

**Ocean Outdoor Limited**

**Annual Report and Consolidated Financial Statements  
Year ended 31 December 2019**

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## Key Highlights

The following headline financial information is on both the audited figures and unaudited proforma<sup>1</sup> figures for Ocean Outdoor Limited and its subsidiaries ("Ocean", "the Group" or "the Company"), with comparisons between FY19 and FY18.

### Financial reported highlights

- Billings<sup>2</sup> recognised by the Group in FY19 were £135.1m (FY18: £70.3m)
- Revenue generated by the business in the year totalled £104.0m (FY18: £49.8m)
- Group gross profit was £44.9m (FY18: £20.4m)
- Reported Adjusted EBITDA<sup>3</sup> was £52.7m (FY18: £16.9m)
- Cash on balance sheet of £26.9m (FY18: £160.5m), with no external borrowings
- Net assets balance of £369.2m (FY18: £387.6m)
- Cash generated from operations totalling £46.8m (FY18: £12.8)

### Financial unaudited proforma<sup>1</sup> highlights

- Billings<sup>2</sup> increased 14% year on year to £173.4m (FY18: £152.7m)
- Revenue rose 14% to £141.3m (FY18: £124.5m)
- Gross profit increased by 9% to £57.4m (FY18: £52.6m), with a gross profit margin of 40.6% (FY18: 42.2%)
- Adjusted EBITDA<sup>3</sup> up 9% to £33.2m (FY18: £30.4m), with an adjusted EBITDA margin of 23.5% (FY18: 24.4%)

### Operational highlights

- Completed five acquisitions:
  - Ngage Media B.V ("Ngage") and Ocean Outdoor Nederland B.V (Formerly called Interbest B.V, "Interbest") for a combined initial cash consideration of £44m
  - DKTD Media B.V ("Beyond Outdoor"), adding another 8 screen locations in the Netherlands
  - Ocean Outdoor Nordics VA Holding AB (Formerly called Visual Art Sweden Holding AB, "Visual Art"), a Sweden based media sales and digital signage group operating 25,000 screens across 24 countries, for £58m
  - AdCityMedia AB ("ACM"), a premium out-of-home operator based in Sweden focussed on large format digital and high-end city centre locations across the Nordics, for £24m
- Purchasing the landlord agreements for the large format displays of Clear Channel across the Netherlands
- Awarded long-term contracts with Glasgow City Council and Southampton City Council, to redevelop and introduce new large format digital screens
- Successful extension of the iconic BFI IMAX and LandSec's Piccadilly Lights contract
- Concluded rollout of 128 roadside digital 6-sheet faces across the Midlands
- Exclusive partnership with the UK's largest commercial broadcaster ITV, to broadcast live content and highlight packages from the Rugby World Cup 2019
- Sponsorship deal with DS Automobiles in association with Ocean's coverage of Formula E

<sup>1</sup> Ocean Outdoor Limited was an investment vehicle at the start of FY18. Due to the mid-year acquisitions in FY18 of SCP Acquisition Topco Limited and Forrest Media (Holdings) Limited and the mid-year acquisition in FY19 of Ngage Media B.V Ocean Outdoor Nederland B.V, DKTD Media B.V, Ocean Outdoor Nordics VA Holding AB and AdCityMedia AB, the consolidated statement of profit and loss presented on page 23 does not provide a year on year comparison for the underlying performance and operations. The financial highlights detailed above are on an unaudited proforma basis for Ocean Outdoor Limited and all subsidiaries in the Group as at 31 December 2019 as if the same subsidiaries had been owned from 1 January 2018.

<sup>2</sup> Billings represent the advertising spend by the advertiser, including fees directly payable by the advertiser to their advertising agency, exclusive of sales tax.

<sup>3</sup> Adjusted EBITDA is the Earnings Before Interest, Tax, Depreciation, Amortisation and adjusted for one off items.

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## **Co - Chairmen's Statement**

It is with pleasure that we present to you, the shareholders, the Report and audited financial statements of Ocean Outdoor Limited for the year ended 31 December 2019.

### ***Introduction***

2019 was a transformational year for Ocean, one which saw the business progress from being a UK centric digital out-of-home operator to becoming a significant player across Northern Europe. Whilst this expansion happened, the business continued to innovate and invest in the portfolio in order to enhance our ability to deliver the most impactful campaigns and brand experiences, putting it at the leading edge of the digital out-of-home market.

Following Ocean's readmission to the London Stock Exchange at the start of the year, we successfully completed a series of acquisitions in line with our strategy, turning Ocean into a prominent digital out-of-home operator in its markets. At the same time, we have also met our organic growth targets as a result of winning new, major city contracts and significantly expanding our portfolio of premium roadside and city digital networks.

### ***Acquisitions and Developments***

Ocean established its presence in the Netherlands following the acquisitions of Interbest and Ngage. The Group's Dutch footprint was further expanded in May with the acquisition of Beyond Outdoor. Collectively these three businesses have been rebranded and relaunched as Ocean Netherlands following the integration process.

In September, we developed a substantial position in the Nordics through the acquisition of Visual Art, Sweden's largest pure-play digital out-of-home operator with more than 260 locations across a mix of retail, rail, airport and leisure destinations in 41 key cities in Sweden including Stockholm, Gothenburg and Malmö, as well as strong presence in Denmark and Finland, and reach into Germany through its retail OOH partnership with Unibail-Rodamco-Westfield, covering 15 shopping malls in Germany, including those in Berlin and Munich.

The Visual Art transaction also included the creation of a digital signage technology business, Visual Art Technologies, following Ocean's £13m investment. Visual Art Technologies designs, produces, installs, broadcasts and operates cutting edge, high tech-enabled digital signage systems and operates in 24 countries, with over 4,300 locations and over 25,000 screens for clients in all sectors. Some of its biggest clients include McDonald's, H&M and the supermarket chain ICA.

In November, we announced the intention to acquire our second Nordic business, ACM, on which we obtained control in December 2019. The company, based in Sweden, is a premium out-of-home operator focussed on large format digital and high-end city centre locations in Sweden and Norway with approximately 1,500 locations and approximately 4,500 digital screens across a mix of retail and leisure destinations in key cities including Stockholm, Gothenburg, Malmö and Oslo. The integration of Visual Art and ACM has been expedited in recent months, and combining them has created the leading DOOH operator in the Nordic region.

The Group has continued to be at the forefront of the sector by enhancing its portfolio with increasingly engaging products and driving forwards with its "digital cities for digital citizens" philosophy. During 2019, the out-of-home market continued to grow, with UK market spend rising 7.6%, which is testament to its unique ability to immediately deliver high impact advertising at scale, with brands also focussing on premium locations to deliver their campaigns. Whilst 2020 is set to be very difficult due to the impact of COVID-19, the longer-term trends within DOOH provide us with optimism that Ocean will re-emerge in a strong position as lockdowns are eased across our markets and economies and businesses begin to rebuild.

During 2019 we also learnt more about the marketing impact of digital out-of-home, which is helping us with our future innovation and delivery of memorable campaigns. To support the Group's research and development programme, Ocean commissioned two new ground-breaking Neuroscience based studies

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in the year. The research examined the effectiveness of full motion digital out-of-home creativity, showing that full motion screens with technology are on average over three-times more impactful than just using full motion, and eight-times more impactful than static advertising.

### **Covid-19**

Whilst we started 2020 with a strong base of assets and were expecting improved margins for the year, we are now facing unprecedented global events following the spread of Covid-19. Although it is still too early to form a definitive view on the impact of Covid-19 for the current year, the various lockdown measures enforced by governments in the countries where we operate has led to a significant slowdown in the out of home sector and we are not immune from these effects.

In response, the Board and our highly experienced executive teams across our territories have been focused on implementing all the necessary measures to ensure that we can withstand the significant impact this will have during 2020. Despite the downturn, our view is that DOOH will bounce-back more quickly than other mediums due to the very nature of being outdoor, highly versatile and the most impactful way to deliver messages and campaigns. With the business heavily weighted to digital and operating prime city and roadside locations, we believe Ocean is best placed to capitalise as business activity increases.

Whilst we maintain sufficient liquidity for the short term, the impact of COVID-19 has led us to raise the first debt facility for the Group. This will act as a boost to liquidity to assist the business manage through the cash flow impact of the significantly reduced revenues across Q2 and likely reduced revenues across Q3.

We would like to thank our employees for all the hard work and dedication during what has been a busy and landmark year for the Group. More importantly, we want to take this opportunity to thank all our employees for their continued commitment to Ocean during these difficult and uncertain times and to reassure everyone that we are confident that as soon as circumstances permit us to do so, business will resume as normal.



**Tom Goddard and Aryeh Bourkoff**

Co-Chairmen  
8 June 2020

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## **Report of the directors**

The directors present their report together with the audited financial statements for the year ended 31 December 2019.

## **Status and activities**

In FY18 the Company announced its intention to build a scale out-of-home media consolidation vehicle. Whilst supporting Ocean's organic growth initiatives, the Company was looking to pursue strategic and complementary acquisitions intended to enhance Ocean's scale, customer offering and deepen its market leadership.

In FY19 the Company, true to its intentions, undertook five strategic acquisitions, whilst also executing its organic growth initiative.

It completed the double acquisition of Ngage and Interbest (Interbest was subsequently renamed Ocean Outdoor Nederland B.V) on 11 March 2019, for a combined initial cash consideration of approximately £44m, providing the Group with a strong foothold in the Dutch Digital Out of Home (DOOH) market. This was followed by the acquisition of Beyond Outdoor on 29 May 2019. These acquisitions enhanced the Ocean portfolio offering by adding 171 screen locations in the Netherlands.

On 13 September 2019 the Group executed its next acquisition, that of Visual Art, providing the Group with a significant presence in the Nordics. The consideration was approximately £58m for the media sales business within the acquired group. Following a reorganisation of the acquired group, the digital signage business was split out and Visual Art Technologies was formed with the original vendors. Ocean's investment in the new entity was approximately £13m.

The final acquisition of FY19 was the public offer and acquisition of 97.4% holding in ACM for approximately £24m. This strategic acquisition makes Ocean a significant player in the Nordic market.

## **Unaudited pro forma profit and loss**

Ocean Outdoor Limited was an investment vehicle in FY18. Due to the acquisitions in FY18 of SCP Acquisition Topco Limited and subsidiaries and Forrest Media (Holdings) Limited and subsidiaries at different dates, and the acquisition in FY19 of Ngage, Interbest, Beyond Outdoor, Visual Art media sales and ACM, also at different dates, the consolidated statement of profit and loss presented on page 23 does not provide a year on year comparison for the underlying performance and operations. For the benefit of users of the accounts, unaudited proforma statements of total comprehensive income can be found in the appendix (refer to page 71), which shows the year on year results on a combined basis assuming subsidiaries acquired during any given period had been acquired on 1 January 2018.

Included in the appendix is an unaudited proforma profit and loss for the Group, UK operations, Dutch operations and the Nordic operations for FY18 and FY19. The Group includes all group companies, UK operations includes what was previously referred to as SCP Acquisition Topco Limited and its subsidiaries and Forrest Media (Holdings) Limited and subsidiaries, the Dutch operations include Ngage, Interbest and Beyond Outdoor and the Nordic operations includes Visual Art media sales and ACM.

## **Analysis using financial key performance indicators**

Directors and managers assess performance using performance indicators at a Group level. The Group's key performance indicators (KPI) are Billings, Revenue and Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation excluding one off items (Adjusted EBITDA. This is generated from the companies within the Group.

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Please see the table below for KPI's on the reported numbers

KPI's on Reported figures	2019	2018
Billings £'000	135,080	70,288
Revenue £'000	104,033	49,795
Reported Adjusted EBITDA £'000 (Including IFRS 16 in FY19) <sup>1</sup>	52,744	16,888

<sup>1</sup> Reported adjusted EBITDA represents the profit from operations of £3.0m plus depreciation and amortisation costs of £46.4m plus one off non-recurring costs of £3.3m.

Billings, revenue and EBITDA have all seen significant increases in the year. The year on year increase is due to two main factors:

- UK operations saw growth within its UK business with both billings and revenue up 43%. This increase reflects improved trading levels within the UK business, however it is important to disclose the 2018 reported figures only include the results following the acquisition of the two trading operations in March and June and therefore does not include a full year's operating result, as reported for the UK in 2019.
- The Group entered new markets through multiple acquisitions. The Dutch operations acquired in H1 2019 generated billings of £24.8m and revenue of £23.0m whilst the Nordic operations acquired in H2 2019 contributed £9.7m to billings and £9.6m to revenue.

Reported EBITDA has seen a large increase in the year, showing a 212% rise year on year. This again is partly due to timing of the acquisitions and only recording profit and loss financials subsequent to the subsidiary purchase. There has also been a fundamental change in accounting treatment of leases under IFRS 16. This has resulted in rent charges being removed from the profit and loss and replaced by a depreciation charge and interest charge. In 2018, rent would have reduced the reported EBITDA, compared to 2019 when no rental charge is recognised and interest and depreciation charges are not part of the reported EBITDA figure resulting in a higher figure than if IFRS 16 had not been adopted in the year.

The Group has a solid balance sheet with net assets at year-end of £369.2m (2018: £387.6m) including a cash balance of £26.9m (2018: £160.5m). Cash generated from operations was £46.8m, with the decrease in the cash balance largely as a result of the subsidiary acquisitions in the year, with a cash outflow of £126m. The impact of IFRS 16 mentioned above is not limited to the profit and loss statement with the Group now recognising a right of use asset and liability on the balance sheet. Having adopted the modified retrospective approach, the asset and liability recognised on the statement of financial position resulted in a difference of £10.3m. In line with the IFRS 16 standard, this leads to a reduction in retained earnings which is the key contributor in the reduction of net assets in the year.

As mentioned above, the timing of acquisitions of the Group in FY18 and FY19 make the comparison of the profit and loss of the underlying performance of Group operations difficult as the reported results only account for post-acquisition performance. For the benefit of users of the accounts, unaudited proforma statements of total comprehensive income can be found in the appendix (refer to page 71), which shows the year on year results on a combined basis assuming subsidiaries acquired during any given period had been acquired on 1 January 2018.

The unaudited pro forma financial information has been provided for illustrative purposes only and by its nature addresses a hypothetical situation and does not purport to represent the Company's actual financial position or results.

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The below table shows the KPI's of the Group on this unaudited proforma basis

<b>KPI's on unaudited proforma (non-GAAP measures)</b>	<b>2019</b>	<b>2018</b>
Billings £'000	173,356	152,724
Revenue £'000	141,314	124,504
Adjusted EBITDA £'000 (Excluding the impact IFRS 16)	33,236	30,397

### Results and dividends

The consolidated statement of profit and loss is set out on page 23 and shows the profit for the year.

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the AGM. The Company's current intention is to retain any earnings for use in its business operations, and the Company does not anticipate declaring any dividends in the foreseeable future.

### Directors and their interests

The Directors of the Company who served during the period of this Report are:

<b>Name</b>	<b>Position</b>	<b>Date of appointment</b>
Robert D Marcus	Independent Non-Executive Director	<b>22 February 2017</b>
Martin HP Söderström	Independent Non-Executive Director	<b>22 February 2017</b>
Sangeeta Desai	Independent Non-Executive Director	<b>27 February 2017</b>
Aryeh B. Bourkoff	Founder and Non-Executive Director	<b>22 February 2017</b>
Andrew Barron	Founder and Non-Executive Director	<b>20 January 2017</b>
Tim Bleakley	CEO and Executive Director	<b>28 March 2018</b>
Tom Goddard	Non-Executive Chairman	<b>28 March 2018</b>
Thomas Ebeling	Independent Non-Executive Director	<b>19 October 2018</b>
Andrew Miller	Independent Non-Executive Director	<b>27 November 2018</b>

Non-Executive Directors of the Company can terminate the appointment by giving three months' notice.

During the year Andrew Miller resigned as an Independent Non-Executive Director of the Board effective from 31 December 2019.

As at 31 December 2019 the Directors have the following interests in the Company's securities:

<b>Director</b>	<b>No. of Ordinary Shares</b>	<b>Percentage of issued Ordinary Shares</b>	<b>No. of Founder Preferred Shares</b>
Andrew Barron	528,242	0.98%	128,625
Andrew Miller	-	-	-
Aryeh B Bourkoff	1,624,275	3.01%	349,125
Robert Marcus	119,000	0.22%	-
Martin HP Söderström	15,000	0.03%	-
Sangeeta Desai	10,000	0.02%	-
Thomas Ebeling	7,500	0.01%	-
Tom Goddard	232,703	0.43%	-
Tim Bleakley	315,523	0.58%	-

Tim Bleakley also has 1,998,000 hurdle shares, issued by a subsidiary of the Company which will, except in limited circumstances, be settled in ordinary shares of Ocean Outdoor Limited.



