

MiQ Digital Limited

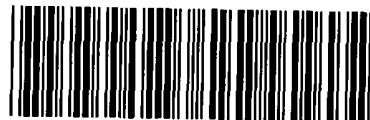
Annual Report and Financial Statements

Year Ended

31 December 2020

Company Number 07321732

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MiQ Digital Limited

Company Information

Directors	G Hundal L Puri S Tray
Company secretary	T Puri
Registered number	07321732
Registered office	6th Floor Charlotte Building 17 Gresse Street London W1T 1QL

MiQ Digital Limited

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MiQ Digital Limited

Group Strategic Report for the Year Ended 31 December 2020

Review of the business

The principal activity of the group throughout the year was that of running programmatic advertising campaigns for clients, delivered through AI-powered analytics and purpose-built technology. Whilst maintaining our aim of delivering long-term sustainable growth, we continue to drive increased revenue growth across all our markets and customer channels.

Key Financial Metrics (\$m)	2020	2019 (restated) ¹	Variance	%
Revenue	337.6	289.6	48	16.6%
Cost of sales	245.9	204.8	41.1	20.1%
Gross margin	26.0%	28.0%		(2.0)%
Administrative Expenses	70.9	67.7	3.2	4.7%
EBITDA	24.0	18.6	5.4	29.0%
Operating profit	21.9	17.1	4.8	28.1%
Profit before tax	21.8	17.1	4.7	27.5%
Cash	14.8	8.5	6.3	74.1%

As for many other companies, 2020 proved a challenging year for MiQ as the emerging Covid-19 pandemic meant our offices were forced to close and we needed to transition to a virtual model of working. Advertisers were also impacted significantly in Q2 before stabilising as the year progressed. Despite both these challenges, MiQ delivered 17.1% year-on-year organic revenue growth and has also emerged as an even more resilient and diversified business. During this exceptional period, our people have demonstrated MiQ's fundamental principles of unity, determination and agility.

EBITDA has been calculated as operating profit with amortisation of \$0.9m (2019: \$0.4m) and depreciation \$1.2m (2019: \$1.1m) added back.

Cash balances have grown significantly due to improving cash conversion, despite repaying \$32.2m (2019: \$12.4m) of investor loan notes within the wider group.

As MiQ grows, it continues to diversify its revenue base through:

Diversifying our Sales Channels

At any given time, MiQ is working with c.700 advertisers, driven through c.300 buying points. The majority of customers are serviced via agencies, with 42% of revenue coming from both Holding Companies (large multinational agency groups) and Independent Agencies respectively. Additionally, there has been significant growth in revenue from direct client brands across the year, which has more than doubled since 2019, a trend that is expected to continue.

Diversification can also be seen across our client portfolio, meaning while industries like travel and tourism experienced significant decline due to Covid-19, others such as eTail and education grew ensuring the company is not reliant on any one industry or sales channel.

¹ 2019 figures are restated to include comparative results for the change in accounting policy on capitalised product costs.

MiQ Digital Limited

Group Strategic Report for the Year Ended 31 December 2020 (continued)

Diversifying our Product into all forms of Programmatic

During 2020, we continued to invest in broadening our capabilities, offering our clients more diverse solutions to leverage their own and third-party data whether on the desktop, mobile device or tablet, Advanced TV or digital billboard. As a result, we saw substantial growth in “Omnichannel” - running programmatic campaigns in what had previously been traditional, offline channels but are now internet connected and as such accessible programmatically. We see a continued opportunity in taking advantage of consumer trends across these channels through internal innovation and strategic relationships.

Throughout 2020, we maintained our level of investment in product despite the impact of Covid-19. The main short-term pivot was to focus on investments across mediums which are typically more house-bound, such as TV, particularly through a partnership to extend our offering in the APAC region, whilst spending on location intelligence and planned launches around digital outdoor channels were delayed.

Diversifying Geographically

To be a truly global company we have to be present in the main growth markets across the world and therefore in 2020, we launched commercial operations in both India (Mumbai) and China (Shanghai). Our India commercial operation booked its first campaign in H1 2020 and ended the year with \$0.6m of revenue, a strong first year performance. Set up in China requires greater localisation for specific demands in that market, and the first revenue-generating campaign ran in Q1 2021. In our established markets we have continued to expand our North American offering with 2 new regional offices on the west coast in Seattle and San Francisco and seeing 201% year-on-year growth in our Los Angeles office, 74% growth in Dallas and 68% in Kansas City. We have also increased our Australian operation to 4 cities.

In order to continue on our trajectory of sustainable organic growth, MiQ has focused our investment in two core areas:

Investment in Technology and Automation

We continue to drive automation through advancements in machine learning and AI, building out increased functionality within our proprietary technology platforms. We have leveraged these tools to improve revenue per head, whilst continuing to deliver great performance, insights and service to our clients. Our approach is defined as Connect-Discover-Activate:

- **Connect data through our *Analytics Studio*** - A purpose-built platform for data scientists and engineers, where our big data requirements are fulfilled. In 2020, we continued to both enhance our core capabilities through partnerships with more data suppliers and focused on future-proofing our supply chain.
- **Discover more powerful insights through our *Intelligence Hub*** - We have connected all data from our partners into one hub to enable clients to log in and derive insights before, during and after a campaign. Through our partner-agnostic approach, we are increasing our insight capabilities through a wider range of data across a wider range of media channels.
- **Activate insights to deliver value for our clients through our *Trader Lab*** – This partner-agnostic proprietary platform enables our traders to automate campaign set up and reporting across a wide range of industry buying platforms, data and inventory providers.

In 2020, MiQ also invested \$1m in data ecosystem developer Infosum as the business continues to take a proactive approach to vertically future-proofing our supply chain. This has been reflected as an investment on the balance sheet.

Investment in People

In 2020, our people-focused approach took a specific focus on Inclusion and Diversity as we brought in our first I&D Global Lead at board level. By the end of the year, our I&D Team grew to four members across the USA and India, with additional support from a newly launched global Inclusion Committee.

We created accountability through data-tracking and transparent conversations about where we are with representation and belonging. We invested in data-tracking tools, partnerships with historically black colleges

MiQ Digital Limited

Group Strategic Report for the Year Ended 31 December 2020 (continued)

and universities (HBCUs) and women's professional groups, programs meant to serve emerging underrepresented talent through internships and fellowships, mental health L&D and support, inclusion coaching, and transparent auditing of our systems and processes. We brought in outside specialists to ensure our processes and policies were as equitable as possible and to provide Implicit Bias training to our managers and those who are involved with hiring. We expanded our recruiting practices to concentrate more on bringing in candidates from underrepresented backgrounds, making sure we eliminated as much bias from our interview processes, and setting every new employee up for success at MiQ.

Section 172 statement

The directors of MiQ Digital Limited continue to place long term stability, sustainable growth and the interests of all group employees across the group at the heart of the company's strategy and day-to-day operations. Sustainability has been an important area of focus in 2020, with continued organic expansion into our established markets like the West Coast of the USA allied with a considered approach to entry into major new and developing markets, including Dubai, China and India. These new territories represent great opportunities to expand the group in future, but external advice has been taken to assess risks, both financial and cultural.

