital Group is mainly exposed to credit risk from credit sales. The Group's net trade receivables for the reported periods are disclosed in the financial assets table above.

S4Capital Group attempts to mitigate credit risk by assessing the credit rating of new customers prior to entering into contracts and by entering contracts with customers with agreed credit terms.

In order to minimise this credit risk, S4Capital Group endeavours only to deal with companies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored. The maximum exposure to credit risk is the value of the outstanding amount.

S4Capital Group evaluates the collectability of its accounts receivable and provides an allowance for expected credit losses based upon the ageing of receivables as shown in Note 16 Trade and other receivables.

Other receivables are considered to be low risk. The management do not consider that there is any concentration of risk within other receivables. The non-current other receivables consist mainly of non-current rent deposits. The loss allowance for other receivables is based on the three-stage expected credit loss model. No other receivables have had material impairment.

Credit risk on cash and cash equivalents is considered to be small as the counterparties are all substantial banks with high credit ratings. As per 31 December 2018, credit ratings are summarised in the table below:

31 December 2018	£000
Aa 1	10,044
Aa 2	5,480
Aa 3	8,381
A1	54
A3	455
Ba 1	108
No credit rating	483
Total cash and cash equivalents	**25,005**

The maximum exposure is the amount of the deposit. To date, S4Capital Group has not experienced any losses on its cash and cash equivalent deposits.

C. Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that S4Capital Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The table below analyses the Group's financial liabilities by contractual maturities and all amounts disclosed in the table are the undiscounted contractual cash flows:

31 December 2018	Within 1 year £000	1-2 years £000	2-5 years £000	More than 5 years £000
Trade and other payables and accruals	77,189	–	–	–
Loans and borrowings	–	–	45,638	–
Total	77,189	–	45,638	–

D) Capital management

As per 31 December 2018, the Group's net debt is made up as follows:

	2018 £000
Loans and borrowings	45,638
Cash and cash equivalents	(25,005)
Total net debt	20,633

In the seven-month period, changes in loans and borrowings arose due to the facility agreement concluded on 6 July 2018. See Note 18 Loans and Borrowings for more details.

As per 31 December 2018, the Group's capital is made up as follows:

	2018 £000
Share capital	90,849
Reserves:	
Share premium	52,871
Merger reserves	205,717
Treasury shares	(3,821)
Foreign exchange reserves	1,870
Retained losses	(8,266)
Total capital and reserves attributable to owners of the Company	339,220

Notes to the consolidated financial statements continued

for the seven-month period from May to December 2018

The Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareowners and benefits for other stakeholders; and
- to provide an adequate return to shareowners by pricing products and services commensurately with the level of risk.

The capital structure of S^4Capital Group consists of shareowners' equity as set out in the consolidated statement of changes in equity. All working capital requirements are financed from existing cash resources and borrowings.

6. Segment information

a) Revenue from operations

	2018 £000
Revenue arises from:	
Services	**54,845**

In 2018, no customer represents 10% or more of the Group's external revenue.

b) Operating segments

S^4Capital Group is a new age/new era digital advertising and marketing services company.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the Directors and executive management of S^4Capital Group. During 2018, S^4Capital Group has been active in four segments.

1. Assets at Scale is involved in the creation of dynamic and data-driven content for global brands. This segment represents 26% of the gross profit in 2018.
2. Platform and E-Commerce creates digital user experience design, development of branded ecommerce and apps. This segment represents 40% of the gross profit in 2018.
3. Creative Content and Innovation. This segment is involved in the production of digital content and films using and adapting the latest technology and trends like artificial intelligence, voice, augmented reality and virtual reality. This segment represents 32% of the gross profit in 2018.
4. Media Planning and Buying. This technology and services pillar encompass full-service campaign management analytics, creative production and ad serving, platform and systems integration and transition and training and education. This segment represents 3% of the gross profit in 2018.

The customers are primarily businesses across all industries.

The executive management monitors the results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment prior to charges for tax, depreciation and amortisation.

Operating segment information under the primary reporting format is disclosed below:

Year to 31 December 2018	Digital content				
	Assets at Scale £000	Platforms and E-Commerce £000	Creative Content and Innovation £000	Media Planning and Buying £000	Total £000
Gross profit	14,901	11,588	9,759	916	37,164
Segment profit	5,739	721	(570)	172	6,062
Total overhead costs					(1,355)
Unallocated items					(5,005)
Depreciation and amortisation					(8,172)
Finance expense					(651)
Loss before income tax					(9,121)

Key management of S4Capital Group uses gross profit rather than revenue to steer the Company due to the fluctuating amounts of third-party costs and/or pass-through expenses, which form part of revenue.