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Tom Goddard also has 1,282,050 hurdle shares, issued by a subsidiary of the Company which will, except in limited circumstances, be settled in ordinary shares of Ocean Outdoor Limited.

### Directors' remuneration

Under the Director's letter of appointment, Martin HP Söderström, Sangeeta Desai, Thomas Ebeling and Andrew Miller are entitled to a fee of US\$75,000 per annum and Robert Marcus is entitled to receive a fee of US\$90,000 per annum. Robert Marcus, Martin HP Söderström, Sangeeta Desai and Andrew Miller are also entitled to receive an additional fee of US\$10,000 per annum as Committee members. Tom Goddard, in his role as Chairman, was paid £88,250 for the year ended 31 December 2019 and Tim Bleakley, CEO, was paid £453,419.

Andrew Barron and Aryeh B Bourkoff did not receive a fee in connection with their appointment as Non-Executive Directors of the Company.

In addition, all of the Directors are entitled to be reimbursed by the Company for travel, hotel and other expenses incurred by them in the course of their directors' duties relating to the Company.

Andrew Miller resigned as an Independent Non-Executive Director effective from 31 December 2019.

### Share capital

The full details of share capital information is set out in note 20.

### Substantial shareholdings

As at 31 December 2019, the following had disclosed an interest in the issued Ordinary Share capital of the Company (being 5% or more of the voting rights in the Company) in accordance with the requirements of the Disclosure and Transparency Rules (the "DTRs"):

Shareholder	Number of Ordinary Shares <sup>(1)</sup>	Notified percentage of voting rights <sup>(1)</sup>
Anchorage Capital Group	6,633,333	12.37%
Senator Investment Group	6,184,616	11.54%
Permian Investment Partners	3,732,867	6.96%
Sycomore Asset Management	2,909,662	5.43%
Bufo Limited	2,700,000	5.04%

As at 31 December 2019 the interest of any person listed in the table above in Ordinary Shares may have increased or decreased without any obligation on the relevant person to make further notification to the Company pursuant to the DTRs.

### Change of control

The Company is not party to any significant contracts that are subject to change of control provisions in the event of a takeover bid. There are no agreements between the Company and its Directors or employees providing compensation for loss of office or employment that occurs because of a takeover bid.

### Independent Auditors

The Board appointed BDO LLP as the company auditors during the prior year. The Board have reason to believe that BDO LLP conducted an effective audit and have provided the auditors with full access to all of the books and records of the Company and its subsidiaries.

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## Relations with Shareholders

The Directors are always available for communication with Shareholders and all Shareholders will have the opportunity, and are encouraged, to attend and vote at the Annual General Meetings of the Company during which the Board will be available to discuss issues affecting the Company.

## Statement of going concern

In consideration of the company's current financial position and review of its budgets and forecasts, on which sensitivity analyses have been performed to reflect possible downside scenarios, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least 12 months from the approval of the financial statements. The Directors therefore believe it remains appropriate to continue to prepare the accounts on the going concern basis.

On 11 March 2020, the World Health Organisation announced the pandemic status of COVID-19. Subsequent to this announcement, significant measures have been taken by Governments across Europe, restricting the movement of the people and the forced closure of non-essential business. Given the company operates in the DOOH market, this has impacted on the company's performance in FY20. The effect COVID-19 will have on the global economy and the knock-on effect that it has on the medium to long term on consumer and business behaviour cannot yet be quantified.

The main priority of the Group is to safeguard its employees, customers and its stakeholders. Across each jurisdiction in which the company operates government guidance is being followed. From an operational perspective, this has not affected the play out and availability of the majority of its portfolio given the Group's large digital portfolio, but the appetite of brands to advertise on DOOH assets has declined significantly. Various scenarios assessing the impact of the sales decline over the next 12 months, and beyond, have been modelled and subsequently what the implications would be on the Group cash flow. The Directors of the company recognise COVID-19 has, and will have, a significant effect on the results of the business in FY20. However, it is their belief the company is able to navigate through the impact of COVID-19 due to the strength of its market position, its robust balance sheet, current cash surplus and the securing of new credit facilities providing additional financing of up to £35m to draw down, subject to customary covenants related to minimum quarterly adjusted EBITDA and cash balances.

Following the decline in sales as a result of the pandemic, the Group addressed its cost base as a matter of urgency in order to reduce cash outflows from the business. Staff costs were reduced through a structured reduction in working hours and government reimbursement schemes have been utilised where strictly necessary. All landlords have been contacted with a view to negotiating rent holidays, deferrals and reductions wherever possible. Capital expenditure has been frozen on all new projects and the site maintenance program has been reduced to the performance of only essential maintenance. Credit terms have been optimised and extensions agreed with key suppliers. Cash inflows have been aided with sales teams chasing up any unpaid balances and ensuring any invoice queries are resolved ensuring that debtors continue to be settled in a timely fashion.

The swift actions taken by the Group enable it to deal with the short-term impact that COVID-19 is having on the business. These steps will allow the business to resume to full working capacity once business returns to the new normal. There is however some uncertainty when this will be and what the lasting impacts of the pandemic will be on businesses and the economy. Should the impact be worse than predicted, there are further cost savings that could be utilised. The Group however feel at this point in time, the medium and long-term benefits of not implementing these changes outweighs the short-term cost savings that could be realised.

The Group retains sufficient liquidity in the short term, however the impact of COVID-19 has resulted in the Group raising its first debt facility with a rolling credit facility agreed with the Group's banking partners on 28 May 2020, securing new credit facilities providing additional financing of up to £35m, subject to customary covenants related to minimum quarterly adjusted EBITDA and cash balances. This will boost liquidity to assist the business manage through the cash flow impact of the significantly reduced revenues suffered in Q2 and likely reduced revenues in Q3. The Group believes this is

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sufficient liquidity to ensure the Group is able to meet its obligations as and when they fall due. In the event additional liquidity is required, there are a variety of funding options available to the company.

The impact on FY20 cannot as yet be fully assessed. Accordingly, the Board believes it would be inappropriate to provide forward looking financial guidance to investors and analysts at this time.

### **Internal control**

The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board maintains sound risk management and internal control systems. The Board has reviewed the Company's risk management and control systems and believes that the controls are satisfactory given the nature and size of the Company and its subsidiaries.

### **Financial Risk Profile**

The Company's and Group's financial instruments comprise mainly of cash and cash equivalents, and various items such as payables and receivables that arise directly from the Group's operations. Details of the risks relevant to the Group are included in the notes to the financial statements.

### **Management Report**

For the purposes of compliance with DTR 4.1.5R(2), DTR 4.1.8R and DTR4.1.11R, the required content of the "Management Report" can be found in this Report of Directors.

### **Principal Risk and Uncertainties**

The main risks and uncertainties identified by the Group are as follows:

#### *The Group operates in a highly competitive market*

The Group operates in a highly competitive industry and may not be able to maintain or increase its current advertising and sales revenues or market share. The Group competes for advertising revenue with other outdoor advertising operators, as well as with other media, such as radio, newspapers, magazines, television, direct mail, mobile devices and internet-based services. Competitive pressures could cause the Group to lose market share, require it to lower prices, increase marketing expenditures and increase the use of discounting or promotional campaigns, and restrict its ability to increase prices. These or other developments could materially affect the Group's sales volumes and margins and result in a decrease in its operating results, which could have a material adverse effect on the Group's business, financial condition and results of operations.

#### *The Group is heavily reliant on its relationships with media agencies*

The Group is heavily reliant on its relationships with four main media specialist buyers to sell the out-of-home advertising space which it owns and/or manages. Accordingly, the loss of these relationships, a significant change in the terms of these relationships, or any of these agencies encountering financial difficulties could have a materially adverse effect on the Group's business, financial condition and results of operations.

#### *A loss of sites or a failure to renew relevant site agreements may reduce the Group's revenue*

The Group gains access to advertising sites through short, medium and long-term contracts or concessions (being comprised of (i) leases, (ii) licences; and (iii) certain commercial site agreements) with asset owners such as local municipalities and commercial landlords. There is no guarantee that such site agreements, including those relating to the Group's iconic sites, will be renewed at all or renewed on terms which are favourable to the Group. If sufficient numbers of site agreements are cancelled, not renewed or sufficient numbers of sites become impaired, it could have an adverse effect on the Group's business, financial condition and results of operations.

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### *The Group's sites and other technology systems and operations could be exposed to damage or interruption*

The Group's sites and other technology systems and operations could be exposed to damage or interruption from system failures, computer viruses, cyber-attacks, power or telecommunication providers' failure, fire, natural disasters, terrorist acts, war, or human error. Any interruptions would impact the Group's ability to operate and could result in business interruption, the loss of customers and revenue, damaged reputation and weakening of competitive position and could have a material adverse effect on the Group's business, financial condition and results of operations. There is a risk that, if a cyber-attack is successful, any data security breaches or the Group's inadvertent failure to protect confidential information could result in a loss of information integrity. Breaches of the Group's obligations under applicable laws or client agreements and system outages may potentially have a material adverse impact on the Group's reputation and financial performance.

### *Changes in technology may impact consumer and advertiser behaviour*

The advertising industry will continue to be affected by changes in technology, with these changes likely leading to increasing media options for consumers. If these changes drive advertising away from DOOH advertising, this could have a material adverse effect on the Group's business, financial condition and results of operations.

### *The Group's operations are vulnerable to any adverse developments to the UK, Dutch and Nordic economies, market conditions and the corresponding legal and regulatory environment*

The Group's operations are exposed to the prevailing economic and market conditions, as well as the legal and regulatory environment. Periods of a slowing economy or recession, or periods of economic uncertainty, may be accompanied by a decrease in advertising which would reduce the Group's advertising revenues and have an adverse effect on the Group's revenue, profit margins, cash flow and liquidity. There has also been an increase in political uncertainty as a result of the UK vote in favour of exiting the EU. These will impact the Group (including its business, employees, operations and assets) and may have a materially adverse effect on the business, financial condition and results of operations of the Group in the future. Material decreases in revenue could result in fixed costs exceeding contribution and the Group suffering losses and resulting in operating cash outflows.

### *Following multiple acquisitions in new markets, the integration of acquired subsidiaries may not result in the expected returns and the Group synergies may not be realised.*

The Group has undertaken a number of acquisitions and entered new overseas markets. Consideration for these businesses is based on a number of factors including past performance and expected future returns. This acquisition strategy is to allow the Group to benefit from the growth potential in these new markets and generate synergies arising from being a large operator in the market. There is no guarantee the potential of these new markets will be realised; the returns may be lower than expected and that expected Group synergies may not arise as expected. This could have a material adverse effect on the Group's business, financial condition and results of operations.

### *The Group's operations could be significantly affected by COVID-19*

The Group's operations are exposed to the prevailing economic and market conditions and these are expected to be impacted in the short term by COVID-19, however the medium and long-term implications are not known. Periods of economic uncertainty, may be accompanied by a decrease in advertising which would reduce the Group's advertising revenues and have an adverse effect on the Group's revenue, profit margins, cash flow and liquidity. It may have a materially adverse effect on the business, financial condition and results of operations of the Group in the future. Material decreases in revenue could result in fixed costs exceeding contribution and the Group suffering losses and resulting in operating cash outflows.

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## Directors' Responsibilities

The directors are responsible for preparing the Directors' report and the financial statements for the Group. The Directors have prepared the financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year.

The Directors have chosen to use the international financial reporting standards ("IFRS") as adopted by the European Union in preparing the Group's financial statements.

International Accounting Standard 1 requires financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Stock Exchange. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of financial statements. Financial information is published on the company's website, [www.oceanoutdoor.com](http://www.oceanoutdoor.com). The maintenance and integrity of this website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may occur to the financial statements after they are initially presented on the website, [www.oceanoutdoor.com](http://www.oceanoutdoor.com). Legislation in the BVI governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### *Directors' Responsibilities Pursuant to UK Data and Transparency Regulations*

The directors confirm to the best of their knowledge:

- The group financial statements have been prepared in accordance with IFRS adopted by the European Union and article 4 of the IAS regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.
- The annual report includes a fair review of the development and performance of the business and the financial position of the group and the parent company, together with a description of the principal risks and uncertainties that they face.

## Disclosure of information to Auditors

Each of the persons who is a Director at the date of approval of this Report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## Ocean Outdoor Limited

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### **Directors' indemnities**

As at the date of this Report, indemnities granted by the Company to the Directors are in force to the extent permitted under BVI law. The Company also maintains Directors' and Officers' liability insurance, the level of which is reviewed annually.

### **Subsequent events**

Further details of subsequent events are disclosed in note 24 of the financial statements.

By order of the Board



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Tom Goddard  
Co-chairman  
8 June 2020

# Ocean Outdoor Limited

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## Corporate Governance Statement

Ocean is committed to maintaining the highest standards of business conduct and ethics, as well as full compliance with all applicable laws, rules and regulations, corporate reporting and disclosure, and all other matters deemed to protect the best interests of the company's shareholders.

At the date of this report, the Company complies with the corporate governance regime applicable to the Company pursuant to the laws of the British Virgin Islands.

In addition, the Company strives for compliance with the U.K. Corporate Governance Code ("the Code") to the greatest extent possible to facilitate effective and prudent management that can contribute to the long-term success of the Company, however it is not currently compliant with the Code.

Full details of the corporate governance measures adopted by the Group can be found on the Group website: (<https://investors.oceanoutdoor.com/investors/corporate-governance/>)

### *Strategic decisions*

The Directors are responsible for carrying out the Company's objectives, implementing its business strategy and conducting its overall supervision. Acquisition, divestment and other strategic decisions are considered and determined by the Board. The Board provides leadership within a framework of prudent and effective controls. The Board has established the corporate governance values of the Company and has overall responsibility for setting the Company's strategic aims, defining the business plan and strategy and managing the financial and operational resources of the Company.

Through the publication of regular announcements, corporate presentations posted to the company website, and face to face meetings, the board has sought to communicate its strategy, objectives and performance to all shareholders on a timely basis. When shareholders raise concerns with the board over the Group's strategy, objectives or performance, the Board endeavours to actively engage with the shareholders in dialogue.

### *Board process*

The full Board meets formally at regular intervals throughout the year and at such other times as may be necessary to address any significant matters that may arise. The Board communicates regularly between these meetings. On a regular basis the Board is provided with appropriate and timely information relating to all aspects of the Group. In addition, the Directors are free to seek any further information or request specific presentation on matters that they consider necessary in order to discharge their duties effectively. The collective responsibility of the Board ensures that all Directors are involved in the process of arriving at significant decisions.

### *Nomination Committee*

The Nomination Committee is responsible for considering and making recommendations to the Board in respect of appointments to the Board. In carrying out its duties, the Nomination Committee is primarily responsible for identifying and nominating candidates to fill Board vacancies; evaluating the structure and composition of the Board with regard to the balance of skills, knowledge and experience and making recommendations accordingly; giving full consideration to succession planning; and reviewing the leadership of the Group.

## Ocean Outdoor Limited

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### *Audit and Risk Committee*

The Audit and Risk Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal controls, including reviewing and monitoring the integrity of the Group's annual and interim financial statements, reviewing and monitoring the extent of the non-audit work undertaken by the Group's external auditors, advising on the appointment of such external auditors, overseeing the Group's relationship with its external auditors, reviewing the effectiveness of the external audit process, and reviewing the effectiveness of the Group's internal control and review function.

The Audit and Risk Committee gives due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the Listing Rules whilst it continues to monitor the integrity of published financial information and review significant financial reporting issues and judgements. The Audit and Risk Committee also has responsibility for, among other things, oversight of the Group's risk appetite, risk monitoring and capital management, reviewing the manner in which the members of the Group implement and monitor the adequacy of the Group's risk management framework and ensuring that the Group maintains appropriate levels of capital, as well as advising the Board on its overall risk appetite. The Audit and Risk Committee also reviews the adequacy of security measures, anti-money laundering systems, anti-bribery controls and procedures in place for detecting fraud.

At each period end the financial reporting process commences with individual CGU's submitting their financial information to Group management. These CGU's are consolidated into a Group financial reporting pack which is reviewed by Group management and compared to monthly management accounts for consistency. Following this review, the reports are presented to the audit and risk committee for a subsequent review and approval.

### *Remuneration Committee*

The Remuneration Committee has responsibility for determination of specific remuneration and benefits packages for each of the executive directors and certain senior management of the Group, including pension rights and any compensation payments, and recommending and monitoring the level and structure of remuneration for senior management and the implementation of share options, share incentive plans or other performance related schemes.