The company continues to take business conduct and ensuring we have a reputation for excellence very seriously. In 2020, we continued to place the ongoing changes in data privacy laws and the policies of our major data suppliers and demand side platforms at the heart of our product development strategy. Data privacy law has been a rapidly developing area for some time now, with regulation such as General Data Protection Regulation and California Consumer Privacy Act introduced in recent years. The directors are committed to ensuring that our systems and processes continue to be industry leading when it comes to compliance, putting initiatives like clean rooms and cookieless identity tracking front and centre.

We are committed to reducing our environmental impact, following our largest people office in Bengaluru becoming carbon neutral in 2019. One of the consequences of Covid saw air travel and office usage dramatically decline. The directors are reviewing the lessons from becoming less reliant on air travel, particularly at senior levels, for the business moving forwards.

The mental and physical wellbeing and fair treatment of all employees is a major focus for the board. As we launched our I&D Team and Committee, every conversation had Inclusion and Diversity as a consideration. The two main focuses of the team were on mental wellness and anti-racism efforts.

With the pandemic proving challenging on a personal level, we invested in supporting our people's mental health first and foremost, bolstering our benefits, programs, policies, and conversations around mental wellbeing. The co-founders wrote an open letter about their concerns around anti-racism, and outlined a focused action plan following extensive consultation. That plan included internal focus groups, learning and development for all employees about anti-racism and bias, executive coaching specific to anti-racism for our business leaders, and town hall discussions.

In addition, to identify where we might have blind spots and biases in an effort to take a full reflection of where we are and where we need to improve, we carried out a full audit and assessment of our internal practices and systems, including learning & development, cultural and religious observance, onboarding, and local demographics vs. our staff composition. We held Reflective Dialogue focus groups to understand how our employees felt, especially when it came to inclusion and bias in the workplace. We shored up our HR data to track representation, hiring, retention, and equity on an ongoing basis in order to start a full Diversity and Equity analysis moving into 2021. We also administered surveys to check on engagement, inclusion, and feelings about returning to offices to make sure we understood employees' sentiment, among the dozens of other actions taken from assessing physical office spaces for accessibility to staff education on preferred pronouns.

MiQ Digital Limited

Group Strategic Report for the Year Ended 31 December 2020 (continued)

Research and development

In 2020, our product investment strategy focused on the following 3 areas:

Omnichannel

Omnichannel is an area which really accelerated across the business in 2020. As more people stayed at home, we focused on changes to user behaviour, stimulating growth in demand for our Advanced TV offerings. TV revenue grew by more than 100%, exceeding \$40million. This was enabled by the launch of new planning and intelligence tools, helping brands determine how their customers consume TV via traditional, linear programming versus services delivered in OTT (over the top) streaming.

Beyond TV, we continued sharpening our capability around mobile and video, with new ad formats designed specifically for mobile and tablet devices, enabling brands to leverage mobile functionality to creatively engage with consumers. This was complemented by improved supply partnerships, enabling better access to inventory across omnichannel environments. Lastly, we improved our analytics and insights delivery across core video channels.

These investments have seen the business now deliver 70% of programmatic activity across non-Desktop environments. This has grown from <50% 18 months ago.

Identity

As data privacy regulation rolls out around the world, our increased investment across initiatives related to the future of identity ensures MiQ is prepared for major changes planned by browsers and operating system providers in 2022. These changes are specifically designed to preserve more user privacy, altering the methodology of how we track, target and measure. As we began investing well ahead of our clients, much of 2020 was themed around research, education and advocacy programmes. Our Future of Identity sessions were delivered to 1000+ customers, aiming to educate and empower them to begin investing with us as a foresighted leader in the developing digital landscape.

Beyond research, we invested further into identity partnerships, strengthening our existing identity spine and building a platform for future-proofing when cookies are made redundant to data tracking in 2022. This new identity spine investment increased the weekly amount of cross-device data being processed by 10TB per week, whilst smart data engineering meant we did this with 50% less processing cost and time than previously.

We increased our investment into initiatives known as Clean Rooms. These are secure environments predominantly managed by walled gardens such as Google, Amazon and other large data owners who have a large footprint. We developed a range of solutions in 2020 for Google's clean room infrastructure to provide a data onboarding tool, measurement solutions for a range of brand related KPIs and activation. This was rolled out to select customers as part of an early beta programme.

Platform Scale

We continued to invest in our internal platforms designed to help core trading, analytics and account management teams execute faster and more efficiently. Within our Trader Lab platform, we launched a number of significant new features improving speed, campaign setup efficiency and reporting.

Self-serve client reporting launched at the end of 2020, now accessible to more than 50 customers allowing direct access to insights and reporting whenever they need it. This has also freed up a vast amount of time for account management teams enabling them to use their time to provide even more value add for our clients.

Key Performance Indicators

Our key financial metrics are to continue to grow our Gross Profit and ultimately to grow our profit before tax. This will be achieved by growing our relationships with our clients and continuing our expansion into new markets whilst also controlling our overheads.

MiQ Digital Limited

Group Strategic Report for the Year Ended 31 December 2020 (continued)

Our key non-financial metrics are focused on supporting and meeting the needs of MiQ's sustainable growth agenda, and to seize the opportunity to grow MiQ's influence within our core audiences of advertisers and media agencies. For 2021, we have a simple goal to grow market and mind share within our major markets. We want to do this by building up trust and recognition within our core audiences.

To achieve this, we are deploying a two-pronged approach – local sales activations and full funnel branding – to drive long term scalability and demand. They complement each other so we can focus on the 'here and now' opportunities as well as winning new clients and retaining them. A significant metric for measuring success in this regard is 14.5% year-on-year growth in the number of advertisers we have worked with over the year.

MiQ also retained its place in The Sunday Times International Track 200 2020 for the 4th consecutive year.

Principal risks and uncertainties

Customer diversity risk

As noted above, the company is continuing to diversify its customer base geographically and through a range of deeper partnerships with brands and agencies, across a wider selection of industries.

The directors will continue to focus on decreasing risk throughout the group by diversifying the client base.

Foreign exchange risk

Due to the nature of the business, revenues are invoiced in several currencies in several territories. This presents both foreign exchange and cultural risk in collecting cash.

A significant amount of the costs of the business are payable in US dollars which the directors plan for on a monthly basis. The group continues to actively manage working capital to reduce the potential impact on local cash flows.

Cash flow risk

The group's principal financial instruments comprise its cash, trade debtors and trade creditors. 2020 saw an exceptional cash conversion of over 100% for the second year, reflecting an improvement in cash collection versus prior years.

The directors have established relationships with clients and are also identifying any credit issues in a timely manner. The amounts presented in the balance sheet are net of allowances for bad debt. In light of the pandemic, management carried out a full review of credit terms, while maintaining strong cash conversion, despite scenario planning for significant drop-off in collections. The group utilised its rolling credit facility in the year but fully paid this off by in November.