Unallocated items in 2018 represents acquisition costs of £5.0 million.

Assets and liabilities are not disclosed by segment, as this information is not available at S4Capital Group and it is not practical to provide this information.

c) Geographic segment – secondary basis

An analysis of external revenue by geographical market is given below:

	2018 £000
The Americas	30,294
Europe & Middle East	20,818
Asia Pacific	3,733
Total	54,845

7. Operating expenses

	2018 £000
Personnel costs	25,153
Other operating expenses	7,304
Acquisition-related transaction costs	5,005
Depreciation and amortisation	8,172
	45,634

A. Personnel costs

	2018 £000
Wages and salaries	20,132
Social security costs	2,965
Defined contribution pension costs	424
Other personnel costs	1,632
Total personnel costs	25,153

The key management personnel comprise the Directors of the Group. Details of compensation for key management personnel are disclosed on pages 52 to 57.

Notes to the consolidated financial statements continued

for the seven-month period from May to December 2018

The average monthly number of people during the seven-month period is as follows:

	2018 £000
The Americas	211
Europe & Middle East	506
Asia Pacific	19
Total number of employees	**736**

B. Other operating expenses

	2018 £000
Operating lease costs	2,193
Sales and marketing costs	688
Travelling costs	1,088
General and administrative costs	3,335
Total other operating expenses	**7,304**

Impairment losses on trade receivables in 2018 amounting to £69,000 are included in general and administrative costs. Subsequent recoveries of amounts previously written off are credited against the same line item.

Operating lease costs mainly relate to lease costs for land and buildings. Non-cancellable operating leases at the seven-month period end are disclosed in Note 24 Commitments.

Audit fees included in general and administrative costs are as follows:

	2018 £000
Group audit fees PricewaterhouseCoopers LLP	220
Subsidiaries audit fees PricewaterhouseCoopers	223
Subsidiaries audit fees Moss Adams	50
Total	**493**

C. Acquisition-related transaction costs

	2018 £000
Advisory, legal, due diligence and related costs	5,005
Total acquisition-related transaction costs	5,005

These costs relate to the acquisitions of the MediaMonks Group and the MightyHive Group in 2018.

D. Depreciation and amortisation

	2018 £000
Depreciation of property, plant and equipment	648
Amortisation of intangible assets	7,524
Total depreciation and amortisation	**8,172**

8. Finance income and expenses

	2018 £000
Total finance income	324
Interest on bank loans and overdrafts	(773)
Other financial income and expenses	(202)
Total finance expenses	**(975)**
Net finance income (expenses)	**(651)**

9. Income tax credit

The effective corporate income tax charge comprises the following:

	2018 £000
Current tax	
Current tax on losses for the year	(568)
Adjustments for current tax of prior period	(63)
Total current tax expense	(631)
Deferred income tax	
Decrease in deferred tax liabilities (Note 13)	1,642
Total deferred tax benefit	1,642
Income tax credit in profit or loss	**1,011**

	2018 £000
Loss before income taxes	(9,121)
Tax at the UK rate of 19%	(1,733)
Tax effect of amounts which are deductible (taxable)	959
Amortisation of intangibles	1,642
Differences in overseas tax rates	80
Adjustment for current taxes of prior years	63
Income tax credit in profit and loss	**1,011**

The applicable tax rate is based on the proportion of the contribution to the result by the Group entities and the tax rate applicable in the respective countries. The applicable tax rate in the respective countries ranges from 17% to 35%. The effective tax rate used to calculate the actual tax charge for the period deviates from the applicable tax rate mainly because of non-deductible tax amortisation and accelerated capital allowances over depreciations on plant, property and equipment.

10. Earnings per share

	2018 £000
Loss attributable to shareowners of the Company (£000)	(8,110)
Weighted average number of Ordinary Shares (000)	247,776
Basic loss per share (pence)	(3.3)
Diluted loss per share (pence)	(3.3)

Earnings per share is calculated by dividing the net result attributable to the shareowners of the S^{4}Capital Group by the weighted average number of Ordinary Shares in issue during the seven-month period.