### *Independence of the Board*

Tom Goddard, Tim Bleakley, Aryeh B. Bourkoff and Andrew Barron are not considered to be Independent Directors.

The Board considers the Independent Non-Executive Directors to be independent in character and judgment and free from relationships or circumstances which are likely to affect or could appear to affect, their judgment. In addition, when determining the independence of the Independent Non-Executive Directors, the Board had regard to their Letters of Appointment and Initial Option Deeds and, in the case of Mr Marcus, his prior role as Chairman of the Company and his holding of 119,000 Ordinary Shares. The Board believes that the aforementioned factors are not sufficient to have an impact on their independence.

### *Ethical standards*

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group.

### *External auditors*

The Board and the Audit Committee review the performance of the external auditors on an annual basis and normally meet with them during the year to:

- Discuss the external audit plans, identifying any significant changes in structure, operations,



## Ocean Outdoor Limited

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internal controls or accounting policies likely to impact on the financial statements and to review the fees proposed for the audit work to be performed.

- Review the periodic reports prior to lodgement and release, and any significant adjustments required as a result of the auditor's findings, and to recommend board approval of these documents, prior to announcement of results.
- Review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.
- Review the draft financial report and recommend board approval of the financial report.
- As required, to organise, review and report on any special reviews or investigations deemed necessary by the board.

The Board and Audit Committee specifically assess the independence of the Group's external auditors and in doing so consider the level and nature of non-audit services provided and associated fees, the auditor's rotation arrangements for key audit personnel and areas of potential conflicts of interest.

### *Communication with shareholders and continuous disclosure*

The directors attach importance to the provision of clear and timely information to shareholders and the broader investment community. Information about the company is available on its website ([www.oceanoutdoor.com](http://www.oceanoutdoor.com)).

Financial reporting – the Company reports to shareholders half-yearly and annually, as required by the LSE rules. The Chairman states to the Board that the company's financial reports present a true and fair view in all material respects of the company's financial condition and operational results and are in accordance with relevant accounting standards.

Equal access policy – the Company has a policy, based on existing policies and practices as a company quoted on the LSE market, that all shareholders and investors have equal access to the company's information, and has procedures to ensure that all price sensitive information will be disclosed to the LSE in accordance with the continuous disclosure requirements of the LSE rules, these procedures include:

- A comprehensive process to identify matters that may have a material effect on the price of the company's shares, notifying them to the LSE, posting them on the company's website, and issuing media releases.
- All information provided to the LSE, and related information (including information provided to analysts and the media), being immediately posted to the company's website <https://investors.oceanoutdoor.com/investors/>
- The Annual Report is made available to all shareholders. The Board ensures that the annual report includes relevant information about the operations of the Group during the year, changes in the state of affairs of the Group and details of future developments, as well as all required disclosures.

News releases are issued throughout the year and the company maintains a website (<https://investors.oceanoutdoor.com/investors/>) on which press releases, corporate presentations and the annual report and financial statements are available to view together with the half-yearly financial statements. Enquiries from individual shareholders on matters relating to the business of the company are welcomed. Shareholders and other interested parties can subscribe to receive notification of news updates and other documents from the company via email. In addition, the Executive Directors meet with major shareholders to discuss the progress of the company and provide periodic feedback to the board following meetings with shareholders.

# Ocean Outdoor Limited

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## Independent auditor's report to the members of Ocean Outdoor Limited

### Opinion

We have audited the financial statements of Ocean Outdoor Ltd (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the group's affairs as at 31 December 2019 and of the group's loss for the year then ended; and
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union.

### 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, 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.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with International Standards on Auditing (UK) (ISAs UK). 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.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

## Ocean Outdoor Limited

### Key audit matters

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

Matter	How we addressed the matter in our audit
<p><i>Revenue recognition- Cut-off</i></p> <p>As detailed in note 2.11, Management make certain judgements in relation to revenue recognition for the treatment of contractual arrangements entered into by trading entities in the group.</p> <p>These include determining the Group's performance obligations in its contracts with customers and whether as at the reporting date, the group has completed its performance obligations. Where Ocean Outdoor has not completed its performance obligations prior to the reporting date, revenues are not recognised, with the appropriate balance deferred.</p> <p>Revenues are invoiced normally in 2-week block periods. This results in a cut off risk at the reporting date in relation to the existence of revenue recognised and completeness of deferred revenue. We therefore considered this to be a key audit matter.</p>	<p>We assessed whether the revenue recognition policies adopted by the Group comply with accounting standards.</p> <p>We reviewed a sample of invoices to assess whether:</p> <ul style="list-style-type: none"> <li>- the revenue had been recognised in accordance with the Group's accounting policy and accounting standards;</li> <li>- appropriate cut off was observed with Ocean Outdoor having completed its performance obligations as stated in the customer invoices and supporting evidence of delivery of the campaigns prior to the reporting date, and if not completed at the reporting date, appropriate revenue was deferred; and</li> <li>- where the revenue had not yet been earned at year end, the amounts which should be deferred were agreed to the deferred revenue schedule.</li> </ul> <p>In relation to other adjustments to revenue, such as rebates and commissions, we checked the methodology/basis and re-calculated the amount by reference to the contractual terms and we checked if there are any material accounting or disclosure implications.</p> <p>In relation to deferred revenue balances, we tested a sample of invoices and cash receipts for the period 2-weeks pre and post year end and checked whether the revenue and deferred revenue was appropriately recognised for the campaigns in the correct accounting periods.</p> <p><i>Key observations noted:</i></p> <p>Based on the work performed we consider that revenue has been recognised appropriately and in accordance with the Group's revenue recognition policy and the accounting standards.</p>

## Ocean Outdoor Limited

<p><i>Acquisition Accounting</i></p> <p>As detailed in notes 13 and 14 to the financial statements, the Group made a number of acquisitions during the year.</p> <p>Consequently, management had to exercise judgement in considering the fair value of the assets and liabilities acquired.</p> <p>Management recognised on acquisition separately identifiable intangible assets in respect of acquired rights over advertising sites, exercising judgement, as detailed in note 2.9 in estimating their fair value.</p> <p>The judgements and estimates in this area include:</p> <ul style="list-style-type: none"> <li>• underlying cash flow projections,</li> <li>• discount rates applied, and</li> <li>• long-term growth rates.</li> </ul> <p>There is a risk that the fair values of these intangible assets may be materially misstated.</p> <p>Additionally, there is significant judgement, as detailed in note 14, around whether the digital signage investment (the “investee”) acquired as part of the acquisition of Ocean Outdoor Nordics VA Holding AB, and subject to restructuring following acquisition, should be accounted for as an acquisition of a subsidiary business or the acquisition of an associate and therefore there is a risk that the accounting treatment adopted by management is not appropriate.</p>	<p>We challenged the methodology and assumptions underpinning the significant judgements and estimates made by management in the assessment of the fair value of the separately identifiable intangible assets acquired by comparison to industry data and our knowledge of the business.</p> <p>In addition, with the assistance of our valuations specialists, we checked the methodology deployed.</p> <p>We also considered the completeness of the separately identifiable intangible assets with reference to our understanding of the business and the key reasons for executing the transaction from the acquirer’s perspective.</p> <p>We assessed and challenged management’s methodology on the accounting treatment for the investment in Ocean Outdoor Nordics VA Holding AB.</p> <p>In particular, we assessed whether the Group had control of the investee during the year and at the reporting date.</p> <p>We assessed the powers and rights of Ocean and the third party investor to determine whether the investment should be recognised as a subsidiary or an associate at the initial date of purchase.</p> <p>Following the restructure of the investee we checked the share subscription transactions, to assess whether the investee should be accounted for as an associate with effect from 23 December 2019</p> <p><i>Key observations noted:</i></p> <p>Based on the work performed, we consider the judgements made by management in determining the fair values of the intangible assets acquired, and the classification of businesses acquired during the year to be appropriate, and have been recognised in accordance with the group’s accounting policy for business combinations.</p>
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## Ocean Outdoor Limited

### *IFRS 16 – First year application*

As detailed in note 2.19 to the financial statements, the Group has applied, for the first time, IFRS 16 Leases, which requires, under the modified retrospective approach, a restatement to opening retained earnings. IFRS 16 has a material impact for the Group with significant values being recognised on balance sheet for right of use leasehold assets (“ROU”) and lease liabilities. As such there is a risk the ROU asset, lease liability and depreciation/interest costs are not accounted for appropriately.

There are also judgements required, as detailed in note 2.9 by management when calculating the ROU lease liabilities which are subjective in nature, including the length of the lease contracts, other terms within the lease contracts, and incremental borrowing rates (“IBR”) used in the valuation models.

We assessed whether the IFRS 16 policies adopted by the Group comply with accounting standards.

We considered the adequacy of the disclosure made in comparison with the appropriate accounting standards.

We performed tests on a sample of contracts to check whether the accounting treatment adopted by the Group is appropriate. We critically assessed management's discounted cash flow models and ensured the model is mechanically sound and an appropriate basis for recognising the ROU asset and lease liabilities.

We checked the completeness of the leases schedule by reference to test checking the group's property, plant, and equipment registers for revenue generating sites.

We engaged our valuation specialist to check the reasonableness of the IBR rate by reference to the lease term, risk free borrowing rates, financing factors, and asset specific adjustments.

Based on tests performed on a sample of contracts we critically assessed any judgements made in relation to the length of the lease including the extension terms and the probability of renewal by the Group, and other terms within the lease contracts, which give rise to modifications including the treatment of profit share arrangements, variable and fixed payments, changes to the lease payments based on RPI and CPI, and rent review terms.

We also checked and assessed management's discounted cash flow models and ensured that the model was mechanically sound and an appropriate basis for recognising the ROU asset and lease liabilities.

#### *Key observations noted:*

Based on the work performed, we consider the judgements made by management in applying IFRS 16 are appropriate and the disclosures comply with the relevant accounting standard.

## Ocean Outdoor Limited

<p><i>Going concern</i></p> <p>As detailed in note 2.2, the unprecedented impact of COVID-19 on the business and the wider world economies has resulted in uncertainties on the ability of companies to continue operating as going concerns, and has raised additional audit risks. Indeed, the Group has itself seen a significant reduction in revenues from mid-March 2020. As a result, the directors have considered the impact of the recent COVID-19 outbreak as part of the Group's going concern analysis and have modelled a range of reasonably possible outcomes as a result of the COVID-19 pandemic, including an extreme stress test scenario.</p> <p>As a consequence of considering the impact of the recent COVID-19 outbreak and the potential impact on the group, subsequent to the year end the directors have secured new credit facilities, providing additional financing of up to £35m, subject to customary covenants related to minimum quarterly adjusted EBITDA and cash balances.</p> <p>Because of the significance of this matter we determined that it was a key audit matter.</p>	<p>We considered management's modelled scenarios including the stress test scenario, which was based on significantly reduced trading for a period of 12 months.</p> <p>We reviewed outcome of the mitigating actions already undertaken by directors to manage and conserve cash.</p> <p>We confirmed the cash at hand within the Group as at 28<sup>th</sup> May 2020.</p> <p>We assessed the additional mitigating options that management have at their disposal to manage and conserve cash and challenged management on the key assumptions included and confirmed management's mitigating actions are within their control.</p> <p>We examined the terms of the new credit facilities secured by the group, focusing on the covenants per the agreements, to check that the Group could remain compliant for the next 12 months, when considering the stress test model prepared.</p> <p>We assessed management's disclosures in relation to the COVID-19 pandemic and its potential impact and to check that these are consistent with management's stress test scenario and the Board's view of the current market conditions.</p> <p><i>Key observations noted:</i></p> <p>Our observations in respect of going concern are set out in the Conclusions relating to going concern section above.</p>
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### Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

#### *Level of materiality applied and rationale*

We consider revenue to be the critical performance measure for the Group. Using this benchmark, we set materiality at £1,000,000 (2018 - £500,000) which represents 1% of revenues.

## Ocean Outdoor Limited

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### *Performance materiality*

The application of materiality at the individual account or balance level is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessment together with the Group's overall control environment, our judgement was that overall performance materiality for the Group should be 70%. As such, performance financial statement materiality was set at £700,000 (2018 - £350,000).

### *Component materiality*

We set materiality for each component of the Group based on a percentage of materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £114,000 to £602,000 (2018 - £120,000 to £350,000).

### *Reporting Threshold*

We agreed with the Audit Committee that we would report to them all audit differences individually in excess of £30,000 (2018 - £15,000). We also agreed to report audit differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

### **An overview of the scope of our audit**

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. The group has 5 significant components, which represented the main trading entities in the group, being Ocean Outdoor UK Limited, Signature Outdoor Limited, Mediaco Outdoor Limited, Forrest Outdoor Media Limited and Ocean Outdoor Netherlands B.V (formerly Interbest B.V.).

Ocean Outdoor Limited (the Parent Company) and the significant components were subject to full scope audits which were performed by BDO LLP except for Ocean Outdoor Netherlands B.V, which was performed by a local firm.

The remaining 22 subsidiaries of the group were considered non-significant and such components were subject to analytical review procedures together with substantive testing on group audit risk areas applicable to that component, carried out by the group audit team and local audit firms.

As part of our Group audit strategy, as Group auditors:

- We held planning meetings with the component auditor and local management;
- Members of the Group audit team visited the component auditors at the planning and fieldwork phases of the audit;
- Detailed Group reporting instructions were sent to the component auditors, which included the significant areas to be covered by their audit, and set out the information to be reported to the Group audit team;
- We reviewed Group reporting submissions and performed reviews of the component auditors' files; and
- We held a clearance meeting with the component auditor and local management to discuss significant audit and accounting issues and judgements.

As a result of this approach, 90.2% of the Group's Revenue, 92.5% of the Total Assets and 94.5% of the Adjusted Profit before Tax were subject to audit.

## Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and consolidated financial statements, other than the financial statements and our auditor's report thereon. 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.

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

## Responsibilities of directors

As explained more fully in the directors' responsibilities set out on page 11, 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 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 Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with our engagement letter dated 1 June 2020. Our audit work has been undertaken so that we might state to the Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**BDO LLP**

Nicole Martin (Senior Statutory Auditor)

For and on behalf of BDO LLP, London, UK Statutory Auditor

8 June 2020

BDO LLP is a limited liability partnership registered in England and Wales (registered number OC305127).



## Ocean Outdoor Limited

### Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
<b>Billings</b>		<b>135,080</b>	70,288
<b>Revenue</b>	4	<b>104,033</b>	49,795
Cost of sales		<b>(59,154)</b>	(29,355)
<b>Gross profit</b>		<b>44,879</b>	20,440
Administrative expenses		<b>(41,869)</b>	(15,165)
<b>Profit from operations</b>	6,7	<b>3,010</b>	5,275
Finance expense	9	<b>(8,234)</b>	(4)
Finance income	9	<b>518</b>	1,658
<b>(Loss) / profit before tax</b>		<b>(4,706)</b>	6,929
Tax expense	10	<b>(541)</b>	(306)
<b>(Loss) / profit from continuing operations</b>		<b>(5,247)</b>	6,623
<b>Other comprehensive income</b>			
Items which will or may be reclassified to profit or loss:			
Exchange (loss) / gain on translation of foreign operations		<b>(530)</b>	-
<b>Total comprehensive (loss) / income</b>		<b>(5,777)</b>	6,623

The notes on pages 28 to 70 form an integral part of these financial statements.

## Ocean Outdoor Limited

### Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 (Continued)

	Note	2019 £'000	2018 £'000
<b>(Loss) / profit for the year attributable to:</b>			
Shareholders of the parent		<b>(5,247)</b>	6,623
		<u><u>          </u></u>	<u><u>          </u></u>
<b>Total comprehensive (loss) / income attributable to:</b>			
Shareholders of the parent		<b>(5,777)</b>	6,623
		<u><u>          </u></u>	<u><u>          </u></u>
<b>Earnings per share</b>			
Basic earnings per share (pence)	21	<b>(9.8p)</b>	13.0p
		<u><u>          </u></u>	<u><u>          </u></u>
Diluted earnings per share (pence)	21	<b>(9.8p)</b>	13.0p
		<u><u>          </u></u>	<u><u>          </u></u>

The notes on pages 28 to 70 form an integral part of these financial statements.

