18th March 2019

S4 Capital plc
("S4Capital" or the "Company")

Inaugural unaudited 2018 preliminary results

New age/new era digital marketing model generates strong growth

Financial Highlights

- Billings* £59.1 million and pro-forma** billings £291.2 million
- Revenue £54.8 million and pro-forma revenue £135.9 million, up 58% on 2017
- Gross profit £37.2 million and pro-forma gross profit £105.2 million, up 49% on 2017
- Operational EBITDA*** £4.7 million and pro-forma operational EBITDA £22.4 million, up 99% on 2017
- Operational EBITDA margin 12.7% and pro-forma operational EBITDA margin 21.4%, up 5.4 margin points on 2017
- Operating loss £8.5 million, which includes adjusting items of £12.5 million, and pro-forma adjusted operating profit of £21.0 million
- Result before income tax £9.1 million (loss), which includes adjusting items of £12.5 million, and pro-forma adjusted result before income tax of £20.1 million
- Result for the period £8.1 million (loss) and pro-forma adjusted result for the period £15.9 million profit
- Basic earnings per share 3.3p (loss) and pro-forma adjusted basic earnings per share 4.6p (profit)
- Year-end net debt**** £20.6 million, including the £45.6 million loan drawn to partly fund the combination with MediaMonks

Operational Highlights and Outlook

- Formation and initial funding of S4Capital business in May 2018
- Combination with the leading digital content production company MediaMonks in July for £56.4 million equity and £205.4 million cash
- Injection of the enlarged Group into the quoted “shell” company, Derriston Capital plc, with admission to the Standard List of the Main Market of the London Stock Exchange, as S4Capital plc in September 2018
- Combination with the leading programmatic company MightyHive on Christmas Eve for £43.6 million equity and £71.9 million cash
- Appointment of leading industry figures to spearhead Asia Pacific growth
- The Group now has approximately 1,200 people in 16 countries
- Significant new business assignments from Procter & Gamble, Nestle, Avon, Mondelez, Bayer, Electronic Arts and Electrolux amongst others
- Current pipeline running at approximately twice the level of last year

*Billings is gross billings to client including pass through costs
**Pro-forma numbers relate to unaudited full year non-statutory and non-GAAP consolidated results of MediaMonks and MightyHive and S4Capital as if the group had existed in full for the year and have been prepared under comparable GAAP with no consolidation eliminations
***Operational EBITDA is EBITDA adjusted for non-recurring items
****Net debt comprises bank loans minus cash

Sir Martin Sorrell, Executive Chairman of S⁴Capital plc said:

"It is clear that the 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 unitary, one P&L structure also appeal strongly. The imperatives will be to broaden and deepen relationships with existing and new clients; to broaden and deepen geographical coverage; and to attract additional data, content and media talent and resources through direct recruitment, acquisition and/or merger."

Results webcast and conference call

The presentation of the results will be held today at 9.00am GMT in London. A live audio webcast of the presentation will be available at https://www.s4capital.com/ during the event.
For dial in only and Q&A:
UK: +44 (0)330 336 9126
US: +1 323-794-2597
Confirmation code: 2519757

A further conference call to cover the results will be held today at 8.00am EST / 12.00pm GMT:
US: +1 323-994-2132
UK: +44 (0)330 336 9411
Confirmation code: 2596253

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About S⁴Capital

S⁴Capital plc (SFOR.L) is a new age/new era digital advertising and marketing services company established by Sir Martin Sorrell in May 2018.

Its strategy is to build a purely digital advertising and marketing services business for global, multi-national, regional, local clients and millennial-driven influencer brands. This will be achieved initially by integrating leading businesses in three areas: first party data, digital content, digital media planning and buying, along with an emphasis on "faster, better, cheaper" executions in an always-on consumer-led environment, with a unitary structure.

Digital is by far the fastest-growing segment of the advertising market. S⁴Capital estimates that in 2017 digital accounted for approximately 40 per cent. or $200 billion of total global advertising spend of $500 billion (excluding about $400 billion of trade support, the primary target of the Amazon advertising platform), and projects that by 2022 this share will grow to approximately 55 per cent.