Geographic Risk

The directors do not expect any events to have a significant impact on the business in the period between the balance sheet date and the date of signing the financial statements. The company strategy of worldwide growth and the opening of offices in new regions means that the company is geographically diversified and will not be significantly affected by external factors in one region.

Financial risk management objectives and policies

The group seeks to manage and minimise financial liquidity risk by ensuring that sufficient funding for ongoing operations and future developments is available at all times to meet foreseeable needs.

The group manages business risk by maintaining very strong relationships with clients, suppliers and employees, and also by making changes in response to market conditions in the advertising industry.

MiQ Digital Limited
Group Strategic Report
for the Year Ended 31 December 2020 (continued)

Future developments

The directors are confident that the business will emerge in a stronger position due to the continued investment in our product and people during this year.

Events since the balance sheet date

The group has secured a bank loan for \$64.2m on 31 March 2021 in order to repay all remaining investor loan notes, reducing interest accrued and securing the financial security of the group. This loan matures on 31 March 2027. All investor loan notes were de-listed and settled on 22 April 2021.

This report was approved by the board and signed on its behalf.



S Tray
Director

Date: 19 May 2021

MiQ Digital Limited

Directors' Report for the Year Ended 31 December 2020

The directors present their annual report on the affairs of the group, together with the financial statements and auditor's report, for the year from 1 January 2020 to 31 December 2020.

Results and dividends

The profit for the year before taxation, amounted to \$21.8m (2019 - \$14.1m).

A dividend of \$nil was issued during the year (2019 - \$Nil).

No subsequent dividends have been proposed.

Directors

The directors who served during the year and up to the date of signing were:

G Hundal
L Puri
S Tray

Matters covered in the strategic report

Under section 414C(11) of the Act, the directors may include in the strategic report such of the matters otherwise required by regulations made under section 416(4) to be disclosed in the directors report as the directors consider otherwise are of strategic importance to the company, this includes discussion on actions taken by the directors on employee welfare and engagement, supplier relationships, financial risk management objectives and policies, events that have occurred since the balance sheet date, and future developments.

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report. This indemnity has also been made for the benefit of the directors of its associated companies during the year which remain in force at the date of this report.

Employee involvement

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group and the company. The group maintains an HR intranet site that providing employees with information on matters of concern to them as employees, including the financial and economic factors affecting the performance of the company. The intranet site includes functionality that enables employees to express views on matters that affect them anonymously and the group also undertakes a biennial staff survey to canvas views on significant matters. Employees' involvement in the company's performance is encouraged through a bonus and commission structure that is driven directly by the performance of the business.

Energy and carbon reporting

The group is classed as a large unquoted company and is subject to complete environmental reporting, however as energy use in the UK is below 40MWH threshold the group is classed as a low energy user it is not required to make the detailed disclosures of energy and carbon information.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the group and the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

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Directors' Report for the Year Ended 31 December 2020 (continued)

Going concern

In considering the appropriateness of the going concern basis the board have reviewed the key risks and uncertainties to which they believe the group is exposed, the group's ongoing financial commitments and the availability of sufficient resources for the next twelve months from the date of signing the financial statements and beyond. The Directors have accordingly adopted the going concern basis in preparing these financial statements.

In considering the forecast trading performance of the company and the group, the directors have considered the ongoing impact of the coronavirus pandemic. The assessment made recognises the inherent uncertainty associated with any forecasting at the present time, and, whilst the trading performance of the Group has remained robust over the pandemic, the board has considered various sensitivities and current financing arrangements when assessing the consolidated income statement and cash flow forecasts. The sensitivities considered the impact of year on year revenue reductions ranging up to 40% on profitability and cash flows.

In assessing the appropriateness of the going concern assumption, the directors have considered the ability of the group to maintain adequate liquidity through the forecast period as well as meeting the covenants associated with its \$64.2 senior term loan and £10m revolving credit and overdraft facility ("RCF"). The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group is able to operate comfortably within the level of its current facilities and meet its debt covenant obligations. The group's current bank facilities comprise a senior term loan, a revolving credit facility and an overdraft and currently have a maturity date of 31 March 2027. The directors have taken into account contractual interest payments and the repayment of all drawn facilities in line with the current maturity profile in assessing the group's ability to maintain adequate liquidity through the forecast period. The group has cash of \$19.3m at the date of this report.

Based on the latest 12-month forecast reviewed by the board, sensitivities have been modelled above the base case to understand the impact of the various risks outlined above on the group's debt covenants/cash headroom. EBITDA would need to drop by over 50% before engaging in any actions to mitigate the decline in order to breach the leverage covenant. Cash would need to drop by over 100% before engaging in any action to action to mitigate the decline in order to breach the cash headroom.

Given the current demand for services across the group at the date of this report, the assumptions in these sensitivities, when taking into account the factors set out above, are considered highly unlikely to lead to breaches of either the debt covenant breach or the cash headroom.

During the year, the group did receive for government funding in the US, Canada, Australia and Singapore due to doubts over cash flow amid initial market uncertainty. However, the group recovered strongly in the second half of the year in both trading and cash flow perspectives, meaning free cash reserves were not in danger.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and that it remains appropriate to continue to adopt the going concern basis in preparing the annual report and financial statements. The ultimate holding company, Insight Topco Limited has provided guarantees and letter of support for its subsidiaries' obligations.

Existence of branches

The company has a branch as defined in section 1046(3) of the Companies Act 2006, in Germany. The figures for which are included within the company figures.

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and

MiQ Digital Limited

Directors' Report for the Year Ended 31 December 2020 (continued)

- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the group's auditor is aware of that information.

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

Auditor

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



S Tray
Director

Date: 19 May 2021

MiQ Digital Limited

Directors' Responsibilities Statement for the Year Ended 31 December 2020

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MiQ Digital Limited

Independent Auditor's Report to the Members of MiQ Digital Limited for the Year Ended 31 December 2020

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of MiQ Digital Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows; and
- the related notes 1 to 30.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

MiQ Digital Limited

Independent Auditor's Report to the Members of MiQ Digital Limited for the Year Ended 31 December 2020 (continued)

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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 auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, those charged with governance and others within the entity about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the General Data Protection Regulation ("GDPR"), California Consumer Privacy Act ("CCPA"), non-EU Data Regulations, VAT and Corporation Tax Law and the UK Companies Act 2006; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included The Health and Safety at Work Act, Management of Health and Safety at Work Regulations, The Money Laundering Regulations, the UK Bribery Act and the Employment Act.

We discussed among the audit engagement team including relevant internal specialists such as tax, IT and industry specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it is described below:

- **Accuracy of rebate amounts recognised in accordance with underlying agreements:**
We evaluated the design and implementation of the relevant control for the calculation of rebates. We held discussions with senior finance personnel to understand the rebates provided to customers and therefore recognised in the year. We tested the rebate accrual and profit and loss amounts by tracing a sample of items to rebate agreements and performing a recalculation of the rebate amount according to the key terms and agreed the rebate to invoices.