Notes to the consolidated financial statements continued

for the seven-month period from May to December 2018

11. Intangible assets

	Goodwill £000	Brands £000	Customer relationships £000	Order backlog £000	Software £000	Total £000
Cost						
At 1 May 2018	–	–	–	–	–	–
Acquired through business combinations	279,882	8,493	100,665	4,360	51	393,451
Foreign exchange differences	807	85	473	21	–	1,386
At 31 December 2018	280,689	8,578	101,138	4,381	51	394,837
Amortisation						
At 1 May 2018	–	–	–	–	–	–
Charge for year	–	212	3,123	4,179	10	7,524
Foreign exchange differences	–	1	16	22	(1)	38
At 31 December 2018	–	213	3,139	4,201	9	7,562
Net book value						
At 1 May 2018	–	–	–	–	–	–
At 31 December 2018	280,689	8,365	97,999	180	42	387,275

Goodwill relates to the acquisition of 100% of the shares of MediaMonks Multimedia Holding B.V. (including subsidiaries) as of 9 July 2018 and to the acquisition of MightyHive Inc (including subsidiaries) as of 24 December 2018. The initial accounting for the business combination of MightyHive Inc is incomplete by the end of the reporting period. As of 31 December 2018, the identifiable intangibles acquired are not yet identified and consequently not yet measured and are therefore not deducted from goodwill. During the measurement period in 2019, S4Capital Group shall obtain the information necessary to identify and measure the identifiable intangible assets and retrospectively adjust the provisional amounts recognised at the acquisition date (see Note 4 Acquisitions). Goodwill will be tested for impairment in the first year after acquisition. No events or changes in circumstances indicate that the carrying amount may not be recoverable.

The carrying value of goodwill per CGU is as follows:

	2018 £000
Assets at Scale	102,192
Platform and E-commerce	50,155
Creative Content and Innovation	16,698
Media Planning and Buying	111,644
Total goodwill	280,689

12. Property, plant and equipment

	Leasehold improvements £000	Furniture and fixtures £000	Computer equipment £000	Vehicles £000	Total £000
Cost					
At 1 May 2018	–	–	–	–	–
Acquired through business combinations	1,172	484	1,461	64	3,181
Additions	554	217	663	26	1,460
Disposals	–	–	–	–	–
Foreign exchange differences	6	3	9	–	18
At 31 December 2018	1,732	704	2,133	90	4,659
Depreciation					
At 1 May 2018	–	–	–	–	–
Charge for year	163	89	362	34	648
Foreign exchange differences	1	–	2	1	4
At 31 December 2018	164	89	364	35	652
Net book value					
At 1 May 2018	–	–	–	–	–
At 31 December 2018	1,568	615	1,769	55	4,007

S^{4}Capital Group has pledged the assets of its material companies as security for a facility agreement. See Note 18 Loans and borrowings for further information.

13. Deferred tax assets and liabilities

The movement of the deferred tax assets is as follows:

	Property, plant and equipment £000	Other temporary differences £000	Total £000
At 22 May 2018	–	–	–
Acquired through business combinations	175	13	188
At 31 December 2018	175	13	188

The movement of the deferred tax liabilities is as follows:

	Property, plant and equipment £000	Intangible assets £000	Loans and borrowings £000	Total £000
At 22 May 2018	–	–	–	–
Acquired through business combinations	66	28,158	219	28,443
(Credited)/charged to profit or loss	–	(1,642)	–	(1,642)
Foreign exchange differences	–	129	–	–
At 31 December 2018	66	26,645	219	26,930

14. Interests in other entities

A. Subsidiaries

The Group's subsidiaries at 31 December 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of Ordinary Shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