S^{4}Capital integrated with MediaMonks, the leading, Advertising Age A-listed creative digital content production company, led by Victor Knaap and Wesley ter Haar, in July 2018, and with MightyHive, the market-leading programmatic solutions provider for future thinking marketers and agencies, led by Peter Kim and Christopher S. Martin, in December 2018.

Victor, Wesley, Pete, Christopher and Peter Rademaker (formerly Chief Financial Officer of MediaMonks, now Chief Financial Officer of S^{4}Capital), all joined the S^{4}Capital Board as Directors. The S^{4}Capital Board also includes Rupert Faure Walker, Daniel Pinto, Sue Prevezer and Paul Roy.

The company has a market capitalization of approximately £450 million ($600 million) and approximately 1,200 people in 16 countries, across the Americas, Europe, the Middle-East and Africa and Asia-Pacific.

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 capitalization of over £16 billion on the day he left. Prior to that he was Group Financial Director of Saatchi & Saatchi Company plc for 9 years.

Chairman's Letter

Dear Shareowner,

My Executive colleagues, Victor Knaap, Wesley ter Haar, Peter Kim, Christopher S. Martin, Peter Rademaker and I are delighted to present our inaugural results for the period ending 31st December 2018 to shareowners.

This short period has seen four initial steps in implementing S^{4}Capital's digital data, content and programmatic strategy. First, the formation and initial funding of S^{4}Capital. Secondly, the combination of S^{4}Capital with the leading digital content production company MediaMonks. Thirdly, the injection of the enlarged S^{4}Capital into the quoted "shell" company, Derriston Capital plc. And, finally, on Christmas Eve, the combination of S^{4}Capital plc with MightyHive, the leading programmatic company. Your Company now has in place the digital content and programmatic building blocks on which to grow.

Our focus on geographical expansion, particularly in Asia Pacific, was underlined by the recent appointments of Michel de Rijk as Chief Executive Officer, S^{4}Capital Asia Pacific and Poran Malani as Director of S^{4}Capital'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. He also has extensive experience of building and running disruptive advertising and marketing companies in Asia Pacific. Poran has over 30 years of experience with Ogilvy, McCann and Coca-Cola, including nine years as president of WPP's Ogilvy South India.

Turning to the results themselves, we thought it would be most useful to outline both unaudited 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 cover, pro-forma results for the Company, 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 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%. Adjusted pro-forma basic earnings per share before exceptional items were 4.6p, up from 1.3p the previous year. In accordance with our previously announced policy, your Board will not declare a dividend, particularly bearing in mind the need to balance funding future growth versus immediate shareowner return.

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

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%.

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

Outlook and current trading

All-in-all 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 showing revenue and gross profit like-for-like growth of over 30%.

It is clear that the 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 unitary, one P&L structure also appeals strongly. The imperatives will be to broaden and deepen relationships with existing and new clients; to broaden and deepen geographical coverage; and to attract additional data, content and media talent and resources through direct recruitment, acquisition and/or merger.

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

Best wishes,

Sir Martin Sorrell
Executive Chairman

The following table summarises the unaudited results for 2018, and the pro-forma results for 2018 and 2017.

Condensed Consolidated Income Statement
For the period ended 31 December 2018 (unaudited)

For the period ended 31 December	Unaudited 2018 £'000	Unaudited pro-forma 2018 £'000	Unaudited pro-forma 2017 £'000
Revenue	**54,845**	**135,929**	**86,114**
Cost of sales	17,681	30,754	15,571
Gross profit	**37,164**	**105,175**	**70,543**
Net operating expenses	45,634	96,689	60,542
Operating profit	**-8,470**	**8,486**	**10,001**
Adjusted operating profit	**4,042**	**20,998**	**10,052**
Adjusting items	-12,512	-12,512	-51
Operating profit	**-8,470**	**8,486**	**10,001**
Finance income	324	352	-
Finance expenses	-975	-1,274	-1,425
Net finance expense	**-651**	**-922**	**-1,425**
Result before income tax	**-9,121**	**7,564**	**8,576**
Income tax expense	1,011	-2,250	-4,195
Result for the period	**-8,110**	**5,314**	**4,381**