# Ocean Outdoor Limited

## Consolidated statement of financial position As at 31 December 2019

	Note	2019 £'000	2018 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment			
- Site assets, equipment and motor vehicles	11	47,352	31,971
- Right of use asset	11	148,630	-
Intangible assets	12	367,407	230,024
Investment in associate	14	13,297	-
		576,686	261,995
<b>Current assets</b>			
Trade and other receivables	15	55,471	36,718
Cash and cash equivalents		26,917	160,503
		82,388	197,221
<b>Total assets</b>		659,074	459,216
<b>Current liabilities</b>			
Trade and other payables	16	76,391	44,729
Lease liability	2.19	24,187	-
Tax payable		5,159	3,278
		105,737	48,007
<b>Non-current liabilities</b>			
Other payables	16	10,501	-
Lease liability	2.19	136,210	-
Deferred tax liability	17	37,469	23,579
		289,917	71,586
<b>Total liabilities</b>		289,917	71,586
<b>NET ASSETS</b>		369,157	387,630
<b>Equity</b>			
Founder Preferred Share Capital	20	4,561	5,213
Treasury shares	20	(2,417)	-
Share Premium	22	376,246	375,594
Foreign exchange reserve	22	(530)	-
Retained (deficit) / earnings	22	(8,703)	6,823
		369,157	387,630
<b>TOTAL EQUITY</b>		369,157	387,630

The financial statements were approved by the Board of Directors and authorised for issue on 8 June 2020.



**Director**

The notes on pages 28 to 70 form an integral part of these financial statements.

## Ocean Outdoor Limited

### Consolidated statement of changes in equity For the year ended 31 December 2019

	Ordinary Share capital £'000	Treasury shares £'000	Ordinary Share premium £'000	Founder Preferred Share Capital £'000	Foreign exchange reserve £'000	Retained earnings / (deficit) £'000	Total equity £'000
<b>Balance at 01 January 2018</b>	-	-	288,906	5,213	-	126	294,245
Issue of shares	-	-	86,688	-	-	-	86,688
<b>Share-based compensation</b>							
Director options	-	-	-	-	-	74	74
<b>Comprehensive income for the period</b>							
Profit for the period	-	-	-	-	-	6,623	6,623
<b>31 December 2018</b>	-	-	375,594	5,213	-	6,823	387,630
<b>Balance at 01 January 2019</b>	-	-	375,594	5,213	-	6,823	387,630
IFRS 16 restatement (Note 2.19)	-	-	-	-	-	(10,279)	(10,279)
<b>Balance at 01 January 2019 restated</b>	-	-	375,594	5,213	-	(3,456)	377,351
Conversion of Founder preferred to ordinary shares	-	-	652	(652)	-	-	-
Share repurchase	-	(2,417)	-	-	-	-	(2,417)
<b>Comprehensive income for the period</b>							
Loss for the period	-	-	-	-	-	(5,247)	(5,247)
Other comprehensive income	-	-	-	-	(530)	-	(530)
Total comprehensive income for the period	-	-	-	-	(530)	(5,247)	(5,777)
<b>31 December 2019</b>	-	(2,417)	376,246	4,561	(530)	(8,703)	369,157

The notes on pages 28 to 70 form an integral part of these financial statements.

# Ocean Outdoor Limited

## Consolidated statement of cash flows For the year ended 31 December 2019

	Note	2019 £'000	Restated 2018 £'000
<b>Cash flows from operating activities</b>			
(Loss) / profit for the year		(5,247)	6,623
<i>Adjustments for:</i>			
Depreciation of site assets, equipment and motor vehicles	11	6,953	3,195
Depreciation on right of use asset	11	19,706	-
Amortisation of intangible fixed assets	12	19,753	10,087
Profit on disposal of site assets, equipment and motor vehicles		(22)	-
Charge related to Director options		-	74
Finance income	9	(518)	(1,658)
Finance expense	9	8,234	6
		48,859	18,327
Increase in trade and other receivables		(6,651)	(574)
Increase / (decrease) in trade and other payables		4,543	(5,276)
Increase in provisions		-	301
		46,751	12,778
<b>Cash generated from operations</b>			
Interest paid		(38)	-
Income taxes paid		(2,369)	(1,010)
		44,344	11,768
<b>Net cash flows from operating activities</b>			
<b>Investing activities</b>			
Acquisition of subsidiaries, net of cash acquired	14	(125,999)	(228,945)
Investment in associate	14	(13,297)	-
Purchases of site assets, equipment and motor vehicles	11	(12,095)	(5,236)
Interest received	9	518	1,658
		(150,873)	(232,523)
<b>Net cash used in investing activities</b>			
<b>Financing activities</b>			
Issue of Ordinary shares and warrants	20	-	86,688
Share buy back	20	(2,417)	-
Payment of lease liability	2.19	(24,640)	-
Interest paid on loans and borrowings		-	(6)
		(27,057)	86,682
<b>Net cash (used in) / from financing activities</b>			
<b>Net decrease in cash and cash equivalents</b>			
		(133,586)	(134,073)
<b>Cash and cash equivalents at beginning of year</b>		160,503	294,576
<b>Cash and cash equivalents at end of year</b>		26,917	160,503

There were non-cash transactions in the year which are disclosed in note 18.

The notes on pages 28 to 70 form an integral part of these financial statements.

# Ocean Outdoor Limited

## Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

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### 1. General information

The Company was incorporated with limited liability under the laws of the British Virgin Islands under the BVI Companies Act on 20 January 2017. The address of the Company's registered office is Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands. The Ordinary Shares and Warrants were admitted for trading on the Main Market of the London Stock Exchange on 13 March 2017, after raising gross proceeds of US\$425,250,000 for a potential acquisition (an Acquisition).

### 2. Principal accounting policies

The principal accounting policies applied in these financial statements are set out below.

#### 2.1 Basis of preparation

These financial statements are prepared under the historical cost convention and are in accordance with International Financial Reporting Standards and its interpretations as issued by the European Union ("EU") and those parts of the BVI Business Companies Act applicable under IFRS.

The financial statements are presented in GBP. On 28 March 2018 and for FY18 the Company changed its presentational and functional currency from USD to GBP.

Amounts are rounded to the nearest thousand, unless otherwise stated.

The financial statements are prepared on the historical cost basis with the exception of certain financial instruments which are stated at fair value.

Accounting policies have been consistently applied throughout the periods presented.

This is the first set of the Group's financial statements where IFRS 16 and IFRIC 23 have been applied. As required by IAS 8, the nature and effect of these changes and significant changes in accounting policies have been disclosed in note 2.10. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### *Non-GAAP performance measures*

Billings represent the advertising spend by the advertiser, including fees directly payable by the advertiser to their advertising agency, exclusive of sales tax.

Billings is the standard metric used by the out of home advertising industry body "Outsmart" to measure the market size and industry trends. Management consider Billings to be an important metric to assess the performance of the underlying business against industry trends and therefore presents Billings as a Non-GAAP performance measure. Billings is presented for the benefit for users of the accounts but is not a substitute for other standard GAAP measures presented.

# Ocean Outdoor Limited

## Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

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### 2.2 Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Director's assessment has considered the Group's current financial position, a review of its budgets and forecasts, the principal risks and uncertainties including the impact of COVID-19 and loan facilities available to the Group, with it having recently secured new credit facilities providing additional financing of up to £35m, subject to customary covenants related to minimum quarterly adjusted EBITDA and cash balances.

On 11 March 2020, the World Health Organisation announced the pandemic status of COVID-19. Subsequent to this announcement, significant measures have been taken by Governments across Europe, restricting the movement of the people and the forced closure of non-essential business. Given the company operates in the DOOH market, this has impacted on the company's performance in FY20. The effect COVID-19 will have on the global economy and the knock-on effect that it has on the medium to long term on consumer and business behaviour cannot yet be quantified.

The Directors of the company recognise COVID-19 has had and will have a significant effect on the results of the business in FY20, with the total impact not yet known. Various scenarios assessing the impact of the sales decline over the next 12 months from the date of approval of the financial statements and beyond, have been modelled, including additional downside stress testing, in line with the FRC guidance issued on 26th March 2020, and what the subsequent implications would be on the Group cash flow. The modelling demonstrates that, given the existing level of cash held by the Group of £32.7m at 28 May 2020, in conjunction with the new credit facilities secured, providing additional finance subsequent to the year end, and the mitigating actions taken by the directors, being;

- Staff costs were reduced through a structured reduction in working hours and government reimbursement schemes have been utilised where strictly necessary
- All landlords have been contacted with a view to negotiating rent holidays, deferrals and reductions wherever possible
- Capital expenditure has been frozen on all new projects and the site maintenance program has been reduced to the performance of only essential maintenance
- Credit terms have been optimised and extensions agreed with key suppliers

that even in the most extreme downside conditions considered reasonably possible, the Group will continue to be able to meet its obligations as they fall due.

On this basis, whilst acknowledging there is significant uncertainty regarding the future impacts of COVID-19, the Directors are satisfied the Group remains well placed to manage its business risks successfully. Therefore, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of 12 months from the date of approval of the financial statements. Accordingly, the financial statements continue to be prepared on a going concern basis.

# Ocean Outdoor Limited

## Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

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### 2.3 Foreign currency translation

#### *Functional and presentation currency*

The Company is listed on the main market of the London Stock Exchange. The performance of the Company is measured and reported to the shareholders in GBP, which is the Company's functional currency. The Directors consider GBP as the currency of the primary economic environment in which the Company operates and the one that most faithfully represents the economic effects of the underlying transactions, events and conditions.

#### *Transactions and balances*

Transactions entered into by Group entities in a currency other than the functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss. Exchange differences arising on the retranslation of the foreign operation are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

On consolidation, the results of overseas operations are translated into GBP at the average exchange rate for the year. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those 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 and accumulated in the foreign exchange reserve.

### 2.4 Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the business model and cash flow type under which the assets are held. The Group has not classified any of its financial assets as fair value through other comprehensive income. The Group's accounting policy for each category is as follows:

#### *Amortised cost*

These assets are non-derivative financial assets held under the 'hold to collect' business model and attracting cash flows that are solely payments of principal and interest. They comprise trade and other receivables and cash and cash equivalents. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade and other receivables are calculated using an expected credit loss model. Under this model, impairment provisions are recognised to reflect expected credit losses based on a combination of historic and forward-looking information, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net; such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with maturities of three months or less.



# Ocean Outdoor Limited

## Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

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### 2.5 Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Group's accounting policy for each category is as follows:

#### *Other financial liabilities*

Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method

### 2.6 Share-based payments

The Founder Preferred Shares (and attached warrants) and director options represent equity-settled share-based arrangements under which the Company receives services as a consideration for the additional rights attached to these equity shares, over and above their nominal price. In addition, the Company has granted options to the non-executive directors. The management team have been incentivised via the issue of hurdle shares which aligns the long-term interest of the company to deliver shareholder wealth. The hurdle shares represent equity-settled share-based arrangements under which the Group receives services as a consideration for equity shares, over and above their nominal price. The fair value of the grant of Founder Preferred Shares (and attached warrants), and hurdle shares in excess of any purchase price received is recognised as an expense. In addition, the Company has granted options to the non-executive directors. The management team have been incentivised via the issue of hurdle shares which aligns the long-term interest of the company to deliver shareholder wealth. The fair value of the Founder Preferred Shares (and attached warrants), the options and the hurdle shares is determined using a valuation model.

### 2.7 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors as it is the body that makes strategic decisions. The Board are of the opinion that there was only a single operational segment for FY18 being the provision of DOOH services to the UK market.

For FY19, following the acquisition of foreign subsidiaries in the Netherlands and the Nordics, the Board is now of the opinion that the company operates in three distinct markets: The United Kingdom, The Netherlands and The Nordics. Accordingly, the group has been treated as three operational segments for FY19 and the results of the group presented in the financial statements are disaggregated accordingly. Each operational segment provides DOOH services to their local market.

### 2.8 Share capital

Founder Preferred Shares, Ordinary Shares, and Warrants are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

### 2.9 Critical accounting judgements and key sources of estimation uncertainty

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

# Ocean Outdoor Limited

## Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

### *Estimates and assumptions*

In preparing the financial statements for the year ended 31 December 2019, management and the directors made certain estimates and judgements in the following areas:

- Accounting treatment for the digital signage investment acquired as part of the acquisition of Ocean Outdoor Nordics VA Holding AB which was restructured following acquisition. The directors needed to exercise judgement on whether the investment should be accounted for as an acquisition of a subsidiary business or the acquisition of an associate. See note 14 for further details;
- Impairment of goodwill and other intangible assets – Estimation of future cash flows and determination of discount rates (see note 13);
- Depreciation of property, plant and equipment – Estimation of useful lives and residual values (see note 2.18);
- The determination of incremental borrowing rates used and expected lease lengths in the application of IFRS 16 Leases (see note 2.19);
- The application of IFRS 9 when measuring expected credit losses and the assessment of expected credit loss provisions required for accounts receivable balances (see note 15);
- The determining of fair value of the intangible assets in respect of acquired rights over advertising sites for the acquisitions made in the year. The estimates and assumptions include underlying cash flow projections, discount rates applied and long-term growth rates; and
- The valuation of contingent consideration based on the probability of earn-out targets being satisfied for entities acquired during the year (see note 2.21)

COVID-19 has had a significant negative impact on the OOH market and the Group's performance during FY2020. Refer to note 24 for the potential impact of COVID-19 on EBITDA results and cash flows which could lead to an indicator of impairment of non-current assets held by the group. At this time, due to the uncertainty regarding how long COVID-19 will impact the OOH market and the Group's results and cash flows, the directors have assessed that there could be a significant risk of material adjustment to the carrying amounts of non-current assets within the next financial year.

### **2.10 New accounting standards and interpretations**

The Company applied all applicable standards and applicable interpretations published by the EU for the year ended 31 December 2019 for the consolidated financial statements.

#### *a) New standards, interpretations and amendments effective from 1 January 2019*

New standards impacting the Group that were adopted in the annual financial statements for the year ended 31 December 2019, and which have given rise to changes in the Group's accounting policies are:

- IFRS 16 Leases (IFRS 16); and
- IFRIC 23 Uncertainty over Income Tax Treatments (IFRIC 23)

Detail of the impact these two standards have had are given in note 2.19 and 2.20 below. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are

# Ocean Outdoor Limited

## Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

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either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

b) *New standards, interpretations and amendments not yet effective*

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The most significant of these is as follows, which are all effective for the period beginning 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
  - IFRS 3 Business Combinations
  - Revised Conceptual Framework for Financial Reporting
- The Group is currently assessing the impact of these new accounting standards and amendments.

### 2.11 Revenue

Substantially all of the Group's contracts with customers contain a single performance obligation, being the provision of advertising space, and are subject to fixed prices. Revenue is recognised on an over time basis. This is because the customer simultaneously receives and consumes the economic benefits provided under the contract by the Group's performance.

Amounts invoiced in advance of the performance of the advertising services are recognised as performance obligations and released to revenue as the group performs the advertising space under the contract.

Payment terms extended to customers depend on the country of operation, the size of the booking and the credit risk posed by the customer. Credit terms vary from up-front payment to 60 days.

Revenue represents the amounts (excluding the value added tax) derived from the provision of advertising space to customers during the 52-week period ended 29 December 2019 (2018: 52-week period ended 30 December 2018) net of commissions and discounts. Revenue is recognised on a 52-week period to reflect the period of customer bookings, normally in 2-week blocks. The difference on this basis to recognition of turnover for a full year is immaterial.

### 2.12 Basis of consolidation

Where Ocean Outdoor Limited ("the Company") has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The Consolidated Financial Statements presents the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The Consolidated Financial Statements incorporates the results of business combinations using the acquisition method. In the statement of financial position, 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 derecognised from the date on which control ceases.

# Ocean Outdoor Limited

## Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

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Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

### **2.13 Goodwill**

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the statement of comprehensive income on the acquisition date.

### **2.14 Other intangible assets**

Intangible assets are recognised on business combinations if they are separable from the acquired entity or arise from other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

The Group has recognised acquired rights over advertising sites on business combinations as intangible assets. These are amortised over the contractual life of the advertising sites on a straight-line basis, which are typically 5 to 15 years. The amortisation charge is included within administrative expenses in the consolidated statement of profit and loss.

The Group has recognised intangible asset in relation to the Ocean brand acquired as part of the business combination. This is amortised over 10 years on a straight-line basis. The amortisation charge is included within administrative expenses in the consolidated statement of profit and loss.

### **2.15 Impairment of non-financial assets (excluding deferred tax assets)**

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an individual asset or cash generating units ('CGU') exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly. Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

### **2.16 Defined contribution schemes**

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

# Ocean Outdoor Limited

## Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

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### 2.17 Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- Investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the near future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

### 2.18 Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs.

Depreciation is provided on all items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives according to the method of depreciation prevailing in the relevant countries in accordance with local regulations and economic conditions. It is provided at the following rates:

#### Site assets

Site build costs	-	Over the length of the lease
Digital signage	-	3 -10 years
Light boxes	-	10 years

Assets under the course of construction are only depreciated once ready for use.