MiQ Digital Limited

Independent Auditor's Report to the Members of MiQ Digital Limited for the Year Ended 31 December 2020 (continued)

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims; and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC and other relevant tax authorities including the Internal Revenue Service (United States).

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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

K. Darlison

Kate Darlison, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
19 May 2021

MiQ Digital Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2020

		2020 \$'000	2019 ² \$'000 (Restated)
	Note		
Turnover	4	337,498	289,650
Cost of sales		(245,907)	(204,884)
Gross profit		<u>91,591</u>	<u>84,766</u>
Administrative expenses		(70,900)	(67,666)
Other income		1,186	-
Operating profit	5	<u>21,877</u>	<u>17,100</u>
Interest receivable and similar income	10	7	14
Interest payable and similar expenses	11	(90)	(9)
Profit before taxation		<u>21,794</u>	<u>17,105</u>
Tax on profit	12	(5,916)	(2,991)
Profit for the year		<u>15,878</u>	<u>14,114</u>
Foreign exchange differences		2,277	1,222
Total comprehensive income for the year		<u>18,155</u>	<u>15,336</u>

These results are all from continuing operations

The notes on pages 20 to 46 form part of these financial statements.

² Prior year figures were restated to reflect a change in accounting policy to reflect the capitalisation of intangible assets. See Note 28 for an illustration of the impact on the financial statements. A prior year error has also been adjusted in relation to revenue recognition and cost of sales. See Note 29 for more information.

MiQ Digital Limited
Registered number: 07321732

Consolidated Balance Sheet
as at 31 December 2020

	Note	2020 \$'000	2019 ³ \$'000 (Restated)
Fixed assets			
Intangible Assets	13	3,282	1,607
Tangible assets	14	1,909	2,330
Investments	15	1,057	-
Current assets			
Debtors: amounts falling due within one year	16	177,501	124,607
Cash at bank and in hand	17	14,833	8,462
		<u>192,334</u>	<u>133,069</u>
Creditors: amounts falling due within one year	17	(138,554)	(95,133)
Net current assets		<u>53,780</u>	<u>37,936</u>
Total assets less current liabilities		<u>60,028</u>	<u>41,873</u>
Net assets		<u><u>60,028</u></u>	<u><u>41,873</u></u>
Capital and reserves			
Called up share capital	21	1	1
Profit and loss account	22	60,027	41,872
Equity attributable to owners of the parent company		<u><u>60,028</u></u>	<u><u>41,873</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



S Tray
Director

Date: 19 May 2021

The notes on pages 20 to 45 form part of these financial statements.

³ Prior year figures were restated to reflect a change in accounting policy to reflect the capitalisation of intangible assets. See Note 28 for an illustration of the impact on the financial statements.

MiQ Digital Limited
Registered number: 07321732

Company Balance Sheet
as at 31 December 2020

	Note	2020 \$'000	2019 ⁴ \$'000 (Restated)
Fixed assets			
Intangible assets	13	3,282	1,607
Tangible assets	14	415	450
Investments	15	2,229	1,167
		<u>5,926</u>	<u>3,224</u>
Current assets			
Debtors: amounts falling due within one year	16	145,817	107,114
Cash at bank and in hand	17	2,673	2,273
		<u>148,490</u>	<u>109,387</u>
Creditors: amounts falling due within one year	18	(97,560)	(76,464)
Net current assets		<u>50,930</u>	<u>32,923</u>
Total assets less current liabilities		<u>56,856</u>	<u>36,147</u>
Net assets		<u>56,856</u>	<u>36,147</u>
Capital and reserves			
Called up share capital	21	1	1
Profit and loss account	22	56,855	36,146
		<u>56,856</u>	<u>36,147</u>

The profit for the financial year dealt with in the financial statements of the parent company was \$17,710,928 (2019: \$14,220,290).

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



S Tray
Director

Date: 19 May 2021

The notes on pages 22 to 45 form part of these financial statements.

⁴ Prior year figures were restated to reflect a change in accounting policy to reflect the capitalisation of intangible assets. See Note 28 for an illustration of the impact on the financial statements.

MiQ Digital Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2020

	Called up share capital	Profit and loss account	Total equity
	\$000	\$000	\$000
At 1 January 2020	1	41,872	41,873
Profit for the year	-	15,878	15,878
Foreign exchange movement	-	2,277	2,277
Total comprehensive income	-	18,155	18,155
At 31 December 2020	<u>1</u>	<u>60,027</u>	<u>60,028</u>

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2019 (Restated)⁵

	Called up share capital	Profit and loss account	Total equity
	\$000	\$000	\$000
At 1 January 2019	1	26,536	26,537
Profit for the year	-	14,114	14,114
Foreign exchange movement	-	1,222	1,222
Total comprehensive income	-	15,336	15,336
At 31 December 2019	<u>1</u>	<u>41,872</u>	<u>41,873</u>

The notes on pages 22 to 45 form part of these financial statements.

⁵ Prior year figures were restated to reflect a change in accounting policy to reflect the capitalisation of intangible assets. See Note 28 for an illustration of the impact on the financial statements. A prior year error has also been adjusted in relation to revenue recognition and cost of sales. See Note 29 for more information.

MiQ Digital Limited

Company Statement of Changes in Equity for the Year Ended 31 December 2020

	Called up share capital \$000	Profit and loss account \$000	Total equity \$000
At 1 January 2020	1	36,146	36,147
Profit for the year	-	17,711	17,711
Foreign exchange movement	-	2,998	2,998
Total comprehensive income	-	20,709	20,709
At 31 December 2020	1	56,855	56,856

Company Statement of Changes in Equity for the Year Ended 31 December 2019 (Restated)⁶

	Called up share capital \$000	Profit and loss account \$000	Total equity \$000
At 1 January 2019	1	18,600	18,601
Profit for the year	-	14,220	14,220
Foreign exchange movement	-	3,326	3,326
Total comprehensive income	-	17,546	17,546
At 31 December 2019	1	36,146	36,147

The notes on pages 22 to 45 form part of these financial statements.

⁶ Prior year figures were restated to reflect a change in accounting policy to reflect the capitalisation of intangible assets. See Note 28 for an illustration of the impact on the financial statements. A prior year error has also been adjusted in relation to revenue recognition and cost of sales. See Note 29 for more information.

MiQ Digital Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2020

	2020 \$000	2019 ⁷ \$000 (Restated)
Cash flows from operating activities		
Profit before tax for the financial year	21,794	17,105
Adjustments for:		
Depreciation of tangible assets	1,197	1,106
Loss on disposal of tangible assets	7	59
Amortisation of intangible assets	896	350
Interest paid	90	9
Interest received	(7)	(14)
Increase in debtors	(10,965)	(10,685)
Increase in creditors	41,426	14,117
Government grants	3,033	
Corporation tax paid	(8,630)	(883)
Net cash generated from operating activities	48,841	21,164
Cash flows used in investing activities		
Purchase of tangible fixed assets	(756)	(1,617)
Capitalised development costs	(2,570)	(1,957)
Interest received	7	14
Investment in minority interests	(1,057)	-
Net cash used in investing activities	(4,377)	(3,560)

⁷ Prior year figures were restated to reflect a change in accounting policy to reflect the capitalisation of intangible assets. See Note 28 for an illustration of the impact on the financial statements..