Reconciliation to operational EBITDA			
Operating profit	-8,470	8,486	10,001
Adjusting items	12,512	12,512	51
Depreciation	648	1,450	1,206
EBITDA	**4,690**	22,448	11,258

Reconciliation to adjusted operating profit			
Operating profit	-8,470	8,486	10,001
Adjusting items	12,512	12,512	51
Adjusted operating profit	**4,042**	20,998	10,052

Reconciliation to adjusted result before income tax			
Result before income tax	-9,121	7,564	8,576
Adjusting items	12,512	12,512	51
Adjusted result before income tax	**3,391**	20,076	8,627

Reconciliation to adjusted result for the period			
Operating profit	-8,110	5,314	4,381
Adjusting items	12,512	12,512	51
Tax on adjusting items	-1,877	-1,877	-
Adjusted result for the period	**2,525**	15,949	4,432

Earnings per share			
Weighted average number of shares in issue for the purpose of basic and adjusted net result per share	247,776,256	348,125,891	348,125,891

Net result attributable to equity owners of the Company (£'000)	-8,110	5,314	4,380
Basic net result per share	**-0.033**	**0.015**	**0.013**
Diluted net result per share	**-0.033**		
Adjusted non-recurring expenses	5,005	5,005	51
Adjusted amortisation of intangible assets related to acquisitions	7,507	7,507	-
Adjusted tax on amortisation	-1,877	-1,877	-
Adjusted net result	2,525	15,949	4,431
Adjusted basic net result per share	**0.010**	**0.046**	**0.013**

Condensed Consolidated Income Statement
For the 7 month period from May to December 2018 (unaudited)

For the period ended 31 December	Note	**Unaudited 2018 £'000**
Revenue	2	**54,845**
Cost of sales		17,681
Gross profit		**37,164**
Net operating expenses		45,634
Operating profit		**-8,470**
Adjusted operating profit		**4,042**
Adjusting items	3	-12,512
Operating profit		**-8,470**
Finance income		324
Finance expenses		-975
Net finance expense		**-651**
Result before income tax		**-9,121**
Income tax expense		1,011
Result for the period		**-8,110**
Profit is attributable to:		
Owners of the Company		-8,110
Non-controlling interests		-
		-8,110
Earnings per share attributable to the ordinary equity holders of the Company:		
Basic loss per share (in Pence 1)	4	**-0.03**
Diluted loss per share (in Pence 1)	4	**-0.03**

Condensed Consolidated Statement of Comprehensive Income
For the 7 month period from May to December 2018 (unaudited)

For the period ended 31 December	**Unaudited 2018 £'000**
Result 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 income for the period	**-6,240**

Total comprehensive income of the period attributable to:	
Owners of the Company	-6,240
Non-controlling interests	-
	-6,240

Condensed Consolidated Balance Sheet
As at 31 December 2018 (unaudited)

	Note	Unaudited 2018 £'000
ASSETS		
Non-current assets		
Intangible assets	5	387,275
Property, plant and equipment		4,007
Deferred tax assets		188
Other receivables		1,438
		392,908
Current assets		
Trade and other receivables		81,121
Cash and cash equivalents		25,005
		106,126
Total assets		**499,034**
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities		26,930
Loans and borrowings	6	45,638
Other payables		5,260
		77,828
Current liabilities		
Trade and other payables		77,779
Current tax liabilities		4,107
		81,886
Total liabilities		**159,714**
Net assets		**339,320**
EQUITY		
Share capital	7	90,849
Share premium	7	258,588
Other reserves	7	-2,107
Retained earnings		-8,110
Capital and reserves attributable to owners of the Company		**339,220**
Non-controlling interests	8	100
Total equity		**339,320**

Condensed Consolidated Statement of Changes in Equity
For the 7 month period from May to December 2018 (unaudited)