Name of entity	Address of the registered office	Place of business/ country of incorporation	Ownership interest 2018	Principal activity
S4Capital 2 Ltd.	3rd Floor, 44 Esplanade, St Helier, Jersey	Jersey	100	Holding company
S4Capital Acquisitions 1 Ltd.	3rd Floor, 44 Esplanade, St Helier, Jersey	Jersey	100	Holding company
S4Capital Acquisitions 2 Ltd.	3rd Floor, 44 Esplanade, St Helier, Jersey	Jersey	100	Holding company
S4Capital Acquisitions 3 B.V.	Schapenkamp 2, 1211 PA Hilversum, The Netherlands	The Netherlands	100	Holding company
MediaMonks Multimedia Holding B.V.	Schapenkamp 2, 1211 PA Hilversum, The Netherlands	The Netherlands	100	Holding company
MediaMonks B.V.	Schapenkamp 2, 1211 PA Hilversum, The Netherlands	The Netherlands	100	Production and sales
MediaMonks Inc.	1220 N. Market Street, Suite 850, Wilmington, Country of New Castle, Delaware 19801, United States	United States	100	Sales
MediaMonks FILMS LLC	1220 N. Market Street, Suite 850, Wilmington, Country of New Castle, Delaware 19801, United States	United States	100	Sales
MediaMonks London Ltd.	42 St John St, London, United Kingdom	United Kingdom	100	Sales
MediaMonks Singapore Pte. Ltd.	60 Paya Lebar Road #08-43, Paya Lebar Square, Singapore 409051	Singapore	100	Sales
MediaMonks Mexico City S. de R.L. de C.V.	Amsterdam 271 Int 203, Colonia Hipodromo, Delegación Cuauhtemoc, CP 06100 CDMX	Mexico	100	Sales
MediaMonks FZ-LLC	Dubai Media City Building 5, Office 205 PO Box No. 502921, Dubai, U.A.E.	UAE	100	Sales
MediaMonks Hong Kong Ltd.	Unit 3203-4, No. 69 Jervois Street, Sheung Wan, Hong Kong	Hong Kong	100	Holding company
MediaMonks Information Technology (Shanghai) Co. Ltd.	9 Donghu Road, 18th floor, Xuhui District, 200031, Shanghai, P.R. China	China	100	Sales
MediaMonks Stockholm AB	Norrlandsgatan 18, 11143 Stockholm, Sweden	Sweden	100	Production and sales
MediaMonks Buenos Aires SRL	Tucumán 1, 4th Floor, Buenos Aires, Argentina	Argentina	100	Production and sales
MediaMonks São Paolo Serv. De Internet para Publicidade Ltda.	Rua Fidalga 162, Vila Madalena 05432-000, São Paolo, Brazil	Brazil	100	Production and sales

Notes to the consolidated financial statements continued

for the seven-month period from May to December 2018

Name of entity	Address of the registered office	Place of business/ country of incorporation	Ownership interest 2018	Principal activity
Made.for.Digital Holding B.V.	Schapenkamp 2, 1211 PA Hilversum, The Netherlands	The Netherlands	100	Holding company
Made.for.Digital B.V.	Schapenkamp 2, 1211 PA Hilversum, The Netherlands	The Netherlands	100	Digital film production
Made.for.Digital Pte. Ltd.	198A Telok Ayer Street, Singapore 068637	Singapore	100	Service company
Made.for.Digital Inc.	874 Walker Road, Suite C, Dover, County of Kent, DE 19904	United States	100	Service company
Bike Film Corporation B.V. a/a The BoardRoom	Amsteldijk 216, 1079LK Amsterdam, The Netherlands	The Netherlands	100	Traditional short film production
Superhero Cheesecake B.V.	Oostelijke Handelskade 637, 1019 BW, Amsterdam, The Netherlands	The Netherlands	100	Digital production
Superhero Cheesecake Inc.	874 Walker Road, Suite C, Dover, County of Kent, DE 19904	United States	100	Digital production
Blocklevel B.V.	Stationstraat 6A, 1211 EM, Hilversum, The Netherlands	The Netherlands	100	Dormant
Ebuilders B.V.	Keizersgracht 307, 1016 ED, Amsterdam, The Netherlands	The Netherlands	100	Digital production
S4Capital Holdings Ltd.	3rd Floor, 44 Esplanade, St Helier, Jersey	Jersey	100	Holding company
S4Capital US Holdings LLC	850 New Burton Road, Suite 201, Dover, Delaware 19904	United States	100	Holding company
MightyHive Inc.	850 New Burton Road, Suite 201, Dover, Delaware 19904	United States	100	Programmatic solutions services
MightyHive SG Pte. Ltd.	71 Robinson Road, level 14 #14-01, Singapore, 068895	Singapore	100	Programmatic solutions services
MightyHive Ltd.	The Pinnacle, 160 Midsummer Boulevard, Milton Keynes MK9 1FF, United Kingdom	United Kingdom	100	Programmatic solutions services
MightyHive AU Pty. Ltd.	383 George Street, Level 2, Sydney, NSW 2000, Australia	Australia	100	Programmatic solutions services
MightyHive Holdings ULC	394 Pacific Avenue, Floor 5, San Francisco, CA 94111, United States	Canada	100	Programmatic solutions services
MightyHive K.K.	1 Chome 11-1, Nishiikebukuro, Toshima-ku, Tokyo, 171-0021, Japan	Japan	100	Programmatic solutions services

S4Capital plc (formerly Derriston Capital plc) directly holds 100% ownership in S4Capital 2 Ltd.