MiQ Digital Limited

Consolidated Statement of Cash Flows (continued) for the Year Ended 31 December 2020

	2020 \$000	2019 \$000 (Restated)
Cash flows used in financing activities		
Increase in amounts owed by group undertakings	(39,697)	(12,443)
Interest paid	(90)	(9)
Credit facility repayment	719	(7,877)
Net cash used in financing activities	(39,068)	(20,329)
Foreign exchange differences	976	107
Net increase/(decrease) in cash and cash equivalents	6,371	(2,618)
Cash and cash equivalents at beginning of year	8,462	11,080
Cash and cash equivalents at the end of year	<u>14,833</u>	<u>8,462</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	15,832	8,742
Bank overdrafts	(999)	(280)
	<u>14,833</u>	<u>8,462</u>

The notes on pages 22 to 45 form part of these financial statements.

MiQ Digital Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

1. General information

MiQ Digital Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is given on the company information page and the nature of the company's operations are set out in the strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgment in applying the group's accounting policies (see Note 3).

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, which meets the definition of a qualifying entity, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No statement of cash flows has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosures have been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the company as a whole.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the company and its own subsidiaries ("the group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

MiQ Digital Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

2.3 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the group and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, net of discounts, volume rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Turnover for the provision of services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, turnover is recognised only to the extent of the expenses recognised that are recoverable.

In the year, following a technical review of contractual terms, the group has corrected an error in relation to the recognition of certain volume rebates within cost of sales rather than revenue. This error is valued at \$13.5m in the year (2019: \$10.1m). For an illustration of the impact on the financial statements, refer to Note 29.

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical 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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- 5% - 20%
Fixtures, fittings and equipment	- 10% - 25%
Office equipment	- 25% - 40%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income.

2.5 Intangible fixed assets

The value of the technology assets will be amortised over its useful economic life of 3-5 years, depending on whether each asset relates to long-term platform development or advanced product functionality which may be superseded by technological developments in a shorter period. The technology is continually under development to prevent it becoming obsolete. Due to the business-

MiQ Digital Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

related nature of these technology assets, amortisation is included with cost of sales.

Assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss. An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Impairment of goodwill is never reversed.

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. At each balance sheet date, investments are assessed for indicators of impairment. If there is such an indicator, the recoverable amount of the asset is compared to the carrying amount of the investment.

The recoverable amount of the asset is the higher of fair value less costs to sell and value in use.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment and subsequently measured at amortised cost.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the group's cash management.

2.9 Financial instruments

The group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the consolidated statement of comprehensive income.

MiQ Digital Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.10 Creditors

Short term creditors are measured at the transaction price and subsequently measured at amortised cost.

2.11 Foreign currency translation

Functional and presentation currency

The financial statements have been presented in US dollars. Functional currency for the company remains GBP with the group headquarters in the United Kingdom.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'administrative expenses'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'administrative expenses'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.12 Finance costs

Finance costs are charged to the consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

MiQ Digital Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

2.13 Operating leases: the group as lessee

Rentals paid under operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.14 Pensions

Defined contribution pension plan

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations.

The contributions are recognised as an expense in the consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the consolidated balance sheet. The assets of the plan are held separately from the group in independently administered funds.

2.15 Interest income

Interest income is recognised in the consolidated statement of comprehensive income using the effective interest method.

2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company and the group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

MiQ Digital Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

2.17 Government grants

All government grants relate to schemes made available in light of the Covid-19 pandemic and have been recognised in line with the accrual model. Any associated costs have also been recognised in the year. Government grants are recognised as other income within operating profit only after the group has been informed it will not be required to repay the amount due to unfulfilled conditions or other contingencies therein.

2.18 Research and development

In the research phase of an internal projects related to new software tools or platforms it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria in line with FRS102 are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight-line basis over their useful economic lives, which range from 3 to 5 years. Due to the iterative nature of software development, research, development and maintenance work on projects can take place concurrently, with capitalisation criteria set out in Note 2.5 above. As project workers may work on several projects concurrently, research, development and maintenance work is classified by the type of task being performed.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only

It should be noted that the group changed its accounting policy in the year, capitalising an additional \$2.6m of assets that would previously have been expensed. A prior year adjustment of \$2.0m was also recorded. The impact of the change in accounting policy on prior year financial statements is illustrated in Note 28.

2.19 Going concern

In considering the appropriateness of the going concern basis the board have reviewed the key risks and uncertainties to which they believe the group is exposed, the group's ongoing financial commitments and the availability of sufficient resources for the next twelve months from the date of signing the financial statements and beyond. The Directors have accordingly adopted the going concern basis in preparing these financial statements.

In considering the forecast trading performance of the company and the group, the directors have considered the ongoing impact of the coronavirus pandemic. The assessment made recognises the inherent uncertainty associated with any forecasting at the present time, and, whilst the trading performance of the Group has remained robust over the pandemic, the board has considered various sensitivities and current financing arrangements when assessing the consolidated income statement and cash flow forecasts. The sensitivities considered the impact of year on year revenue reductions ranging up to 40% on profitability and cash flows.

In assessing the appropriateness of the going concern assumption, the directors have considered the ability of the group to maintain adequate liquidity through the forecast period as well as meeting the covenants associated with its \$64.2 senior term loan and £10m revolving credit and overdraft facility ("RCF"). The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group is able to operate comfortably within the level of its current facilities and meet its debt covenant obligations. The group's current bank facilities comprise a senior term loan, a revolving credit facility and an overdraft and currently have a maturity date of 31 March 2027. The directors have taken into account contractual interest payments and the repayment of all drawn facilities in line with the current maturity profile in assessing the group's ability to maintain adequate liquidity through the forecast period. The group has cash of \$19.3m at the date of this report.

MiQ Digital Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

Based on the latest 12-month forecast reviewed by the board, sensitivities have been modelled above the base case to understand the impact of the various risks outlined above on the group's debt covenants/cash headroom. EBITDA would need to drop by over 50% before engaging in any actions to mitigate the decline in order to breach the leverage covenant. Cash would need to drop by over 100% before engaging in any action to action to mitigate the decline in order to breach the cash headroom.

Given the current demand for services across the group at the date of this report, the assumptions in these sensitivities, when taking into account the factors set out above, are considered highly unlikely to lead to breaches of either the debt covenant breach or the cash headroom.