#### Equipment

Fixtures and fittings	-	4 years straight line
Computer equipment	-	2 years straight line
Motor vehicles	-	4 years straight line

### 2.19 IFRS 16 Leases

The Group applies, for the first time, IFRS 16 Leases ("IFRS 16"). The nature and effect of these changes are disclosed below.

IFRS 16 supersedes IAS 17 Leases. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of

## Ocean Outdoor Limited

### Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

transitional adjustments on the date of initial application of 1 January 2019, without restatement of comparative figures. Under this method, the standard is applied with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. In compliance with the standard, IFRS 16 has only been applied to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The leases entered into by the Group relate to rental of office space, advertising space and equipment in order to generate revenue.

The effect of adoption IFRS 16 as at 1 January 2019, increase/(decrease) is as follows:

	<b>£'000</b>
<b>Assets</b>	
Right-of-use asset	88,520
Prepayments	856
	<hr/>
<b>Total assets</b>	89,376
<b>Liabilities</b>	
Lease liability	99,719
Accruals	(64)
	<hr/>
<b>Total liabilities</b>	99,655
Total adjustment to equity; IFRS 16 Restatement	(10,279)
	<hr/> <hr/>

The transition figures above differ to those presented in the interim financial statements as a result of a reassessment of the incremental borrowing rates used on the leases.

#### **a) Nature of the effect of adoption of IFRS 16**

The Group has lease contracts for various items of site assets, equipment and motor vehicles. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease.

Finance leases were capitalised at the commencement of the lease at the inception date fair value of the lease or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability.

In an operating lease, the site asset was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

## Ocean Outdoor Limited

### Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

- *Leases previously accounted for as operating leases*  
The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with terms that end within 12 months of the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Based on the above, as at 1 January 2019;

- A right-of-use asset of £89m was recognised and presented separately in the statement of financial position. No lease assets, previously recognised as finance leases, have been reclassified from Property, plant and equipment.
- Lease liabilities of £100m were recognised.
- Prepayments of £1m related to previous operating leases were derecognised.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	<b>£'000</b>
<b>Operating lease commitments as at 31 December 2018</b>	<b>125,360</b>
Weighted average incremental borrowing rate as at 1 January 2019	5.5%
Discounted operating lease commitments at 1 January 2019	99,719
	<hr/>
Current liability	16,250
Non-current liability	83,469
	<hr/>
<b>Lease liability recognised at 1 January 2019</b>	<b>99,719</b>
	<hr/>

## Ocean Outdoor Limited

### Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

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#### b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

- Right-of-use assets  
The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.
  - Lease liabilities  
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.
  - Recognition of right of use assets and lease liabilities on business combinations  
In the case of lease assets and lease liabilities acquired in a business combination, the Group measures the lease liability at the present value of the remaining lease payments as if the acquired lease were a new lease at the acquisition date. The group measures the right-of-use asset at the same amount as the lease liability, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.
- In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.
- Significant judgement in determining the lease term of contracts with renewal options  
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).



## Ocean Outdoor Limited

### Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

The Group has leases that can be modified in subsequent periods based on contractual performance. These are accounted for in the accounting period as a lease modification. When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- In all other cases where the renegotiated terms increase the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of use asset being adjusted by the same amount.
- If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

#### c) Amounts recognised in the statement of financial position and profit or loss

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Sites right of use asset £'000	Office right of use asset £'000	Total right of use asset £'000
As at 1 January 2019			
- Cost	135,577	2,587	138,164
- Accumulated depreciation	(47,972)	(816)	(48,788)
Additions:			
Lease additions	10,204	-	10,204
Lease modification	1,259	-	1,259
Subsidiary acquisition	69,400	-	69,400
Disposals	(816)	-	(816)
Depreciation expense	(19,426)	(280)	(19,706)
Foreign exchange difference	(1,087)	-	(1,087)
	147,139	1,491	148,630
As at 31 December 2019	147,139	1,491	148,630
Non-current	147,139	1,491	148,630

## Ocean Outdoor Limited

### Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

	Site liability £'000	Office liability £'000	Total Lease liabilities £'000
As at 1 January 2019	97,759	1,960	99,719
Additions:			
Lease additions	10,204	-	10,204
Lease modification	1,259	-	1,259
Subsidiary acquisition	69,400	-	69,400
Disposals	(766)	-	(766)
Finance expense	6,819	97	6,916
Foreign exchange difference	(1,695)	-	(1,695)
Payments	(24,271)	(369)	(24,640)
	<u>158,709</u>	<u>1,688</u>	<u>160,397</u>
As at 31 December 2019			
Current	23,923	264	24,187
Non-current	134,786	1,424	136,210
	<u>158,709</u>	<u>1,688</u>	<u>160,397</u>

Short-term leases entered into by the Group, not accounted for under IFRS 16, totalled £65,000 and there were no low value leases. Variable lease payments not included in the lease liability totalled £13.9m.

#### 2.20 IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- The Group to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

The Group elected to apply IFRIC 23 retrospectively with the cumulative effect recorded in retained earnings as at the date of initial application, 1 January 2019. The adoption of IFRIC 23 resulted in no change to corporate tax liabilities and no change to retained earnings.

# Ocean Outdoor Limited

## Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

### 2.21 Contingent and deferred consideration on acquisitions

The Group recognises contingent consideration payable on satisfaction of performance targets being achieved over certain time periods, based on the probability of the targets being achieved. At inception, the balance is discounted using the acquisition internal rate of return (IRR) to present value. Interest on the unwinding of the balance is charged to the profit and loss over the period of the performance targets. The probability of targets being achieved is reviewed and any changes to the expected consideration payable are also charged to the profit and loss.

The Group recognises deferred consideration at the present value at inception. The balance payable in a future period is discounted using a discount rate based on a lender borrowing rate at acquisition to present value and interest on the unwinding of the balance is charged to the profit and loss up to the point the balance is payable.

### 3. Financial instruments - Risk Management

The Group is exposed through its operations to the following financial risks:

- Credit risk;
- Liquidity risk; and
- Foreign currency risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

#### *(i) Principal financial instruments*

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

#### *(ii) Financial instruments by category*

##### Financial assets

	Amortised cost	
	2019	2018
	£'000	£'000
Cash and cash equivalents	26,917	160,503
Trade receivables	54,124	32,970
<b>Total financial assets</b>	<b>81,041</b>	<b>193,473</b>

# Ocean Outdoor Limited

## Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

### Financial liabilities

	Amortised cost	
	2019 £'000	2018 £'000
Trade and other payables - current	46,980	9,170
Other payables - non-current	10,501	-
<b>Total financial liabilities</b>	<b>57,481</b>	<b>9,170</b>

### *(iii) Financial instruments not measured at fair value*

Financial instruments not measured at fair value include certain cash and cash equivalents, trade and other receivables and trade and other payables.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables approximates their fair value.

### **General objectives, policies and processes**

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The Board receives monthly reports from the Group Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

#### *Credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer. Trade receivables contain receivables due from customers to which we may also owe volume rebates that are contained within our trade payables and accruals. Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted. In respect of the year and period ends presented, £20.9m (2018: £18.2) was held on current account with HSBC Bank plc, £1.1 m (2018: £142.3m) was held on current account with Barclays Bank plc, £2.5m (2018: £Nil) was held on current account with ABN AMRO, £1.2m (2018: £Nil) was held on current account with Rabobank and £1.2m (2018: £Nil) was held on current account with Skandinaviska Enskilda Banken.

#### *Liquidity risk*

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

## Ocean Outdoor Limited

### Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 90 days.

The Board receives rolling 12-month cash flow projections on a monthly basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

	<b>Total</b>	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>At 31 December 2018</b>	<b>£'000</b>	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	160,503	160,503	-	-	-	-
Trade receivables	32,970	32,970	-	-	-	-
Trade and other payables	9,170	6,855	764	1,280	271	-
<b>At 31 December 2019</b>	<b>£'000</b>	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	<b>26,917</b>	26,917	-	-	-	-
Trade receivables	<b>54,124</b>	54,124	-	-	-	-
Lease liability	<b>206,790</b>	7,701	23,910	29,544	76,615	69,020
Trade and other payables	<b>46,980</b>	44,606	2,374	-	-	-
Other payables	<b>10,501</b>	-	-	7,423	3,078	-

#### *Currency risk*

Following the acquisition of foreign subsidiaries in the year, the Group is exposed to risk from movements in foreign currency exchange rates, interest rates and market prices that affect its assets, liabilities and anticipated future transactions. The Group is exposed to foreign currency risk from transactions other than functional currency. Transaction exposure arises because affiliated companies undertake transactions in foreign currencies. The Group does not use forward foreign exchange rate contracts to hedge exchange rate risk. Its exposure is as follows:

	USD in GBP £'000	EURO in GBP £'000	SEK in GBP £'000	GBP in GBP £'000	<b>Total GBP £'000</b>
<b>At 31 December 2019</b>					
Financial assets					
Cash and cash equivalents	1,560	4,848	2,030	18,479	<b>26,917</b>
Trade receivables	-	4,516	8,222	41,386	<b>54,124</b>
Financial liabilities					
Trade and other payables	-	7,694	12,435	26,851	<b>46,980</b>
Other payables	-	-	-	10,501	<b>10,501</b>

# Ocean Outdoor Limited

## Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

### Capital Disclosures

The Group's objectives when maintaining capital are:

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

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

#### 4. Revenue

All revenue is recognised on an over time basis from advertising space provided to its customers.

*Analysis of revenue by service type and region:*

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Provision of advertising space – United Kingdom	<b>71,668</b>	49,795
Provision of advertising space – Netherlands	<b>22,800</b>	-
Provision of advertising space – Nordics	<b>9,565</b>	-
	<b>104,033</b>	49,795
	<b>104,033</b>	49,795

#### 5. Segmental reporting

	<b>UK Group</b>	<b>Netherlands</b>	<b>Nordics</b>	<b>Total</b>
<b>2019</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Revenue	71,668	22,800	9,565	104,033
Interest	(6,508)	(1,411)	(315)	(8,234)
Depreciation and amortisation	(37,475)	(6,385)	(2,552)	(46,412)
(Loss) / profit for the period	(9,450)	3,365	838	(5,247)
Total assets	549,316	56,283	53,475	659,074
Total liabilities	(199,584)	(49,007)	(41,326)	(289,917)
	<b>549,316</b>	<b>56,283</b>	<b>53,475</b>	<b>659,074</b>
	<b>(199,584)</b>	<b>(49,007)</b>	<b>(41,326)</b>	<b>(289,917)</b>

## Ocean Outdoor Limited

### Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

#### 5. Segmental reporting *(continued)*

2018	UK Group £'000	Netherlands £'000	Nordics £'000	Total £'000
Revenue	49,795	-	-	49,795
Interest	(4)	-	-	(4)
Depreciation and amortisation	(13,282)	-	-	(13,282)
Profit for the period	6,623	-	-	6,623
Total assets	459,216	-	-	459,216
Total liabilities	(71,586)	-	-	(71,586)

#### 6. Expenses by nature

	2019 £'000	2018 £'000
Employee benefit expenses (note 7)	8,657	4,614
Depreciation of site assets, equipment and motor vehicles (note 11)	6,953	3,195
Depreciation of right of use asset (note 11)	19,706	-
Amortisation of intangible assets (note 12)	19,753	10,087
Operating site lease expense	-	10,853
Site profit share, rates, utilities and maintenance	22,015	13,660
Profit on disposal of site assets, equipment and motor vehicles	22	1
Foreign exchange	482	2
Acquisition and relisting fees	1,854	5,607
Auditor remuneration – audit fees		
Ocean Outdoor Limited Group audit	366	220
Auditor remuneration – other non-audit services	-	95

#### 7. Employee benefit expenses

	2019 £'000	2018 £'000
Wages and salaries	7,604	4,001
Social security contributions and similar taxes	909	479
Management incentive scheme	-	68
Defined contribution pension cost	144	66

# Ocean Outdoor Limited

## Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

### 8. Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the directors.

	2019 £'000	2018 £'000
Wages and salaries	1,941	1,234
Benefits in kind	67	35
Management incentive scheme (hurdle shares)	-	68
Defined contribution pension cost	38	21
	2,046	1,358
	2,046	1,358

### 9. Finance expense and finance income

	2019 £'000	2018 £'000
<b>Finance expense</b>		
Interest payable on lease liability	6,915	-
Interest on contingent consideration	1,281	-
Other Interest payable	38	4
	8,234	4
	8,234	4
<b>Finance income</b>		
Interest receivable on cash and cash equivalents	518	1,658
	518	1,658
	518	1,658

### 10. Tax

	2019 £'000	2018 £'000
<b>Current tax expense</b>		
Current tax charge for the year	4,250	2,002
Adjustments in respect of prior periods	-	(2)
	4,250	2,000
<b>Total current tax</b>	4,250	2,000
<b>Deferred tax expense</b>		
Deferred tax credit for the year (see note 17)	(3,709)	(1,694)
	(3,709)	(1,694)
<b>Total tax expense</b>	541	306
	541	306

The Group's trading subsidiaries operated in the UK, the Netherlands and in the Nordics in FY19. The group pays corporation tax on profits in the corresponding tax jurisdiction in which the company operates. The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to the loss for the year are as follows:



# Ocean Outdoor Limited

## Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

### 10. Tax (continued)

	2019 £'000	2018 £'000
(Loss) / profit before tax	<b>(4,706)</b>	6,929
Tax using the Company's domestic tax rate of 19% (2018: 19%)	<b>(894)</b>	1,317
Foreign subsidiary tax rate difference	<b>220</b>	-
Expenses not deductible for tax purposes	<b>1,215</b>	(1,011)
Total tax expense	<b>541</b>	306

#### *Expenses not deductible for tax purposes*

The key contributor to the expenses not deductible for tax purposes is interest disallowable per the corporate interest restrictions rules.

#### *Changes in tax rates and factors affecting the future tax charge*

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. On 11 March 2020, the UK corporation tax rate was confirmed as being maintained at 19% from 1 April 2020 onwards. Deferred tax assets and liabilities at 31 December 2019 have been calculated taking into consideration the applicable rates when the temporary differences are expected to reverse.

### 11. Property, plant and equipment

	Site assets £'000	Equipment £'000	Motor vehicles £'000	Total £'000
<b><i>Cost or valuation</i></b>				
<b>At 1 January 2018</b>	-	-	-	-
Acquired through business combinations	24,461	227	73	24,761
Additions	10,349	56	-	10,405
Disposals	(23)	(72)	(12)	(107)
<b>At 31 December 2018</b>	<b>34,787</b>	<b>211</b>	<b>61</b>	<b>35,059</b>
<b>At 1 January 2019</b>	<b>34,787</b>	<b>211</b>	<b>61</b>	<b>35,059</b>
Acquired through business combinations	9,630	579	117	10,326
Additions	11,922	278	-	12,200
Disposals	(91)	-	(13)	(104)
FX variance	(250)	(3)	(1)	(254)
<b>At 31 December 2019</b>	<b>55,998</b>	<b>1,065</b>	<b>164</b>	<b>57,227</b>

## Ocean Outdoor Limited

### Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

#### 11. Property, plant and equipment *(continued)*

	Site assets £'000	Equipment £'000	Motor vehicles £'000	Total £'000
<b><i>Accumulated depreciation</i></b>				
<b>At 1 January 2018</b>	-	-	-	-
Charge in the year	3,111	59	25	3,195
Disposals	(23)	(72)	(12)	(107)
<b>At 31 December 2018</b>	<b>3,088</b>	<b>(13)</b>	<b>13</b>	<b>3,088</b>
<b>At 1 January 2019</b>	3,088	(13)	13	3,088
Charge in the year	6,737	161	55	6,953
Disposals	(121)	-	(4)	(125)
FX variance	(40)	(1)	-	(41)
<b>At 31 December 2019</b>	<b>9,664</b>	<b>147</b>	<b>64</b>	<b>9,875</b>
	<b>Site assets £'000</b>	<b>Equipment £'000</b>	<b>Motor vehicles £'000</b>	<b>Total £'000</b>
<b>Net Book Value</b>				
<b>At 31 December 2019</b>	46,334	918	100	47,352
<b>At 31 December 2018</b>	31,699	224	48	31,971

Included within site assets is £3.95m (2018: £8.10m) related to assets under course of construction.