S4Capital plc (formerly Derriston Capital plc) indirectly holds 100% ownership in the other entities.

15. Other receivables

The other receivables consist mainly of non-current rent deposits.

16. Trade and other receivables

	2018 £000
Trade receivables – gross	77,118
Less: provision for impairment	(1,234)
Trade receivables – net	75,884
Prepayments	518
Accrued income	95
Other receivables	4,624
Total trade and other receivables	81,121

The ageing of trade receivables is as follows:

	2018 £000
Not past due not impaired	45,333
Past due but not impaired	
Up to 30 days	19,867
31 days – 60 days	7,542
61 days – 90 days	1,976
More than 90 days	2,400
	77,118
Less: impairment provision	(1,234)
Total trade receivables	75,884

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

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 month before 1 January 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current- and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. On that basis, the loss allowance for trade receivables is determined as follows:

	Expected loss rate	2018 £000
Not past due	0.20%	91
Past due 1 day – 30 days	0.40%	79
Past due 31 days – 60 days	0.60%	45
Past due 61 days – 90 days	0.80%	16
Past due more than 90 days	1.00%	24
Loss allowance for individual debtors in default		979
At 31 December		1,234

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with S4Capital Group. The changes in the loss allowance for trade receivables is as follows:

	2018 £000
Acquired through business combinations	1,162
Utilised during period	–
Charge to profit or loss	72
At 31 December	**1,234**

Due to the short-term nature of the trade and other receivables, their carrying amount is considered to be the same as their fair value.

Information the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 5.

S4Capital Group has pledged the assets of its material companies as security for a facility agreement. See Note 18 Loans and borrowings for further information.

17. Cash and cash equivalents

	2018 £000
Cash and cash equivalents	25,005

The cash and cash equivalents for the seven-month period end included escrow accounts of £2,248,000. Furthermore, it included restricted cash of £210,000 which is a guarantee for rent obligations.

18. Loans and borrowings

	2018 £000
Non-current	
Bank loans	45,638
Total non-current loans and borrowings	**45,638**

Bank loans facilities

As of 6 July 2018, S4Capital Group signed a facility agreement for a total amount of £58 million (€65 million). The total facility agreement consists of two term loan facilities, each of £22.3 million (in base currency €25 million and USD29 million) and a multicurrency revolving loan facility of £13.4 million (in base currency €15 million) of which at the end of 2018 £1.8 million (in base currency €2 million) is drawn.

The carried interest of the facilities is the aggregate of the variable interest rate (LIBOR or, in relation to any loan in euro, EURIBOR) and a margin based on leverage (between 1.25% and 3.00%). In 2018, the average carried interest rate of the outstanding loans amounts 3.43%. The average effective interest rate for the outstanding loans is 3.86% and interest expense of £707,000 was recognised during the period to 31 December 2018.

The duration of the facility agreement is five years; therefore, the termination date of the facility agreement is 6 July 2023. S4Capital Group shall repay each of the loans in full on the termination date.

The bank loans impose certain covenants on the Group. The loan agreement states that (subject to certain exceptions) S4Capital Group will not provide any other security over its assets and receivables and will ensure that the following financial ratios, measured at the end of any relevant period of 12 months ending each semi-annual date in a financial year commencing on 30 June 2019, are met:

- net debt will not exceed 300% of the earnings before interest, tax, depreciation and amortisation; and
- net finance charges will not exceed 300% of the earnings before interest, tax, depreciation and amortisation.

19. Trade and other payables

	2018 £000
Non-current	
Option accruals	2,974
Other accruals	2,070
Earn out	216
Total non-current other payables	5,260
Current	
Trade payables	60,704
Amounts due to Group undertakings	2
Accruals	11,631
Amounts held in escrow	4,636
Deferred income	806
Total trade and other payables	77,779
Income taxes	2,359
Sales taxes	439
Wage taxes and social security contributions	1,309
Total current tax liabilities	4,107
Total current trade and other payables	81,886
Total trade and other payables	87,146

20. Total equity

A. Share capital

The authorised share capital of S4Capital plc (formerly Derriston Capital plc) contain an unlimited number of Ordinary Shares having a nominal value of £0.25 per Ordinary Share. On 31 December 2018, the issued and paid up share capital of S4Capital plc (formerly Derriston Capital plc) consisted of 363,396,923 Ordinary Shares having a nominal value of £0.25 per Ordinary Share.