During the year, the group did receive for government funding in the US, Canada, Australia and Singapore due to doubts over cash flow amid initial market uncertainty. However, the group recovered strongly in the second half of the year in both trading and cash flow perspectives, meaning free cash reserves were not in danger.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and that it remains appropriate to continue to adopt the going concern basis in preparing the annual report and financial statements. The ultimate holding company, Insight Topco Limited has provided guarantees and letter of support for its subsidiaries' obligations.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements made in the process of preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances:

a) Key judgement in applying the group's accounting policies

Classification and valuation of intangible fixed asset amortisation

Consideration is given to the fundamental relationship between internally generated software assets and the company's ability to generate revenue on programmatic advertising campaigns. While the company is not a SAAS business, the directors have determined that software products developed underpin the managed service offered to advertisers, making amortisation of these assets a genuine cost of sale.

Classification of commercial rebates

Commercial agreements with agencies vary in terms and nature. Classification of whether these amounts as revenue or cost of sales is reviewed annually in line with FRS102. Discounts and volume rebates are applied and presented as netting off against revenue. Agency commission payments are classified as cost of sales based on a technical assessment of the nature of the charges with consideration given to the agency-principal concept based on the substance of an agreement over legal form.

a) Key accounting estimates and assumptions

Valuation of intangible fixed assets

The group internally generates software assets, recognised annually and as a result of business combinations. The valuation of these assets requires judgement in identifying the underlying internal cost of both goodwill and software, and subsequent indicators of impairment that meet the recognition criteria in FRS102 and in attributing fair value.

Judgement is required in assessing the useful economic lives of intangible fixed assets and goodwill and the proportion of payroll costs that are classified as development costs rather than research or maintenance as determined under UK GAAP. This assessment is based on analysis performed on historic group data and the directors' best estimate of the life of the asset and of its residual value at the end of its useful economic life.

MiQ Digital Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

Recoverable value of trade and other debtors (see Note 16)

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considered factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

Valuation of commercial rebates

The company maintains rebate agreements with customers and other parties. The calculation and classification of such rebate balances can be complex and require management estimates in line with contractual terms if both parties have not settled totals by the date of signing the financial statements. Agreements are reviewed annually and rebate values are estimated monthly based on percentage of turnover or turnover less direct costs.

4. Turnover

All turnover is generated from the same class of business. Analysis of turnover by country of origin:

	2020	2019
	\$'000	\$'000 ⁸ (Restated)
United Kingdom	43,195	48,592
Rest of Europe	2,290	3,079
Rest of the world	292,013	237,979
	<u>337,498</u>	<u>289,650</u>

5. Operating profit

The operating profit is stated after charging:

	2020	2019
	\$'000	\$'000 (Restated)
Research & development charged as an expense	900	1,435
Depreciation of tangible fixed assets	1,196	1,106
Exchange (gains)/losses	(1,120)	1,832
Amortisation of intangible fixed assets	896	350
Operating lease rentals	4,567	3,293

⁸ A prior year error has also been adjusted in relation to revenue recognition and cost of sales. See Note 29 for more information.

MiQ Digital Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

6. Auditor's remuneration

	2020 \$'000	2019 \$'000
Fees payable to the group's auditor for the audit of the group's annual financial statements.	<u>221</u>	<u>147</u>

No non-audit services have been provided in the current or prior years.

7. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2020 \$'000	Group 2019 \$'000 (Restated)	Company 2020 \$'000	Company 2019 \$'000 (Restated)
Wages and salaries	83,460	67,525	15,618	13,893
Social security costs	5,901	4,592	2,383	2,153
Cost of defined contribution scheme	654	570	408	369
	<u>90,015</u>	<u>72,687</u>	<u>18,409</u>	<u>16,415</u>

The average monthly number of employees, including the directors, during the year was as follows:

	Group 2020	Group 2019	Company 2020	Company 2019
Directors and global board	6	6	6	6
Programmatic media operations	299	265	75	73
Technology and analytics	259	237	26	25
Administration	111	102	33	35
	<u>675</u>	<u>610</u>	<u>139</u>	<u>139</u>

MiQ Digital Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

8. Directors' remuneration

	2020 \$'000	2019 \$'000
Directors' emoluments	<u>-</u>	<u>-</u>

Insight Bidco Limited, the immediate parent company of MiQ Digital Limited, bears all directors' costs within the group. Directors' emoluments are paid by a fellow subsidiary which makes no recharge to the company. The directors are directors of the parent company and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of emoluments in respect of each of the subsidiaries. Total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the parent company.

There are no directors accruing retirement benefits under money purchase or defined benefit schemes. No directors exercised share options during the year.

9. Government grants

	2020 \$000	2019 \$000
Government grants	<u>1,186</u>	<u>-</u>

In 2020, government grants of \$1,185,684 were received as part of Government initiatives in several countries to provide immediate financial support as a result of the covid pandemic. There are no future related costs in respect of these grants which were received solely as compensation for costs incurred in the year.

An amount of \$3,033,187 was received under the Paycheck Protection Program. As of 31 December 2020, the group has not been informed if the loan has been forgiven. This amount has included in current balance sheet accruals at year end in line with FRS102 recognition criteria which states the value should be recognised as income upon forgiveness.

10. Interest receivable and similar income

	2020 \$'000	2019 \$'000
Other interest receivable	<u>7</u>	<u>14</u>

11. Interest payable and similar expenses

	2020 \$'000	2019 \$'000
Bank interest payable	<u>90</u>	<u>9</u>

MiQ Digital Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

12. Taxation

	2020 \$'000	2019 \$'000 (Restated)
Corporation tax		
Current tax on profits for the year	3,184	1,965
Adjustments in respect of previous periods	256	(68)
Foreign tax relief/other relief	(42)	-
	<u>3,398</u>	<u>1,897</u>
Foreign tax		
Foreign tax on income for the year	3,414	1,966
Foreign tax adjustment in respect of prior periods	1,345	(280)
Total current tax	<u>8,157</u>	<u>3,583</u>
Deferred tax		
Origination and reversal of timing differences	(2,301)	4
Adjustment in respect of previous periods	27	(599)
Effect of changes in tax rates	33	3
Total deferred tax	<u>(2,241)</u>	<u>(592)</u>
Taxation on profit	<u>5,916</u>	<u>2,991</u>

MiQ Digital Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 \$'000	2019 \$'000
Profit before tax	<u>21,794</u>	<u>17,105</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	4,141	3,250
Effects of:		
Expenses not deductible for tax purposes	492	635
Higher rate taxes on overseas earnings	(150)	39
Non-taxable income	(148)	(147)
Adjustments from previous periods	1,627	(947)
Tax rate changes	33	2
Effects of loss relief	(887)	(1,134)
Deferred tax previously unrecognised	808	1,293
Total tax charge for the year	<u><u>5,916</u></u>	<u><u>2,991</u></u>

Factors that may affect future tax charges

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%. Deferred taxes on the balance sheet have been measured at 19% (2019 – 17%) which represents the future corporation tax rate that was substantively enacted at the balance sheet date.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end. If the group's deferred tax balances at the period end were remeasured at 25% this would result in a deferred tax credit of \$2,178,027.