## Ocean Outdoor Limited

### Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

#### 11. Property, plant and equipment *(continued)*

<b>Cost</b>	<b>Right of use asset £'000</b>
<b>At 1 January 2019</b>	138,164
Acquired through business combinations	69,400
Additions	11,463
Disposals	(1,429)
FX variance	(1,214)
	216,384
<b>At 31 December 2019</b>	216,384
 <b>Accumulated depreciation</b>	
<b>At 1 January 2019</b>	48,788
Charge in the year	19,706
Disposals	(613)
FX variance	(127)
	67,754
<b>At 31 December 2019</b>	67,754
 <b>Net Book Value</b>	
<b>At 31 December 2019</b>	148,630
<b>At 31 December 2018</b>	-

## Ocean Outdoor Limited

### Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

#### 12. Intangible assets

	Brand	Acquired rights over advertising sites	Goodwill	Total
	£'000	£'000	£'000	£'000
<b><i>Cost or valuation</i></b>				
<b>At 1 January 2018</b>	-	-	-	-
Acquired through business combinations	6,725	136,715	96,671	240,111
<b>At 31 December 2018</b>	6,725	136,715	96,671	240,111
<b>At 1 January 2019</b>	6,725	136,715	96,671	240,111
Acquired through business combinations	-	74,167	83,785	157,952
FX variance	-	(264)	(552)	(816)
<b>At 31 December 2019</b>	<b>6,725</b>	<b>210,618</b>	<b>179,904</b>	<b>397,247</b>
<b><i>Accumulated amortisation and impairment</i></b>				
<b>At 1 January 2018</b>	-	-	-	-
Charge in the year	500	9,587	-	10,087
<b>At 31 December 2018</b>	500	9,587	-	10,087
<b>At 1 January 2019</b>	500	9,587	-	10,087
Charge in the year	673	19,080	-	19,753
<b>At 31 December 2019</b>	<b>1,173</b>	<b>28,667</b>	-	<b>29,840</b>
<b>Net Book Value</b>				
<b>At 31 December 2019</b>	<b>5,552</b>	<b>181,951</b>	<b>179,904</b>	<b>367,407</b>
<b>At 31 December 2018</b>	6,225	127,128	96,671	230,024

The remaining period over which amortisation is to be charged on acquired rights over advertising sites is between 4 and 15 years. The remaining period over which amortisation is to be charged on the Ocean brand is 9 years.

# Ocean Outdoor Limited

## Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

### 13. Goodwill and impairment

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

The Company made five acquisitions in FY19, that of Ngage, Interbest, Beyond Outdoor, Visual Art and ACM. It made two in FY18; that of SCP Acquisition Topco Limited and its subsidiaries and Forrest Media (Holdings) Limited and its subsidiaries. For the purpose of impairment testing each acquisition was measured on the basis of its value in use based on financial forecasts covering a five-year period. The key assumptions for the value in use calculation are:

- Discount rates
- Growth rates in revenue and costs
- Free cash flow

Pre-tax discount rates used in the SCP Acquisition Topco Group impairment review were 16.4%, for Forrest Media (Holdings) Group 13.1%, for Ngage 14.6%, Interbest 15.4%, Beyond Outdoor 15.4%, Visual Art 13.7% and for ACM 11.0%.

A long-term growth rate of 2% was used to extrapolate cash flows beyond the five-year forecast period in calculating a terminal value assuming the sale of the business.

The free cash flows used are based on revenue projections less direct and allocated costs established using management approved budgets and forecasts less working capital movements.

These metrics are based on past performance and expectations of future changes in the market. They have been assessed and consideration given to any reasonable possible changes to these assumptions, including the undertaking of a sensitivity analysis.

The surplus of cash flows at 31 December 2019 was assessed as reasonable based on the headroom level over the carrying value of non-current assets and working capital being in the ranges of 10%-37%.

No instances have been identified that could cause the carrying amount of goodwill to exceed its recoverable amount and therefore no impairment has been recognised.

The carrying amount of goodwill is allocated to the cash generating units (CGUs) as follows:

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
UK Operations	<b>96,671</b>	96,671
Ocean Netherlands	<b>23,520</b>	-
Ocean Nordics	<b>59,713</b>	-
	<hr/> <b>179,904</b> <hr/>	<hr/> 96,671 <hr/>

## Ocean Outdoor Limited

### Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

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#### 14. Subsidiaries, investments and business combinations

On 26 February 2018, Ocean Outdoor Limited formed Ocean Jersey Topco Limited (formerly Ocelot Partners Bidco Limited), a wholly owned subsidiary, incorporated in Jersey.

On 28 March 2018 the Ocean Outdoor Limited acquired 100% of the share capital and voting rights of SCP Acquisition Topco Limited and its subsidiaries, through Ocean Jersey Topco Limited. The acquired company and its subsidiaries specialise in the development and sale of Out of Home (OOH) displays in the UK. The transaction was funded using cash on hand.

On 2 June 2018 the Ocean Group acquired 100% of the share capital and voting rights of Forrest Media (Holdings) Limited and its subsidiaries, registered in Scotland, through Ocean Bidco Limited. The acquired company and its subsidiaries specialise in the development and sale of Out of Home (OOH) displays in Scotland. The transaction was funded using cash on hand.

On 11 March 2019 the Ocean Group acquired 100% of the share capital and voting rights of Ngage Media B.V, registered in the Netherlands, through Ocean Bidco Limited. The acquired company specialises in the development and sale of Out of Home (OOH) displays in the Netherlands. The transaction was funded using cash on hand.

On 11 March 2019 the Ocean Group acquired 100% of the share capital and voting rights of Ocean Outdoor Nederland B.V, registered in the Netherlands, through Ocean Bidco Limited. The acquired company specialises in the development and sale of Out of Home (OOH) displays in the Netherlands. The transaction was funded using cash on hand.

On 29 May 2019 the Ocean Group acquired 100% of the share capital and voting rights of DKTD Media B.V, (aka Beyond Outdoor) registered in the Netherlands, through Ocean Bidco Limited. The acquired company specialises in the development and sale of Out of Home (OOH) displays in the Netherlands. The transaction was funded using cash on hand.

On 13 September 2019 the Ocean Group acquired 100% of the share capital and voting rights of Ocean Outdoor Nordics VA Holding AB and its subsidiaries, registered in Sweden, through Ocean Bidco Limited. The acquired company and its subsidiaries specialise in the development and sale of Out of Home (OOH) displays in Sweden, Denmark, Finland and Germany. The transaction was funded using cash on hand. The acquired Group consisted of a Media Sales business and a Digital signage business. It was always the intention of Ocean to acquire 100% of the Media Sales business and to form a separate entity with the vendors for the Digital Signage business. Accordingly, the digital signage business was recognised as a subsidiary held-for-sale at the acquisition date and the media sales business was recognised as a business combination. The acquired group was restructured following the acquisition resulting in Ocean Bidco Limited holding 49.99% of the share capital and voting rights of Visual Art Technologies (the Digital signage business), a company registered in Sweden. The restructure was formalised on 23 December 2019 at which point Visual Art Technologies was de-recognised as a subsidiary and was subsequently recognised as an associate in accordance with IAS 28. The Group does not exercise control over Visual Art Technologies with effect from 23 December 2019 because another party holds the remaining share capital and voting rights. The fair value of the associate at 23 December 2019 was £13.3m. The carrying value of the investments at 31 December 2019 is also £13.3m.

On 9 December 2019 the Ocean Group acquired 80.13% of the share capital and voting rights of AdCityMedia AB and its subsidiaries, registered in Sweden, through Ocean Bidco Limited. On 18 December 2019 a further 17.33% of the share capital and voting rights were acquired taking the total holding to 97.46%. The acquired company and its subsidiaries specialise in the development and sale of Out of Home (OOH) displays in Sweden and Norway. The transaction was funded using cash on hand. On 4 February 2020 a further 1.94% holding in the company was acquired. Under Swedish law the remaining shares not owned can be acquired via a compulsory purchase.

## Ocean Outdoor Limited

### Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

#### 14. Subsidiaries, investments and business combinations *(continued)*

The principal subsidiaries and associates of the Group which have been included in these Consolidated Financial Statements, are as follows:

Name	Country of incorporation and principal place of business	Nature of business	Ownership 2019	Ownership 2018
<b>Subsidiary companies</b>				
Ocean Jersey Topco Limited	Jersey	Holding co.	100%	100%
SCP Acquisition Topco Limited <sup>1,3</sup>	England & Wales	Holding co.	100%	100%
SCP Acquisition Midco Limited <sup>1,3</sup>	England & Wales	Holding co.	100%	100%
SCP Acquisition Bidco Limited <sup>1</sup>	England & Wales	Holding co.	100%	100%
Ocean Topco Limited <sup>1</sup>	England & Wales	Holding co.	100%	100%
Ocean Bidco Limited <sup>1</sup>	England & Wales	Holding co.	100%	100%
Ocean Outdoor UK Limited <sup>1</sup>	England & Wales	OOH Media Owner	100%	100%
Signature Outdoor Limited <sup>1</sup>	England & Wales	OOH Media Owner	100%	100%
Mediaco Outdoor Limited <sup>1</sup>	England & Wales	OOH Media Owner	100%	100%
Forrest Media (Holdings) Limited <sup>1,3</sup>	Scotland	Holding co.	100%	100%
Forrest Media Limited <sup>1,3</sup>	Scotland	Holding co.	100%	100%
Forrest Outdoor Media Limited <sup>1</sup>	Scotland	OOH Media Owner	100%	100%
Ocean Brands Limited <sup>1</sup>	Scotland	Dormant subsidiary	68%	68%
Ngage Media B.V <sup>1</sup>	Netherlands	OOH Media Owner	100%	-
Ocean Outdoor Nederland B.V <sup>1,2</sup>	Netherlands	OOH Media Owner	100%	-
DKTD Media B.V <sup>1</sup>	Netherlands	OOH Media Owner	100%	-
Ocean Outdoor Nordics VA Holding AB <sup>1</sup>	Sweden	Holding co.	100%	-
Ocean Outdoor Sweden AB <sup>1</sup>	Sweden	Holding co.	100%	-
Global Agencies Stockholm AB <sup>1</sup>	Sweden	OOH Media Owner	100%	-
Ocean Outdoor Denmark A/S <sup>1</sup>	Denmark	OOH Media Owner	100%	-
Ocean Outdoor Finland Oy <sup>1</sup>	Finland	OOH Media Owner	100%	-
Gudfar & Son AB <sup>1</sup>	Sweden	OOH Media Owner	100%	-
Ocean Outdoor Germany GmbH <sup>1</sup>	Germany	OOH Media Owner	100%	-
AdCityMedia AB <sup>1</sup>	Sweden	OOH Media Owner	97.46%	-
GM-Gruppen Moving Message AB <sup>1</sup>	Sweden	OOH Media Owner	97.46%	-
Ocean Outdoor Norway A/S <sup>1</sup>	Norway	OOH Media Owner	97.46%	-
All in Media Sverige AB <sup>1</sup>	Sweden	OOH Media Owner	97.46%	-
ACM AB <sup>1</sup>	Sweden	OOH Media Owner	97.46%	-
<b>Associate companies</b>				
Visual Art Sweden AB	Sweden	Holding co.	49.99%	-
Visual Art International Holding AB	Sweden	OOH Media Owner	49.99%	-
Visual Art Germany GmbH	Germany	OOH Media Owner	47.49%	-
Visual Art USA Inc.	USA	OOH Media Owner	49.99%	-
Visual Art Norway AS	Norway	OOH Media Owner	49.99%	-

<sup>1</sup> The shares held in these entities are held indirectly.

<sup>2</sup> Formerly called Interbest B.V

<sup>3</sup> Company dissolved after the reporting date

The registered address for Ocean Jersey Topco Limited is 3rd Floor, 44 Esplanade, St Helier, Jersey, JE4 9WG.

The registered address for entities incorporated in England & Wales is 25 Argyll Street, London, W1B 5QB, United Kingdom, with the exception of SCP Acquisition Midco Limited and SCP

## Ocean Outdoor Limited

### Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

#### 14. Subsidiaries, investments and business combinations *(continued)*

Acquisition Topco Limited which had a registered address of 25 Kingly Street, London, W1B 5QB.

The registered address for entities incorporated in Scotland is 7 Seaward Street, Paisley Road, Glasgow, G41 1HJ, United Kingdom.

The registered address for Ocean Outdoor Nederland B.V and DKTD Media B.V is Kastanjelaan 400 Verdieping 4, 5616LZ, Eindhoven, Netherlands.

The registered address for Ngage Media B.V. is Locatellikade 1, 1076AZ, Amsterdam, Netherlands.

The registered address for Ocean Outdoor Nordics VA Holding AB, Ocean Outdoor Sweden AB, Global Agencies Stockholm AB, Visual Art Sweden AB, Visual Art International Holding AB and Gudfar & Son AB is Hälsingegatan 45, 113 31 Stockholm, Sweden.

The registered address for Ocean Outdoor Germany GmbH and Visual Art Germany GmbH is Winterstraße 2, 22765 Hamburg, Germany.

The registered address for Visual Art USA Inc is 20 West Kinzie Street, 17th floor Chicago, IL 60654, USA.

The registered address for Ocean Outdoor Denmark A/S is Gammel Mønt 2, 1. sal 1117 København K, Denmark.

The registered address for Ocean Outdoor Finland Oy is Pursimiehenkatu 29-31 E 00150 Helsinki, Finland.

The registered address for AdCityMedia AB and ACM AB is Frihamnsgatan 22, Magasin 3, 115 56 Stockholm.

The registered address for GM-Gruppen Moving Message AB is Strömslundsgatan 4, 507 62 Borås, Sweden.

The registered address for All in Media Sverige AB is Kopparbergsvägen 27, 722 13 Västerås, Sweden.

The registered address for Visual Art Norway AS and Ocean Outdoor Norway A/S is Martin Linges Vei 25 1364 Fornebu, Norway.

#### **Ocean Outdoor Nederland B.V**

	<b>Fair value £'000</b>
Fair value of assets at 11 March 2019	
Intangible fixed assets	26,000
Tangible fixed assets	4,093
Right of use asset	28,017
Debtors	1,691
Cash and cash equivalents	282
Creditors	(3,642)
Lease liability	(28,017)
Deferred tax	(6,136)
	22,288
Purchase consideration:	
Cash	32,647
Contingent consideration	5,012
	37,659
Goodwill arising on acquisition	15,371



## Ocean Outdoor Limited

### Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

#### 14. Subsidiaries, investments and business combinations *(continued)*

##### **Ngage Media B.V**

	<b>Fair value £'000</b>
Fair value of assets at 11 March 2019	
Intangible fixed assets	12,130
Tangible fixed assets	2,233
Right of use asset	4,222
Debtors	1,331
Cash and cash equivalents	1,177
Creditors	(2,906)
Lease liability	(4,222)
Deferred tax liability	(2,863)
	11,102
Net assets acquired	<b>11,102</b>
Purchase consideration:	
Cash	8,815
Deferred consideration paid during the year	2,596
Contingent consideration	6,470
	17,881
Total purchase consideration	17,881
Goodwill arising on acquisition	<b>6,779</b>

##### **DKTD Media B.V**

	<b>Fair value £'000</b>
Fair value of assets at 29 May 2019	
Intangible fixed assets	1,849
Tangible fixed assets	1,744
Right of use asset	8,299
Debtors	763
Cash and cash equivalents	112
Creditors	(2,793)
Lease liability	(8,299)
Deferred tax liability	(436)
	1,239
Net assets acquired	<b>1,239</b>
Purchase consideration settled in cash	2,609
Goodwill arising on acquisition	<b>1,370</b>

## Ocean Outdoor Limited

### Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

#### 14. Subsidiaries, investments and business combinations *(continued)*

##### Ocean Outdoor Nordics VA Holding AB and subsidiaries

	<b>Fair value £'000</b>
Fair value of assets at 13 September 2019	
Intangible fixed assets	27,049
Tangible fixed assets	1,463
Right of use asset	25,883
Debtors	3,502
Other assets	11
Cash and cash equivalents	210
Creditors	(7,718)
Lease liability	(25,883)
Deferred tax liability	(5,789)
	<b>18,728</b>
Net assets acquired	
Purchase consideration settled in cash	57,565
	<b>38,837</b>

##### AdCityMedia AB and subsidiaries

	<b>Fair value £'000</b>
Fair value of assets at 09 December 2019	
Intangible fixed assets	7,139
Tangible fixed assets	793
Right of use asset	2,979
Debtors	3,766
Cash and cash equivalents	630
Creditors	(7,424)
Lease liability	(2,979)
Deferred tax liability	(1,528)
	<b>3,376</b>
Net assets acquired	
Purchase consideration:	
Settled in cash	24,177
Accrued consideration	627
	24,804
Total purchase consideration	
	<b>21,428</b>

# Ocean Outdoor Limited

## Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

### 14. Subsidiaries, investments and business combinations *(continued)*

In line with IFRS3, Business Combinations, the above intangibles have been calculated using the information currently available. These values may be adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date during the measurement period which shall not exceed one year from the acquisition date. For each acquisition, the carrying amount of assets and liabilities acquired approximates their fair value.