The changes in issued share capital, share premium, merger reserves and treasury shares of S4Capital plc (formerly Derriston Capital plc) is summarised in the table below:

	Nominal value in pence	Number of shares	Issued share capital £000	Share premium[5] £000	Merger reserves[5] £000	Treasury shares £000
Derriston Capital plc equity[1]	25	2,500,000	625	1,689	–	–
Issue of shares 29 May 2018 – fundraising[2]	25	59,196,700	14,799	–	35,716	–
Acquisition MediaMonks Group 9 July 2018[3]						
– Placed in fundraising	25	126,293,632	31,573	–	91,676	–
– Rollover shares	25	55,794,748	13,949	–	42,182	–
– Employee benefit trust	25	11,709,601	2,928	–	–	(2,928)
Acquisition MightyHive Group 24 December 2018[4]						
– Placed in fundraising	25	67,272,727	16,818	51,182	4,635	–
– Rollover shares	25	37,068,084	9,267	–	31,508	–
– Employee benefit trust	25	3,561,431	890	–	–	(890)
As at 31 December 2018		**363,396,923**	**90,849**	**52,871**	**205,717**	**(3,818)**

Notes:

1. Derriston Capital plc equity relates to the incorporation of Derriston Capital plc into the Company. The Ordinary Shares had a nominal value of 2.5p as per 31 December 2017 and have been consolidated in 2018 on a 10-for-one basis into the Ordinary Shares having a nominal value of £0.25 per Ordinary Share.
2. On 29 May 2018, S4Capital Group raised funds through the issuance of 59,196,700 new Ordinary Shares at a price of 85 pence per share.
3. On 9 July 2018, S4Capital Group raised funds through the issuance of 126 million shares at a price of 101 pence per share for the acquisition of the entire issued share capital of MediaMonks Multimedia Holding B.V. The consideration for MediaMonks was satisfied by cash payment of £205.4 million together with an issuance of 55.8 million shares in the Company at a price of 101 pence per share. In addition, the Company issued 11.7 million shares at nominal value of 25 pence per share to an employee benefit trust, which will be used, at management's discretion, to be issued to MediaMonks employees in future years.
4. On 24 December 2018, the Company raised funds through the issuance of 67.2 million shares at a price of 110 pence per share for the acquisition of the entire issued share capital of MightyHive, Inc. The consideration for MightyHive was satisfied by a cash payment of £67.4 million together with an issuance of 37.1 million shares in the Company at a price of 110 pence per share. In addition, the Company issued 3.6 million shares at a nominal value of 25 pence per share to an employee benefit trust, which will be used, at management's discretion, to be issued to MightyHive employees in future years.
5. The share premium is net of costs directly relating to the issuance of shares. In accordance with section 612 of the Companies Act 2006, merger relief has been applied on share for share exchanges.

In 2018, an amount of £5,554,000 of transaction costs have been accounted for as a deduction from equity.

B. Reserves

The following describes the nature and purpose of each reserve within equity:

Share premium	Amount subscribed for share capital in excess of nominal value less transaction costs (cash).
Merger reserves by merger relief	Amount subscribed for share capital in excess of nominal value less transaction costs as required by merger relief (shares).
Treasury shares	Shares issued in the name of S4Capital Group to an employee benefit trust.
Foreign exchange reserves	Legal reserve for foreign exchange translation gains and losses on the translation of the financial statements of a subsidiary from the functional to the presentation currency.
Retained losses	Retained losses represents the net losses for the period and all other net gains and losses and transactions with shareowners (example dividends) not recognised elsewhere.

20. Total equity continued

C. Non-controlling interests

On 24 May 2018, non-controlling interests arose as a result of the issuance of 4,000 A2 incentive shares by S^{4}Capital 2 Ltd subscribed at fair value for £0.1 million. In 2018, the A2 incentive shares were paid in full.

The incentive shares provide a financial reward to executives of S^{4}Capital Group for delivering shareowner value, conditional on achieving a preferred rate of return. The incentive shares entitle the holders, subject to certain vesting criteria and leaver provisions, up to 15%, of the growth in value of S^{4}Capital 2 Ltd provided that certain performance conditions have been met.

The only incentive shares in issue at 31 December 2018 are the 4,000 A2 incentive shares held by Sir Martin Sorrell. The directors of S^{4}Capital 2 Ltd have the authority to issue a further 4,000 A2 incentive shares.