MiQ Digital Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

13. Intangible fixed assets

Group and Company

	Technology Asset \$000	Total \$000
Cost		
At 1 January 2020	1,957	1,957
Additions	2,570	2,570
At 31 December 2020	<u>4,527</u>	<u>4,527</u>
Amortisation		
At 1 January 2020	350	350
Charge for the period	896	896
At 31 December 2020	<u>1,246</u>	<u>1,246</u>
Net book value		
At 31 December 2020	3,282	3,282
At 31 December 2019	1,607	1,607

Development costs in relation to the technology asset have been capitalised in accordance with the requirements of FRS 102, which allows for an election to be made regarding the capitalisation of software development costs if certain criteria are met, and are therefore not treated as a realised loss in the year of expenditure. In the year, the directors decided to adopt a change in accounting policy for the group in 2020, to capitalise development costs in the year in order to bring group policies in line with the industry norm. Consequently, prior year values have also been restated as illustrated in Note 28.

The value of the technology assets will be amortised over its useful economic life of 3-5 years. The technology is continually under development to prevent it becoming obsolete. On average, the entirety of the technology stack is replaced every 5 years.

MiQ Digital Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

14. Tangible fixed assets

Group

	Leasehold improvements \$'000	Fixtures, fittings & equipment \$'000	Office equipment \$'000	Total \$'000
Cost				
At 1 January 2020	1,852	1,016	2,762	5,630
Additions	166	39	551	756
Disposals	-	-	(171)	(171)
Exchange differences	22	6	40	68
At 31 December 2020	<u>2,040</u>	<u>1,061</u>	<u>3,182</u>	<u>6,283</u>
Depreciation				
At 1 January 2020	(1,020)	(562)	(1,719)	(3,300)
Charge for the year	(372)	(201)	(624)	(1,197)
Disposals	-	-	164	164
Exchange differences	(8)	(7)	(25)	(40)
At 31 December 2020	<u>(1,400)</u>	<u>(770)</u>	<u>(2,203)</u>	<u>(4,373)</u>
Net book value				
At 31 December 2020	<u>640</u>	<u>291</u>	<u>978</u>	<u>1,909</u>
At 31 December 2019	<u>832</u>	<u>454</u>	<u>1,044</u>	<u>2,330</u>

MiQ Digital Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

14. Tangible fixed assets (continued)

Company

	Leasehold improvements \$'000	Fixtures, fittings & equipment \$'000	Office equipment \$'000	Total \$'000
Cost				
At 1 January 2020	448	107	717	1,272
Additions	90	-	97	187
Exchange differences	20	4	28	52
At 31 December 2020	<u>558</u>	<u>111</u>	<u>842</u>	<u>1,511</u>
Depreciation				
At 1 January 2020	(289)	(74)	(459)	(822)
Charge for the year on owned assets	(75)	(14)	(146)	(235)
Exchange differences	(14)	(3)	(22)	(39)
At 31 December 2020	<u>(378)</u>	<u>(91)</u>	<u>(627)</u>	<u>(1,096)</u>
Net book value				
At 31 December 2020	<u>180</u>	<u>20</u>	<u>215</u>	<u>415</u>
At 31 December 2019	<u>159</u>	<u>33</u>	<u>258</u>	<u>450</u>

MiQ Digital Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

15. Fixed asset investments

Company

	Other investments \$000	Investments in subsidiary companies \$000
Cost		
At 1 January 2020	-	1,167
Investment in Infosum	1,057	-
Retranslation	-	5
At 31 December 2020	<u>1,057</u>	<u>1,172</u>
Net book value		
At 31 December 2020		<u>2,229</u>
At 31 December 2019		<u>1,167</u>

Please see note 27 for details of subsidiaries.

During the year, the company invest \$1.1m in a 1% investment in InfoSum, a data management software company and strategic partner for the group.

16. Debtors

	Group 2020 \$'000	Group 2019 \$'000	Company 2020 \$'000	Company 2019 \$'000
Trade debtors	107,897	99,441	14,509	15,586
Amounts owed by group undertakings	58,093	18,401	125,287	88,519
Other debtors	-	635	6	623
Deferred tax (Note 20)	3,157	926	19	27
Prepayments and accrued income	8,354	5,204	5,996	2,359
	<u>177,501</u>	<u>124,607</u>	<u>145,817</u>	<u>107,114</u>

MiQ Digital Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

Included within the trade debtors balance is a provision for bad debts of \$615,562 (2019 - \$435,632).

Amounts owed from group undertakings are chargeable at a 0% interest rate and repayable on demand.

17. Cash and cash equivalents

	Group 2020 \$'000	Group 2019 \$'000	Company 2020 \$'000	Company 2019 \$'000
Cash at bank and in hand	15,832	8,742	2,673	2,273
Less: bank overdrafts	(999)	(280)	-	-
	<u>14,833</u>	<u>8,462</u>	<u>2,673</u>	<u>2,273</u>

18. Creditors: Amounts falling due within one year

	Group 2020 \$'000	Group 2019 \$'000	Company 2020 \$'000	Company 2019 \$'000
Trade creditors	67,856	51,447	64,406	49,153
Corporation tax	3,383	4,680	1,133	2,024
Deferred tax (Note 20)	290	31	290	57
Other taxation and social security	2,659	2,939	3,200	3,310
Other creditors	984	254	6	77
Accruals and deferred income	63,382	35,782	28,525	21,843
	<u>138,554</u>	<u>95,133</u>	<u>97,560</u>	<u>76,464</u>

Amounts owed to group undertakings are chargeable at a 0% interest rate and repayable on demand.

MiQ Digital Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

19. Financial instruments

	Group 2020 \$'000	Group 2019 \$'000
Financial assets		
Cash at bank and in hand	14,833	8,462
Financial assets that are debt instruments measured at amortised cost	174,344	123,681
	<u>189,177</u>	<u>132,143</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(133,220)</u>	<u>(87,483)</u>

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise bank overdrafts, trade creditors, other creditors and accruals.

20. Deferred taxation

Group

	2020 \$000	2019 \$000
At beginning of year	(895)	(299)
Adjustment in respect of prior years	300	(599)
Charged to the statement of comprehensive income	(2,268)	7
Other – Foreign Exchange	(4)	(4)
At end of year	<u>(2,867)</u>	<u>(895)</u>

MiQ Digital Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

Deferred tax (assets)

Net asset	(3,157)	(926)
At end of year	<u>(3,157)</u>	<u>(926)</u>

Deferred tax liabilities

Net liability	290	31
At end of year	<u>290</u>	<u>31</u>

Company

	2020 \$000	2019 \$000
At beginning of year	31	32
Adjustment in respect of prior years	287	-
Charged to the statement of comprehensive income	(47)	(1)
At end of year	<u>271</u>	<u>31</u>

The provision for deferred taxation is made up as follows:

	Group 2020 \$000	Group 2019 \$000	Company 2020 \$000	Company 2019 \$000
Fixed asset timing differences	334	157	290	57
Short term timing differences	(3,092)	(1,052)	(19)	(27)
Losses	(109)	-	-	-
	<u>(2,867)</u>	<u>(895)</u>	<u>271</u>	<u>30</u>

MiQ Digital Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

21. Share capital

	2020	2019
	\$	\$
Shares classified as equity		
Allotted, called up and fully paid		
14,000- Ordinary A shares of £0.01 each	178	178
5,700- Ordinary B shares of £0.01 each	72	72
300- Ordinary C shares of £0.01 each	4	4
	<u>254</u>	<u>254</u>

Ordinary A shares carry full voting, dividend and capital contribution rights (including on a winding up), but do not confer any rights of redemption.