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Balance at 1 May 2018	-	-	-	-	-	-	-
Derriston Capital plc equity	625	1,689	-156	-	2,158	-	2,158
Result for the period	-	-	-	-8,110	-8,110	-	-8,110
Foreign currency translation differences	-	-	1,870	-	1,870	-	1,870
Total comprehensive income for the period	-	-	1,870	-8,110	-6,240	-	-6,240
Transactions with owners of the Company							
Issue of ordinary shares as consideration to effect business combination	90,224	256,899	-	-	347,123	-	347,123
Non-controlling interests on acquisition of subsidiaries	-	-	-	-	-	100	100
Employee share schemes	-	-	-3,821	-	-3,821	-	-3,821
	90,224	256,899	-3,821	-	343,302	100	343,402
Balance at 31 December 2018	**90,849**	**258,588**	**-2,107**	**-8,110**	**339,220**	**100**	**339,320**

1. Accounting policies for the financial period ended 31 December 2018

General

S^{4}Capital plc ("S^{4}Capital" or "Company"), formerly Derriston Capital Plc, is a public limited company incorporated on 14 November 2016 in London. The Company has its registered office at 12 St James's Place, London, United Kingdom.

The first unaudited condensed financial statements represent the results of the Company and its subsidiaries (together referred to as the "S^{4}Capital Group" or the "Group").

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

Basis of preparation

This condensed financial information has been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority. It has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) but does not comply with full disclosure requirements.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2018. The statutory accounts for 2018 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies in due course.

On 28 September 2018 S^{4}Capital plc acquired S^{4}Capital 2 Ltd by virtue of a share for share transfer in order to facilitate the obtaining of a listing for the combined group. The coming together of S^{4}Capital 2 Ltd and S^{4}Capital does not constitute a business combination and as such the transaction has been accounted for as in substance a capital reorganisation of the S^{4}Capital business. S^{4}Capital 2 Ltd is treated as the accounting acquiror and S^{4}Capital the accounting acquiree. The share capital in the consolidated accounts however reflects that of the legal acquiror, being S^{4}Capital. As such, from an accounting perspective, the previous comparatives, and any results prior to 28 September 2018 of S^{4}Capital (formerly Derriston Capital Plc) have not been presented and the assets and liabilities of the S^{4}Capital 2 Ltd group have been recorded in the consolidated financial statements at their pre-combination amounts. S^{4}Capital 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 S^{4}Capital 2 Ltd.

MediaMonks Multimedia Holding Group was acquired on 9 July 2018 and the MightyHive Group was acquired on 24 December 2018 as detailed in note 5. 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.

Significant accounting policies and estimates

The accounting policies adopted in the preparation of the condensed financial statements are consistent with those to be reported in the Group's Annual Report and financial statements for the year ended 2018, which is the Group's first set of consolidated accounts. Included below are the key accounting policies.

Business combinations

The Company accounts for business combinations using the acquisition method when control is transferred to the S^{4}Capital 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 residual and is tested annually for impairment. 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.

Revenue recognition

The S⁴Capital Group produces digital campaigns, films, creative content, platforms and e-commerce for home-grown and international brands and provides programmatic solutions for future-thinking marketers and agencies. The S⁴Capital Group has four principal operating segments which are Assets at Scale, Platform and 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 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. MightyHive's 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.

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.

Revenue is recognised when there is persuasive evidence that a contract exists; the pricing is fixed or determinable; control is passed to the customer to satisfy the performance obligations and it is probable that the resulting future economic benefits will flow to the S⁴Capital Group. Full allowance is made for all known or expected losses.

The 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. The S⁴Capital Group satisfies a performance obligation and recognises revenue over time, as the asset produced has no alternative use to the S⁴Capital Group and the S⁴Capital Group is entitled to payment for performance-to-date. This payment includes a reasonable profit margin. 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 group income statement in proportion to the services provided as at the balance sheet date, based on the percentage stage of completion of the contracts, calculated on the basis of 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.