21. Dividends

In 2018, no dividends were paid by S^{4}Capital plc (formerly Derriston Capital plc) to its shareowners.

22. Related party transactions

Details of compensation for key management personnel are disclosed on pages 52 to 56. S^{4}Capital Group did not have any other related party transactions during the seven-month period.

23. Reconciliation to non-GAAP measures of performance

Management includes non-GAAP measures as they consider these measures to be both useful and necessary. They are used by management for internal performance analyses; the presentation of these measures facilitates comparability with other companies, although management's measures may not be calculated in the same way as similarly titled measures reported by other companies; and these measures are useful in connection with discussions with the investment community.

Reconciliation to adjusted operating profit	**2018 £000**
Operating loss	(8,470)
Adjusting items	–
– Acquisition expense MediaMonks Group and MightyHive Group	5,005
– Amortisation of intangible assets related to acquisitions	7,507
Adjusted operating profit	4,042

Reconciliation to adjusted operational EBITDA	
Operating loss	(8,470)
Adjusting items	–
– Acquisition expense MediaMonks Group and MightyHive Group	5,005
– Amortisation of intangible assets related to acquisitions	7,507
Depreciation	648
Adjusted operational EBITDA	4,690

Reconciliation to billings	
Revenue	54,845
Pass-through expenses MightyHive Group	4,273
Billings[1]	59,118

Note:

1. Billings is gross billings to client including pass-through expenses.

Unrecognised items

24. Commitments

Capital commitments

Capital commitments represents capital expenditure contracted for at the end of the reporting period but not yet incurred at the seven-month period end. At 31 December 2018, S^{4}Capital Group does not have significant capital commitments.

Non-cancellable operating leases

S^{4}Capital Group leases certain buildings located in Europe and overseas. Some of the rents payable under these leases are subject to review at intervals specified in the lease. The lease terms are from one to five years. S^{4}Capital Group also leases certain equipment under cancellable operating lease agreements.

The total value of minimum lease payments due is payable as follows:

As at 31 December 2018	Within one year £000	Between one and five years £000	More than five years £000	Total £000
Land and buildings	4,326	3,882	–	8,208
Company cars	37	25	–	62
Total	4,363	3,907	–	8,270

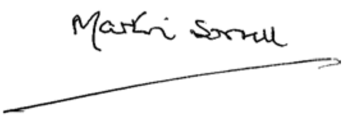
25. Events occurring after the reporting period

No significant events occurred after the reporting period.

Company balance sheet
As at 31 December 2018

	Notes	2018 31 December £000	2017 31 December £000
Assets			
Non-current assets			
Investments in subsidiaries	1	350,455	–
Total non-current assets		350,455	–
Current assets			
Trade and other receivables	2	1,297	5
Cash and cash equivalents		–	2,172
Total current assets		1,297	2,177
Total assets		351,752	2,177
Liabilities			
Non-current liabilities			
Other payables	3	2,974	–
Total non-current liabilities		2,974	–
Current liabilities			
Trade and other payables	4	983	19
Bank overdrafts		75	–
Total current liabilities		1,058	19
Total liabilities		4,032	19
Net assets		347,720	2,158
Equity			
Share capital		90,849	625
Reserves		256,871	1,533
Total equity		347,720	2,158

The Company reported a net profit for the financial year ended 31 December 2018 of £2,260,000 (2017: £156,000 net loss). The financial statements were authorised for issue by the Board of Directors on 25 April 2019 and were signed by:



Sir Martin Sorrell
Executive Chairman

Peter Rademaker
Group Chief Financial Officer

Financial statements

Statement of changes in equity

For the 12-month period from January to December 2018

	Share capital £000	Share premium £000	Merger reserves £000	Treasury shares £000	Retained earnings £000	Total £000
On corporation	–	–	–	–	–	–
Loss for the period	–	–	–	–	(156)	(156)
Share issues	625	1,689	–	–	–	2,314
Balance at 31 December 2017	625	1,689	–	–	(156)	2,158
Balance at 1 January 2018	625	1,689	–	–	(156)	2,158
Profit for the period	–	–	–	–	2,260	2,260
Transactions with owners of the Company						
Issue of Ordinary Shares at consideration for a business combination	90,224	51,182	205,717	–	–	347,123
Non-controlling interests on acquisition of subsidiaries	–	–	–	–	–	–
Employee share schemes	–	–	–	(3,821)	–	(3,821)
Balance at 3 December 2018	90,849	52,871	205,717	(3,821)	2,104	347,720

Notes to the company financial statements

A. General

The Company financial statements are part of the 2018 financial statements of S^{4}Capital plc, formerly Derriston Capital plc. S^{4}Capital plc, formerly Derriston Capital plc, is a listed company on the London Stock Exchange and has its registered office at 12 St James's Place, London, SW1A 1NX, United Kingdom. S^{4}Capital plc (the 'Company') is a holding company for investments active in the digital advertising and marketing services space.

B. Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. The Company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the parent company profit and loss account. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of a profit or loss statement and cash-flow statement and certain related party transactions.

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006. Except as noted below, the Company's accounting policies are consistent with those described in the consolidated financial statements. Where required, equivalent disclosures are given in the consolidated financial statements.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Notes

1. Investments in subsidiaries

Changes in investments in subsidiaries are as follows:

	2018 £000
Cost	–
At 1 January 2018	–
Acquisition of subsidiaries at cost	350,455
At 31 December 2018	350,455

The Company directly holds 100% ownership in S^{4}Capital 2 Ltd. The Company indirectly holds 100% ownership in the entities as disclosed in Note 14A Subsidiaries of the consolidated financial statements.

The investments in subsidiaries are assessed annually to determine if there is any indication that any of the investments might be impaired. At the 2018 year end, there was no indication of impairment.

2. Trade and other receivables

	2018 £000	2018 £000
Receivables from subsidiaries	1,026	–
Value added taxes	269	–
Other receivables and prepayments	2	5
Total trade and other receivables	1,297	5

The loss allowance for receivables from subsidiaries is based on the three-stage impairment expected credit loss model. No material impairment arose.

3. Other payables

The Company has granted options to Ordinary Shares to several employees of the Group. For the vested options the company has recognised an accrual for the fair value amount at the moment of vesting within other payables.

4. Trade and other payables

	2018 £000	2018 £000
Trade payables	669	5
Other payables and accruals	314	14
Total trade and other payables	**983**	19

5. Equity

Share capital

The authorised share capital of S4Capital plc (formerly Derriston Capital plc) contain an unlimited number of Ordinary Shares having a nominal value of £0.25 per Ordinary Share. On 31 December 2018, the issued and paid up share capital of the Company consisted of 363,396,923 Ordinary Shares having a nominal value of £0.25 per Ordinary Share.

Reserves

The following describes the nature and purpose of each reserve within equity:

Share premium	Amount subscribed for share capital in excess of nominal value (cash). The share premium is net of costs directly relating to the issuance of shares.
Merger reserves	Amount subscribed for share capital in excess of nominal value as required by merger relief.
Treasury shares	Shares issued in the name of S4Capital Group to an employee benefit trust.
Retained earnings	Retained earnings represents the net profit for the period and all other net gains and losses and transactions with shareowners (example dividends) not recognised elsewhere.

6. Related party transactions

Details of compensation for key management personnel are disclosed on pages 52 to 56. The Company did not have any other related party transactions during the financial year.

Shareowner information

Advisers and registrars

Principal bankers and joint brokers	HSBC Bank plc
Joint brokers	Dowgate Capital Limited
Auditor	PricewaterhouseCoopers LLP
Solicitor	Travers Smith LLP
PR adviser	Powerscourt Limited
Registrars	Share Registrars Limited The Courtyard 17 West Street Farnham Surrey GU9 7DR 01252 821390 enquiries@shareregistrars.uk.com
Group Company Secretary	Theresa Dadun

ISIN	GB00BFZZM640
Ticker	SFOR
Registered office	12 St James's Place London SW1A 1NX
Website	www.s4capital.com

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On the cover of this report is a star cluster image taken with the NASA/ESA Hubble Space Telescope's Wide Field Camera 3, showing one of them: NGC 1866. Star clusters are common structures throughout the Universe, each made up of hundreds of thousands of stars all bound together by gravity. It's possible that the stars within globular clusters were actually some of the very first to form after the Big Bang.

NGC 1866 is no ordinary cluster. Different populations, or generations, of stars are thought to coexist within the cluster. Once the first generation of stars formed, the cluster may have encountered a giant gas cloud that sparked a new wave of star formation and gave rise to a second, younger, generation of stars.

Cover image and information courtesy of ESA/Hubble & NASA www.spacetelescope.org www.S4Capital.com