Goodwill arising on acquisition relates to a number of factors. Group synergies are expected to be achieved and the Group will benefit from economies of scale. Preferential supplier terms can be negotiated and bringing these companies under the Ocean brand will create additional value as the Group establishes itself as a major DOOH player across Northern Europe.

Ocean Outdoor Nederland B.V contributed £15.05m in revenue and £2.02m profit to the total group loss from the date of acquisition.

The contingent consideration for Ocean Outdoor Nederland B.V relates to performance-based cash pay-outs payable on the satisfaction of targets set at the date of acquisition over the next two financial years. The contingent consideration has been provided for in full and discounted using the IRR at acquisition.

Ngage Media B.V contributed £6.92m in revenue and £1.30m profit to the total group loss from the date of acquisition.

The contingent consideration for Ngage Media B.V relates to performance-based cash pay-outs payable on the satisfaction of targets set at the date of acquisition over the next two financial years. The contingent consideration has been provided for in full and discounted using the IRR at acquisition.

DKTD Media B.V contributed £1.06m in revenue and £0.1m profit to the total group loss from the date of acquisition.

Ocean Outdoor Nordics VA Holding AB and subsidiaries contributed £8.45m in revenue and £0.42m profit to the total group loss from the date of acquisition.

AdCityMedia AB and subsidiaries contributed £1.12m in revenue and £0.02m profit to the total group loss from the date of acquisition.

Had all the acquisitions listed above been completed on 1 January 2019 Group revenue would have been £141.1m and Group loss would have been £4.3m

The unaudited trading results for these entities by region and as part of the Group can be found in the appendix beginning on page 71.

#### Cash flows from acquisition transactions

	<b>2019</b>
	<b>£'000</b>
Ocean Outdoor Nederland B.V	
Purchase consideration settled in cash	32,647
Cash balances acquired	(282)
	<hr/>
<b>Net cash outflow</b>	<b>32,365</b>
	<hr/> <hr/>

Direct acquisition costs of £0.28m were incurred during the course of the transaction.

## Ocean Outdoor Limited

### Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

#### 14. Subsidiaries, investments and business combinations *(continued)*

	<b>2019</b> <b>£'000</b>
Ngage Media B.V	
Purchase consideration settled in cash	11,412
Cash balances acquired	(1,177)
	10,235
<b>Net cash outflow</b>	<b>10,235</b>

Direct acquisition costs of £0.28m were incurred during the course of the transaction.

	<b>2019</b> <b>£'000</b>
DKTD Media B.V	
Purchase consideration settled in cash	2,609
Cash balances acquired	(112)
	2,497
<b>Net cash outflow</b>	<b>2,497</b>

Direct acquisition costs of £0.22m were incurred during the course of the transaction.

	<b>2019</b> <b>£'000</b>
Ocean Outdoor Nordics VA Holding AB and subsidiaries	
Purchase consideration settled in cash	57,565
Cash balances acquired	(210)
	57,355
<b>Net cash outflow</b>	<b>57,355</b>

Direct acquisition costs of £0.51m were incurred during the course of the transaction.

	<b>2019</b> <b>£'000</b>
AdCityMedia AB and subsidiaries	
Purchase consideration settled in cash	24,177
Cash balances acquired	(630)
	23,547
<b>Net cash outflow</b>	<b>23,547</b>

Direct acquisition costs of £0.56m were incurred during the course of the transaction.

#### Investment in associate

Visual Art Sweden AB and subsidiaries became an associate investment with effect from 23 December 2019. The cost of investment and the latest available unaudited financial information for that Group as at 31 Dec 2019 and the period ended 31 December 2019 is as follows:

## Ocean Outdoor Limited

### Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

#### 14. Subsidiaries, investments and business combinations *(continued)*

<i>Visual Art Sweden AB and subsidiaries</i>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Cost as at 23 December 2019 and 31 December 2019	<b>13,297</b>	-

<i>Visual Art Sweden AB and subsidiaries</i>	<b>2019</b>	<b>2018</b>
<i>unaudited financial information</i>	<b>£'000</b>	<b>£'000</b>
Current liabilities	<b>(4,725)</b>	-
Current assets	<b>4,324</b>	-
Non-current assets	<b>975</b>	-

#### 15. Trade and other receivables

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Trade receivables	<b>54,124</b>	32,970
Prepayments and other receivables	<b>1,347</b>	3,748
<b>Total trade and other receivables - Current</b>	<b>55,471</b>	36,718

The carrying value of trade and other receivables classified as financial assets at amortised cost approximates fair value. The Group does not hold any collateral as security.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group has identified the gross domestic product (GDP), unemployment rate and inflation rate as the key macroeconomic factors in the countries where the Group operates.

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Opening provision for impairment of trade receivables	<b>246</b>	-
Increase during the year	<b>532</b>	113
Balances acquired on acquisition	-	133
<b>Closing provision for impairment of trade receivables</b>	<b>778</b>	246

## Ocean Outdoor Limited

### Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

#### 15. Trade and other receivables *(continued)*

	Estimated Default rate	Gross carrying amount £'000	Credit loss allowance £'000
<b>31 December 2019</b>			
Current	0.50%	29,138	146
Up to 3 months past due	1.00%	15,040	151
More than 3 months past due	4.80%	9,946	481
		54,902	778
		54,902	778
	Estimated Default rate	Gross carrying amount £'000	Credit loss allowance £'000
<b>31 December 2018</b>			
Current	0.50%	18,795	94
Up to 3 months past due	0.66%	11,009	73
More than 3 months past due	2.30%	3,412	79
		33,216	246
		33,216	246

#### 16. Trade and other payables

	2019 £'000	2018 £'000
<u>Due within one year:</u>		
Trade payables	33,854	8,791
Other payables	8,056	379
Contingent consideration	5,070	-
Accrued consideration	627	-
Accruals	28,784	35,559
	76,391	44,729
	76,391	44,729
<u>Due after more than one year:</u>		
Other payables	2,956	-
Contingent consideration	7,545	-
	10,501	-
	10,501	-

The accruals balance contains accruals for site rates, profit shares and volume rebates, including estimates for such items where necessary.

# Ocean Outdoor Limited

## Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

### 17. Deferred tax

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This would reduce the company's future current tax charge accordingly. Deferred tax assets and liabilities at 31 December 2019 have been calculated taking into consideration the applicable rates when the temporary differences are expected to reverse. On 11 March 2020, the UK corporation tax rate was confirmed as being maintained at 19% from 1 April 2020 onwards. This will result in the UK deferred tax balances being reassessed at 19% rather than 17% from FY20 onwards.

Details of the deferred tax liability, amounts recognised in profit or loss and amounts recognised in other comprehensive income are as follows:

	Asset £'000	Liability £'000	Charged/ (credited) to profit or loss £'000
<b>At 1 January 2018</b>	-	-	-
Arising on business combinations	-	24,386	-
Reversal of temporary timing differences on business combinations	-	(1,715)	(1,715)
Fixed asset and other differences	-	887	-
Reversal of temporary timing differences on fixed asset and other differences	-	21	21
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2018</b>	-	23,579	(1,694)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	<b>Asset</b> £'000	<b>Liability</b> £'000	<b>Charged/ (credited) to profit or loss £'000</b>
<b>At 1 January 2019</b>	-	23,579	-
Arising on business combinations	-	16,752	-
Reversal of temporary timing differences on business combinations	-	(3,736)	(3,736)
Fixed asset and other differences	-	847	-
Reversal of temporary timing differences on fixed asset and other differences	-	27	27
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2019</b>	-	<b>37,469</b>	<b>(3,709)</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## Ocean Outdoor Limited

### Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

#### 18. Notes supporting the cash flow

Significant non-cash transactions are as follows:

	2019 £'000	2018 £'000
Purchases of site assets, equipment and motor vehicles unpaid at year end	105	5,169
Contingent consideration on business combination	11,334	-
IFRS 16 right of use asset recognised (note 2.19)	88,520	-
IFRS 16 prepayments adjustment (note 2.19)	856	-
IFRS 16 right of use asset and lease liability disposal	816	-
IFRS 16 right of use liability recognised (note 2.19)	99,719	-
IFRS 16 new operating leases (note 2.19)	11,463	-
IFRS 16 interest payable	6,915	-
Accrued consideration	627	-
Interest payable in contingent consideration	1,281	-
	11,334	5,169

#### 19. Restatement of prior year consolidated statement of cash flows

Subsequent to the approval of the financial statements for the year ended 31 December 2018, the directors determined that there was a £5,169k non-cash movement within site assets, equipment and motor vehicle additions, which was not previously identified and resulted in an error in the 2018 cash flow statement in relation to the amounts reported for purchases of site assets, equipment and motor vehicles (investing activities), and within the increase in trade and other payables (cash generated from operations). In addition, upon review of the cash flow statement an additional reclassification error was identified due to the inclusion of a £5,839k deduction for acquisition costs paid (cash generated from operations) in the reconciliation between profit for the year and operating cash flows, and a corresponding £5,839k increase in the change in working capital for trade and other payables (cash generated from operations). There is no impact on the disclosure of the profit before tax, and no impact on the cash position, as this is a reclassification within the cash generated from operations.

The following amendments have been made to the comparatives reported in the current year's financial statements:

Year ended 31 December 2018 (All amounts in £'000)	As Restated	As previously reported	Change
Acquisition costs paid	-	(5,839)	5,839
(Decrease)/Increase in trade and other payables	(5,276)	5,732	(11,008)
Cash generated from operations	12,778	17,947	(5,169)
Net cash flows from operating activities	11,768	16,937	(5,169)
Net cash used in investing activities	(232,523)	(237,692)	5,169

In addition, a non-cash movement for an increase in capital expenditure payables of £5.2m should have been disclosed in the 2018 financial statements.

There was no impact on the amounts reported for "net decrease in cash and cash equivalents" or "cash and cash equivalents" at the end of 2018.



## Ocean Outdoor Limited

### Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

#### 20 Share capital

The authorised shares of the Company are as follows:

<b>Authorised</b>	<b>2019</b>		<b>2018</b>	
	<b>£'000</b>		<b>£'000</b>	
Unlimited number of Ordinary Shares	-	-	-	-
<b>Founder Preferred Shares, no par value</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>Number</b>	<b>£'000</b>	<b>Number</b>	<b>£'000</b>
	<b>'000</b>		<b>'000</b>	<b>'000</b>
Balance at beginning of period	700	5,213	700	5,213
Converted during the period	(88)	(652)	-	-
Balance at end of period	612	4,561	700	5,213
<b>Ordinary Shares, no par value</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>Number</b>	<b>£'000</b>	<b>Number</b>	<b>£'000</b>
	<b>'000</b>		<b>'000</b>	<b>'000</b>
Balance at beginning of period	53,921	375,594	41,790	288,906
Issued and fully paid during the period	88	652	12,131	86,688
Balance at end of period	54,009	376,246	53,921	375,594
<b>Shares held in treasury, no par value</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>Number</b>	<b>£'000</b>	<b>Number</b>	<b>£'000</b>
	<b>'000</b>		<b>'000</b>	<b>'000</b>
Balance at beginning of period	-	-	-	-
Shares acquired	396,730	2,417	-	-
Balance at end of period	396,730	2,417	-	-

147,000 Founder Preferred Shares were issued on 20 January 2017 at US\$10.50 per share and a further 553,000 issued on 8 March 2017, also at US\$10.50 per share. 87,500 Founder Preferred Shares were converted on 15 January 2019 into Ordinary shares on a one-for-one basis. There are no Founder Preferred Shares held in Treasury. Each Founder Preferred Share was issued with a Warrant as described below.

41,790,000 Ordinary Shares were issued on 8 March 2017 (41,765,000 were issued in the IPO at US\$10.00 per share and 25,000 were issued to the non-founder directors in conjunction with the IPO). Each Ordinary Share was issued with a Warrant as described below. Issue costs of US\$10,543,094 were deducted from the proceeds of issue.

# Ocean Outdoor Limited

## Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

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### 20 Share capital (continued)

Following the acquisition of SCP Acquisition Topco Limited on 28 March 2018, 12,046,994 ordinary shares were issued. 11,171,150 shares were issued as a result of Warrants issued being exercised, 875,844 shares were issued for cash.

Following the acquisition of Forrest Media (Holdings) Limited on 2 June 2018, 59,850 ordinary shares were issued for cash.

In 2018, 24,000 Ordinary Shares were issued to three Non-Executive Directors for remuneration in the year.

On 19 March 2019, the Company announced a discretionary share buyback programme through its investment bank to purchase up to an aggregate amount of US\$25.0m (circa £18.8m) of Ordinary Shares. The arrangement allows the investment bank to purchase up to 5,000,000 Ordinary Shares in the Company during open periods of the Company until 30 September 2019. The price limits of Regulation (EU) No 596/2014 of 16 April 2014 (as amended) in relation to market abuse apply. The sole purpose of the share purchases was to reduce the Company's share capital. Any Ordinary Shares purchased by the Company were held in treasury. At 31 December 2019 there were 396,730 Ordinary Shares held in Treasury purchase for a total consideration of US\$3.1m (circa £2.4m).

As at 31 December 2019, the company had in issue 53,611,614 Ordinary Shares and 612,000 Founder Preferred Shares. The company had 396,730 Ordinary Shares held in Treasury. All Warrants previously issued have expired.

### **Ordinary Shares**

Ordinary Shares confer upon the holders (in accordance with the Articles):

- a) Subject to the BVI Companies Act, on a winding-up of the Company the assets of the Company available for distribution shall be distributed, provided there are sufficient assets available, to the holders of Ordinary Shares and Founder Preferred Shares pro rata to the number of such fully paid up shares held by each holder relative to the total number of issued and fully paid up Ordinary Shares as if such fully paid up Founder Preferred Shares had been converted into Ordinary Shares immediately prior to the winding-up;
- b) the right, together with the holders of the Founder Preferred Shares, to receive all amounts available for distribution and from time to time to be distributed by way of dividend or otherwise at such time as the Directors shall determine, pro rata to the number of fully paid up shares held by the holder, as if the Ordinary Shares and Founder Preferred Shares constituted one class of share and as if for such purpose the Founder Preferred Shares had been converted into Ordinary Shares immediately prior to such distribution; and
- c) the right to receive notice of, attend and vote as a member at any meeting of members except in relation to any Resolution of Members that the Directors, in their absolute discretion (acting in good faith) determine is: (i) necessary or desirable in connection with a merger or consolidation in relation to, in connection with or resulting from the Acquisition (including at any time after the Acquisition has been made); or (ii) to approve matters in relation to, in connection with or resulting from the Acquisition (whether before or after the Acquisition has been made).

### **Founder Preferred Shares**

The Founder Preferred Shares have US\$nil par value and carry the same rights, including the right to receive dividends, as Ordinary Shares. At the discretion of the holder, the Founder Preferred Shares can be converted into Ordinary Shares on a one-for-one basis.

The Founder Preferred Shares are structured to provide a dividend based on the future appreciation of market value of the Ordinary Shares, thus aligning the interests of the founders

## Ocean Outdoor Limited

### Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

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#### 20 Share capital (continued)

(as defined in the Prospectus) with Ocean Outdoor Limited (formerly Ocelot Partners Limited) investors on a long-term basis. This dividend payment is calculated as follows: the Founder Preferred Shares are divided into eight equal tranches, pro rata to the number of Founder Preferred Shares held by each holder. On each Enhancement Date, the rights which are comprised in one such tranche (the "Enhanced Tranche") shall be enhanced by increasing the holders of the Enhanced Tranche's proportionate entitlement to: (a) any assets of the Company which are distributed to members on a winding up of the Company; and (b) any amounts which are distributed by way of dividend or otherwise if and to the extent necessary to ensure that on such Enhancement Date, the Enhanced Tranche has a market value which is at least equal to the market value of the Relevant Number of Ordinary Shares at such time (which for these purposes shall be determined in accordance with sub-section (1) of section 421 of the United Kingdom Income Tax (Earnings and Pensions) Act 2003. So far as possible, any such enhancement shall be divided between the holders of the Enhanced Tranche pro rata to the number of Founder Preferred Shares which are held by them and comprised in the Enhanced Tranche.