For a multiple element project, the S4Capital Group tends to split the project into separate orders and contracts. Revenue is recognised when the revenue recognition criteria as disclosed above for each performance obligation has been met.

Intangible assets

Goodwill
The 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.

In respect of business combinations, goodwill represents the excess of the cost of the acquisition over the MediaMonks Group's and MightyHive Group's interest in the fair value of net identifiable assets and liabilities acquired.

Goodwill is tested for impairment annually. It is measured at cost less accumulated impairment losses.

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

Brands
Brands, 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.

Other intangible assets
Other intangible assets, including order backlog arising on the acquisition of subsidiaries, have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses. Order backlog represents the contracted but not yet fulfilled revenues at the time of the business combination.

Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

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:

Brand names	10 years
Order backlog	3 months

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

<u>Trade and other receivables</u>

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

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 accrued income 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 months 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.

Critical accounting estimates and judgments

In preparing these condensed financial statements, the S^{4}Capital Group makes certain estimates and judgments. Estimates and judgements 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 estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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. Both initial valuations and valuations for subsequent impairment tests are based on risk adjusted future cash flows discounted using appropriate discount rates. These future cash flows will be based on forecasts which are inherently judgemental. Future events could cause the assumptions to change which could have an adverse effect on the future results of the S^{4}Capital Group.

Recoverability of trade receivables balances
As at 31 December 2018, there are a small number of customers with a significant trade receivable balance at the period end. A loss allowance based on expected credit losses has been recognised. Although this is an area of judgment, management is comfortable with this position due to the high credit ratings of the customers involved and the lack of any history of non-payment.

Accrued income
At reporting date, the Group assesses the time spent until reporting date versus the total time needed to finalise a project. The status of the project is evaluated and recognises revenue and deferred income/ accrued income in the balance sheet in accordance to the percentage of time spent until reporting date set off against the total hours needed to produce and deliver the project. Some estimate in assessing the total hours needed is therefore required.

2. Operating segments

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 management team including the Chief Executive Officer, the Chief Operating Officer and the Chief Finance Officer and four partners. During 2018, the S^{4}Capital Group has been active in four segments, Assets at Scale, Platform and E-commerce, Creative Content and Innovation and Media planning and buying.

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 e-commerce 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.

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:

	Digital content			Media planning and buying £'000	Total £'000
	Creative Content & Innovation £'000	Assets @ Scale £'000	Platforms & Commerce £'000		
Gross profit	9,759	14,901	11,588	916	37,164
Segment profit	-570	5,739	721	172	6,062
Total overhead costs					-1,355
Acquisition related expenses					-5,005
Depreciation and amortisation					-8,172
Finance income and expenses					-651
Profit before tax					**-9,121**

Note: During 2018, the S^{4}Capital Group has not been active in the area "first party data"

3. Adjusting Items

S^{4}Capital uses certain adjusted earnings measures to provide additional clarity about the performance of the business. Therefore, the operating profit in the group income statement is also adjusted for the following items, which comprise:

- Non-recurring items that are not considered part of underlying trading are material one-off items of expense or income, which are relevant to an understanding of the underlying performance of the Group.
- Other adjusting items comprise the amortisation of certain fair value adjustments recorded in respect of finite-life intangible assets recognised in the purchase price allocation for the acquisition of the MediaMonks Multimedia Holding Group and the MightyHive Group.

The non-recurring items amount to £12.5 million.

The table below provides a reconciliation of the Group's reported statutory earnings measures to its adjusted measures for the period ended 31 December 2018.

For the year ended 31 December	Reported £'000	Adjusting: Non-recurring expenses[1] £'000	Adjusting: Amortisation[2] £'000	Adjusted £'000
Operating profit	**-8,470**	**5,005**	**7,507**	**4,042**
Net finance expense	-651	-	-	-651
Result before income tax	**-9,121**	**5,005**	**7,507**	**3,391**
Income tax expense	1,011	-	-1,877	-866
Result for the period	**-8,110**	**5,005**	**5,630**	**2,525**

1. Non-recurring expenses relate to the total expenses for acquisition of the MediaMonks Multimedia Holding Group and the MightyHive Group in 2018.