Ordinary B shares carry the right to dividends of at least 5% more than that of the Ordinary C shares, and capital distribution rights (including on a winding up), but do not carry voting rights or confer any rights of redemption.

Ordinary C shares carry the right to receive dividends and capital distribution rights (including on a winding up), but do not carry voting rights or confer any rights of redemption.

22. Reserves

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and foreign exchange differences that arise on consolidation of foreign subsidiaries.

23. Pension commitments

The pension cost charge represents contributions payable by the group to the funds and amounted to \$655,000 (2019: \$570,000). Contributions totalling \$73,000 (2019: \$122,000) were payable to the funds at the period end.

MiQ Digital Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

24. Commitments under operating leases

At 31 December 2020 the group and the company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2020 \$000	Group 2019 \$000	Company 2020 \$000	Company 2019 \$000
Not later than one year	4,897	4,441	640	534
Later than one year and not later than five years	15,409	18,942	1,919	1,240
Later than five years	7,667	7,667	-	--
	<u>27,973</u>	<u>31,050</u>	<u>2,559</u>	<u>1,774</u>

25. Related party transactions

The total remuneration for key management personnel for the year totalled \$1,627,418 (2019: \$2,498,329). No dividends were paid to directors during the year.

Exemption has been taken from disclosing transactions with other group companies.

26. Controlling party

The group is controlled by Insight Bidco Limited.

The company's immediate holding company is Insight Bidco Limited which is the smallest group the company is a member of, for which group accounts are drawn up. The largest group which the company is a member of, for which group accounts are drawn up, is Insight Topco Limited.

The registered office address of the above companies is set out below:

6th Floor
Charlotte Building
17 Gresse Street
London
W1T 1QL

MiQ Digital Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

27. Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
MiQ Digital India Private Limited	Ordinary	100%	Programmatic media
MiQ Digital USA, Inc.	Ordinary	100%	Programmatic media
MiQ Digital Canada, Inc.	Ordinary	100%	Programmatic media
MiQ Digital Australia PTY Ltd.	Ordinary	100%	Programmatic media
MiQ Digital Singapore PTE Ltd.	Ordinary	100%	Programmatic media
MiQ Digital Commercial Private Ltd.	Ordinary	100%	Programmatic media
MiQ Digital Nominees Limited	Ordinary	100%	Shareholder Trust
MiQ Digital Sdn. Bhd.	Ordinary	100%	Programmatic media
MiQ Digital (Thailand) Co., Ltd.	Ordinary	100%	Programmatic media
MiQ Digital (Shanghai) Co., Ltd	Ordinary	100%	Programmatic media

The registered office of MiQ Digital India Private Limited is 204-206, Siddhartha Chambers, Near IIT Gate, Hauz Khas, New Delhi-110016.

The registered office of MiQ Digital USA, Inc is 108 West 13th Street, Wilmington, Delaware 19801 (New Castle County).

The registered office of MiQ Digital Canada, Inc. is 371 Queen Street Suite 400, Fredericton NB, E3B 1B1, Canada.

The registered office of MiQ Digital Australia PTY Ltd. is Muse House, 74-76 Campbell Street, Surrey Hills, NSW 2010.

The registered office of MiQ Digital Singapore PTE Ltd. is 15-137, 71 Robinson, Singapore 68895.

The registered office of MiQ Digital Commercial Private Limited is 204-206, Siddhartha Chambers, Near IIT Gate, Hauz Khas, New Delhi-110016.

The registered office of MiQ Digital Nominees Limited is 6th Floor Charlotte House, 17 Gresse Street, London, United Kingdom, W1T 1QL.

The registered office of MiQ Digital Sdn. Bhd. is No. 71, Jalan 109F, Plaza Danau 2, Taman Danau Desa 58100 Kuala Lumpur W. P. Kuala Lumpur, Malaysia.

The registered office of MiQ Digital (Thailand) Co., Ltd. is No. 286/279, Rattathibet Road, Bang Kraso Sub-district, Meuang Nonthaburi District, Nonthaburi.

The registered office of MiQ Digital (Shanghai) Co., Ltd is Unit 20108, Level 20, HKRI Center, Tower 2, 288 Shimen 1st Road, Jing'an District, Shanghai, China.

MiQ Digital Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

28. Change in accounting policy

Consolidated statement of changes in equity – Extract

	Profit and loss account \$000	Total \$000
At 31 December 2019 as previously stated	40,265	40,265
Changes in accounting policy	1,607	1,607
At 1 January 2020 as restated	41,872	41,872

Notes to the financial statements – Extract

Development costs in relation to the technology asset have been capitalised in accordance with FRS102, which allows for an election to be made regarding the capitalisation of software development costs, and are therefore not treated as a realised loss in the year of expenditure. Consequently, prior year values have also been restated.

The directors consider that as a technology-based company, reflecting the investment made on internally developed, value-generating products is a fairer presentation of the result and of the financial position of the group. The comparative figures in the primary statements and notes have been restated to reflect the new policy.

The effects of the change in policy are summarised below:

	2020 \$000	2019 \$000
Profit and loss account		
Cost of Sales:		
Capitalised development costs	2,570	1,957
Amortisation	(896)	(350)
Increase in profit for the financial year	<u>1,674</u>	<u>1,607</u>
Balance sheet		
Intangible assets		
Capitalised development costs	2,570	1,957
Amortisation	(896)	(350)
Increase in net assets	<u><u>1,674</u></u>	<u><u>1,607</u></u>

MiQ Digital Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

29. Prior period errors

In prior year, certain categories of volume rebates were recognised within cost of sales. Following an extensive technical review of contractual terms, the directors have determined these balances should be reflected as off-setting turnover in the financial statements.

The effects of the prior period error are summarised below:

	Turnover \$000	Cost of Sales \$000
Year ended 31 December 2019 as previously stated	299,782	(216,623)
Prior period error	(10,132)	10,132
Change in accounting policy (Note 28)	-	1,957
Reclassification of amortisation of technology asset	-	(350)
Year ended 31 December 2019 as restated	289,650	(204,884)

30. Events subsequent to the balance sheet date

The group has secured a bank loan for \$64.2m on 31 March 2021 in order to repay all remaining investor loan notes, reducing interest accrued and securing the financial security of the group. This loan matures on 31 March 2027. All investor loan notes were de-listed and settled on 22 April 2021.