2. This relates to the amortisation of certain intangibles assets recognised as a result of the acquisitions of the MediaMonks Multimedia Holding Group and the MightyHive Group during the period ended 31 December 2018. In addition, there is a (deferred) income tax credit in respect of these amortisations.

4. Earnings per share

Basic earnings per share are is calculated by dividing the net result attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

Basic earnings per share (unaudited)	**Year to 31 December 2018**
Weighted average number of shares in issue for the purpose of basic and adjusted net result per share	247,776,256
Net result attributable to equity owners of the Company (£'000)	-8,110
Basic net result per share	**-0.03**
Diluted net result per share	**-0.03**
Adjusted non-recurring expenses	5,005
Adjusted amortisation of intangible assets related to acquisitions	7,507
Adjusted income tax expense	-1,877
Adjusted net result	2,525
Adjusted basic net result per share	**0.01**

The diluted earnings per share equals the basic earnings per share due to the statutory loss.

5. Intangible assets

Movement intangible assets (unaudited)	**Goodwill £'000**	**Brands £'000**	**Customer relationships £'000**	**Order backlog £'000**	**Software £'000**	**Total £'000**
Intangible assets as of 1 January 2018	**-**	**-**	**-**	**-**	**-**	**-**
Additions	279,898	8,538	100,665	4,360	51	393,512
Charge for year	-	-212	-3,123	-4,179	-10	-7,524
Foreign exchange differences	791	39	456	0	1	1,287
Intangible assets as of 31 December 2018	**280,689**	**8,365**	**97,998**	**181**	**42**	**387,275**

In 2018, S^4Capital acquired the following:

- 100% of the shares of MediaMonks Multimedia Holding B.V. (including subsidiaries), as of 9 July 2018;
- 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 name	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

	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. Acquisition costs of £5,005,000 arose as a result of this transaction and have been included in the acquisition-related transactions costs in the group income statement.

The goodwill for both acquisitions represents the potential growth opportunities and synergy effects from the acquisition. The goodwill is not deductible for tax purposes. Trade receivables net of bad debt provision acquired are considered to be fair value and are expected to be collectible in full.

The initial accounting for the business combination of MightyHive, 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, the 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 the S^{4}Capital Group and £3.7 million (MediaMonks £3.6 million, MightyHive £0.1 million) into S^{4}Capital Group's result 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).

6. Bank loans facilities

As at 31 December 2018 (unaudited)	Total £'000
Total term loan facilities	44,727
Multicurrency revolving loan facility	1,789
	46,516
Transaction costs	-878
Total loans and borrowing	**45,683**

As of 6 July 2018, S^{4}Capital 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 to 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. S^{4}Capital Group will repay each of the loans in full on the termination date.

The bank loans are secured by a negative pledge that imposes certain covenants on the S^{4}Capital Group. The negative pledge states that (subject to certain exceptions) the S^{4}Capital 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 twelve 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;
- Net finance charges will not exceed 300% of the earnings before interest, tax, depreciation and amortisation.

7. Equity

Share capital, share premium other reserves (unaudited)	**Nominal value in pence**	**Number of shares**	**Issued share capital £'000**	**Share premium[5] £'000**	**Other reserves £'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	126,293,692	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	55,817	-
- Rollover shares	25	37,068,084	9,267	31,508	-
- Employee benefit trust	25	3,561,431	890	-	-890
Other comprehensive income					1,870
As at 31 December 2018	**25**	**363,396,983**	**90,849**	**258,588**	**-1,948**

[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 ten-for-one basis into the ordinary shares having a nominal value of £0.25 per ordinary share.

[2] On 29 May 2018, S[4]Capital 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, S[4]Capital 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 S[4]Capital 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 S[4]Capital 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 also consists costs directly relating to the issuance of shares

8. 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 amounting to £ 0.1 million. In 2018, the A2 Incentive shares issued were subscribed for and paid in full.