As at each Enhancement Date, the Relevant Number of Ordinary Shares means:

- a) a number of Ordinary Shares equal to the aggregate number of Founder Preferred Shares comprised in the Enhanced Tranche (subject to adjustment in accordance with the Articles); plus
- b) if the conditions for the Additional Annual Enhancement have been met, such number of Ordinary Shares as is equal to the Additional Annual Enhancement Amount divided by the Additional Annual Enhancement Price (any increase in the calculation of the Relevant Number of Ordinary Shares pursuant to this paragraph (b) being referred to as the "Additional Annual Enhancement"); plus
- c) if any dividend or other distribution has been made to the holders of Ordinary Shares in the relevant Enhancement Year, such number of Ordinary Shares as is equal to the Ordinary Share Dividend Enhancement Amount at the Ordinary Share Dividend Payment Price (any increase in the calculation of the Relevant Number of Ordinary Shares pursuant to this paragraph (c) being referred to as the "Ordinary Share Dividend Enhancement").

The conditions for the Additional Annual Enhancement referred to in paragraph (b) above are as follows:

- I. no Additional Annual Enhancement will occur until such time as the Average Price per Ordinary Share for any ten consecutive Trading Days following Admission is at least \$11.50;
- II. following the first Additional Annual Enhancement, no subsequent Additional Annual Enhancement will occur unless the Additional Annual Enhancement Price for the relevant Enhancement Year is greater than the highest Additional Annual Enhancement Price in any preceding Enhancement Year.

In the first Enhancement Year in which the Additional Annual Enhancement is eligible to occur, the Additional Annual Enhancement Amount will be equal to (i) 20 per cent. of the difference between \$10.00 and the Additional Annual Enhancement Price, multiplied by (ii) the number of Ordinary Shares outstanding immediately following the Acquisition including any Ordinary Shares issued pursuant to the exercise of Warrants but excluding any Ordinary Shares issued to shareholders or other beneficial owners of a company or business acquired pursuant to or in connection with the Acquisition (the "Preferred Share Enhancement Equivalent").

## Ocean Outdoor Limited

### Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

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#### 20 Share capital (continued)

Thereafter, the Additional Annual Enhancement Amount will be equal in value to 20 per cent. of the increase in the Additional Annual Enhancement Price over the highest Additional Annual Enhancement Price in any preceding Enhancement Year multiplied by the Preferred Share Enhancement Equivalent.

For the purposes of determining the Additional Annual Enhancement Amount, the Additional Annual Enhancement Price is the Average Price per Ordinary Share for the last 30 consecutive Trading Days in the relevant Enhancement Year (the "Enhancement Determination Period").

#### **Warrants**

In 2018 the Company issued 42,490,000 Warrants to the purchasers of both Ordinary Shares and Founder Preferred Shares (including the 25,000 Warrants that were issued to non-founder directors in connection with their appointment). Each Warrant had a term of 3 years following an Acquisition and entitled a Warrant holder to subscribe for one-third of an Ordinary Share upon exercise. Warrants were exercisable in multiples of three for one Ordinary Share at a price of US\$11.50 per whole Ordinary Share.

On 28 February 2018, an amendment was made to the Warrant subscription price, reducing the cost from US\$11.50 per whole ordinary share, to US\$10.00 per whole ordinary share. The subscription period was also reduced, resulting in the Warrants expiring prior to the closing of the Share Acquisition on 28 March 2018. As a result, all Warrants previously issued, not exercised at the acquisition date, have expired.

#### **Hurdle shares**

Ocean Jersey Topco Limited, a subsidiary of the Company, issued shares to management which can be converted to shares in Ocean Outdoor Limited under certain circumstances. 6,660,000 of these hurdle shares were issued on 28 March 2018. The hurdle shares will only accrue value when the price of Ordinary Shares has increased by at least 10 per cent on a compound basis over a base price of \$10.00 per share, for each financial year since the date that the participants acquired the shares (including the financial year in which the Ocean Transaction was completed). 3,330,000 of these shares vest over a four-year period and 3,330,000 vest over a five-year period.

The hurdle shares do not have a right to receive dividend payments, except in the event of a winding-up of Ocean Jersey Topco Limited, or other unusual circumstances. The hurdle shares do not carry voting rights.

#### **Securities carrying special rights:**

Save as disclosed above in relation to the Founder Preferred Shares, no person holds securities in the Company carrying special rights with regard to control of the Company.

#### **Voting rights:**

Holder of Ordinary Shares will have the right to receive notice of and to attend and vote at any meetings of members. Each holder of Ordinary Shares being present in person or by proxy at a meeting will, upon a show of hands, have one vote and upon a poll each such holder of Ordinary Shares present in person or by proxy will have one vote for each Ordinary Share held by them. In the case of joint holders of a share, if two or more persons hold shares jointly each of them may be present in person or by proxy at a meeting of members and may speak as a member, if only one of the joint owners is present, they may vote on behalf of all joint owners, and if two or more joint holders are present at a meeting of members, in person or by proxy, they must vote as one.

# Ocean Outdoor Limited

## Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

### 20 Share capital *(continued)*

#### **Restrictions on voting:**

No member shall, if the Directors so determine, be entitled in respect of any share held by them to attend or vote (either personally or by proxy) at any meeting of members or separate class meeting of the Company or to exercise any other right conferred by membership in relation to any such meeting if they or any other person appearing to be interested in such shares has failed to comply with a notice requiring the disclosure of shareholder interests and given in accordance with the Company's articles of association (the "Articles") within 14 calendar days, in a case where the shares in question represent at least 0.25% of their class, or within seven days, in any other case, from the date of such notice. These restrictions will continue until the information required by the notice is supplied to the Company or until the shares in question are transferred or sold in circumstances specified for this purpose in the Articles.

#### **Rights to appoint and remove Directors**

Subject to the BVI Companies Act and the Articles, the Directors shall have power at any time, and from time to time, without sanction of the members, to appoint any person to be a Director, either to fill a casual vacancy or as an additional Director. Subject to the BVI Companies Act and the Articles, the members may by a Resolution of Members appoint any person as a Director and remove any person from office as a Director.

For so long as an initial holder of Founder Preferred Shares (being a Founding Entity together with its affiliates) holds 20% or more of the Founder Preferred Shares in issue, such holder shall be entitled to nominate a person as a Director of the Company and the Directors shall appoint such person. In the event such holder notifies the Company to remove any Director nominated by them the other Directors shall remove such Director, and in the event of such a removal the relevant holder shall have the right to nominate a Director to fill such vacancy.

### 21 Earnings per share

	2019 £'000	2018 £'000
<i>Numerator</i>		
(Loss) /Earnings used in basic and diluted EPS	<b>(5,247)</b>	6,623
	=====	=====
<i>Denominator</i>	<b>'000</b>	<b>'000</b>
Weighted average number of shares used in basic EPS	<b>53,590</b>	50,862
	=====	=====
Weighted average number of shares used in diluted EPS	<b>53,590</b>	50,862
	=====	=====
Basic EPS (pence)	<b>(9.8p)</b>	13.0p
	=====	=====
Diluted EPS (pence)	<b>(9.8p)</b>	13.0p
	=====	=====

At 31 December 2019, the warrants had expired and the directors' share options, the founder preferred shares and the hurdle shares were currently considered to be non-dilutive. They are expected to become dilutive once in the money.

# Ocean Outdoor Limited

## Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

### 22 Reserves

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

<b>Reserve</b>	<b>Description and purpose</b>
<i>Treasury share reserve</i>	Amount paid by the company to purchase shares its own shares.
<i>Share premium</i>	Amount subscribed for share capital in excess of nominal value.
<i>Retained earnings</i>	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.
<i>Foreign exchange reserve</i>	Foreign exchange gains and losses on translation of subsidiary undertakings into the presentational currency of the Group.

### 23 Related party disclosures

During the period the Company issued the following Shares, Warrants and Options to directors of the Company:

<b>2019</b>	<b>Ordinary Shares Number '000</b>	<b>Founder Preferred Shares Number '000</b>	<b>Warrants Number '000</b>	<b>Options Number '000</b>
Andrew Barron	18	(18)	-	-
Aryeh B. Bourkoff	50	(50)	-	-
	68	(68)	-	-
	68	(68)	-	-
<b>2018</b>	<b>Ordinary Shares Number '000</b>	<b>Founder Preferred Shares Number '000</b>	<b>Warrants Number '000</b>	<b>Options Number '000</b>
Andrew Barron	164	-	-	-
Andrew Miller	-	-	-	-
Aryeh B. Bourkoff	493	-	-	-
Robert Marcus	9	-	-	-
Martin HP Söderström	8	-	-	-
Sangeeta Desai	3	-	-	-
Thomas Ebeling	8	-	-	-
Tom Goddard	233	-	-	-
Tim Bleakley	311	-	-	-
	1,229	-	-	-
	1,229	-	-	-

## Ocean Outdoor Limited

### Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

#### 23 Related party disclosures *(continued)*

The fees paid to directors during the period to 31 December 2019 were as follows:

	2019 £'000	2018 £'000
Andrew Barron	-	-
Andrew Miller	67	5
Aryeh B. Bourkoff	-	-
Robert Marcus	78	64
Martin HP Söderström	67	54
Sangeeta Desai	67	54
Thomas Ebeling	59	9
Tom Goddard	88	54
Tim Bleakley	453	270
	<hr/>	<hr/>
	<b>879</b>	<b>510</b>
	<hr/> <hr/>	<hr/> <hr/>

In FY18 Robert D Marcus, Martin HP Söderström and Thomas Ebeling opted to have their annual remuneration settled by the issue of shares at \$10 per share. Robert D Marcus received 9,000 Ordinary Shares and Martin HP Söderström and Thomas Ebeling, 7,500 Ordinary Shares each.

In FY18 the Group paid a transaction fee of £1.0m to LionTree Advisors UK LLP in relation to the acquisition of Forrest Media (Holdings) Limited. Aryeh B. Bourkoff, a Founder and Non-Executive Director of Ocean Outdoor Limited, is the founder and CEO of LionTree LLC, a connected company to LionTree Advisors UK LLP.

#### 24 Events after the reporting date

In accordance with the London Stock Exchange Admission and Disclosure Standards, the Company announced, pursuant to its articles of association, a tranche of 87,500 founder preferred shares have been automatically re-designated as ordinary shares on a one for one basis. This re-designation became effective on 15 January 2020 and admission of the ordinary shares occurred on 21 January 2020.

On 4 February 2020, the Group acquired a further 1.94% of the ordinary shares of ACM taking its holding in the subsidiary to 99.41%.

On 11 March 2020, the UK corporation tax rate was confirmed as being maintained at 19% from 1 April 2020 onwards. This will result in the UK deferred tax balances being reassessed at 19% rather than 17% from FY20 onwards.

On 11 March 2020, the World Health Organisation announced the pandemic status of COVID-19. Subsequent to this announcement, significant measures have been taken by Governments across Europe, restricting the movement of the population and the forced closure of non-essential business. Given the company operates in the DOOH market, this has impacted on the company's performance in FY20. The effect COVID-19 will have on the economy and the company cannot yet be quantified. The Directors recognise it will affect the operations of the business but feel the Group is able to navigate through the impact of COVID-19 due to the strength of its market position, its robust balance sheet and cash surplus.

# Ocean Outdoor Limited

## Notes forming part of the Consolidated Financial Statements for the year ended 31 December 2019

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### 24 Events after the reporting date *(continued)*

There are a number of factors that will determine the overall impact COVID-19 will have on the Group. At the balance sheet date there were no indicators of impairment on any of the Group assets. The Group has undertaken a number of acquisitions in the last two years, with the consideration paid often derived from a multiple of the entity's EBITDA. Given the impact of

COVID-19 on EBITDA, this could lead to an indicator of impairment of intangible assets held by the Group. The Group will continue to assess the impact of COVID-19 on the business combinations, and all other Group assets, for any indicators that they are held at carrying values in excess of their fair value. The Group however remain confident that any short-term impact does not impact the medium and long-term value of the assets held.

The Group retains sufficient liquidity in the short term, however the impact of COVID-19 has resulted in the Group raising its first debt facility with a rolling credit facility agreed with the Group's banking partners on 28 May 2020 for up to £35m, subject to customary covenants related to minimum quarterly adjusted EBITDA and cash balances. This will boost liquidity to assist the business manage through the cash flow impact of the significantly reduced revenues suffered in Q2 and likely reduced revenues in Q3.



# Ocean Outdoor Limited

## Appendix (unaudited)

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The following pages present unaudited proforma financial information for entities owned by the Group as at 31 December 2019. This allows analysis and assessment of the underlying performance of operations, ignoring timing differences relating to the date of acquisition.

Current year and prior year financials are provided for comparison. FY19 financials are presented applying the new IFRS 16 accounting standard which came in to effect 1 January 2019, and also under the previous accounting standard which is consistent with FY18. Note, the IFRS 16 FY19 financials are proforma from 1 January 2019, which differs from reported IFRS 16 which is adopted from the acquisition date.

There is also a reconciliation of Profit from operations to Adjusted EBITDA.

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Ocean Group Reported Adjusted EBITDA to Proforma Adjusted EBITDA reconciliation	73
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# Ocean Outdoor Limited

## Appendix (unaudited)

### Ocean Outdoor Limited and subsidiaries

The results below present the Group on an unaudited proforma basis. The unaudited proforma basis comprises all Group subsidiaries as if they were owned from 1 January 2018.

	IFRS 16 FY19 £'000	FY19 £'000	FY18 £'000
<b>Billings</b>	<b>173,356</b>	<b>173,356</b>	152,724
<b>Revenue</b>	<b>141,314</b>	<b>141,314</b>	124,504
Cost of sales	(76,526)	(83,925)	(71,878)
<b>Gross profit</b>	<b>64,788</b>	<b>57,389</b>	52,626
Administrative and other expenses	(55,275)	(55,663)	(43,627)
<b>Profit from operations</b>	<b>9,513</b>	<b>1,726</b>	8,998
Finance expense	(10,222)	(1,684)	(6,044)
Finance income	521	521	1,658
<b>Profit before tax</b>	<b>(188)</b>	<b>563</b>	4,612
Tax expense	(4,861)	(4,861)	(4,186)
<b>(Loss) / profit from continuing operations</b>	<b>(5,049)</b>	<b>(4,298)</b>	426
<b>Total comprehensive (loss) / income</b>	<b>(5,049)</b>	<b>(4,298)</b>	426

	IFRS 16 FY19 £'000	FY19 £'000	FY18 £'000
<b>Profit from operations</b>	<b>9,513</b>	<b>1,726</b>	8,998
Depreciation	35,580	8,060	7,078
Profit on disposal	(31)	-	(2)
Amortisation	19,753	19,753	11,364
Deal fees	2,237	2,237	4,058
Private equity and listed company expenses	236	236	60
Currency movements	638	638	(2,704)
Other one-off costs	586	586	1,545
<b>Adjusted EBITDA</b>	<b>68,512</b>	<b>33,236</b>	30,397

# Ocean Outdoor Limited

## Appendix (unaudited)

### Ocean Outdoor Limited and subsidiaries

The table below reconciles the reported profit from operations to Reported Adjusted EBITDA and then reconciles Reported Adjusted EBITDA to the Proforma Adjusted EBITDA.

	<b>FY19</b>	FY18
	<b>£'000</b>	£'000
<b>Reported profit from operations</b>	<b>3,010</b>	5,275
Depreciation on right of use asset	<b>19,706</b>	-
Depreciation of site assets, equipment and motor vehicles	<b>6,953</b>	3,195
Amortisation	<b>19,753</b>	10,087
Post-acquisition add-backs	<b>3,322</b>	(1,669)
	<hr/>	<hr/>
<b>Reported Adjusted EBITDA</b>	<b>52,744</b>	16,888
Deduct site rents	<b>(24,495)</b>	-
Add acquisitions' pre acquisition profit from operations	<b>4,612</b>	8,790
Add pre acquisition add-backs	<b>375</b>	4,719
	<hr/>	<hr/>
<b>Proforma Adjusted EBITDA</b>	<b>33,236</b>	30,397
	<hr/> <hr/>	<hr/> <hr/>

# Ocean Outdoor Limited

## Appendix (unaudited)

### Ocean Outdoor Limited and UK operating subsidiaries

The results below present the Ocean Outdoor Limited and UK operating subsidiaries on an unaudited proforma basis.

	IFRS 16 FY19 £'000	FY19 £'000	FY18 £'000
<b>Billings</b>	<b>101,631</b>	<b>101,631</b>	87,843
<b>Revenue</b>	<b>71,668</b>	<b>71,668</b>	62,218
Cost of sales	<b>(40,710)</b>	<b>(43,938)</b>	(37,055)
<b>Gross profit</b>	<b>30,958</b>	<b>27,730</b>	25,163
Administrative and other expenses	<b>(35,320)</b>	<b>(35,698)</b>	(23,816)
<b>(Loss) / profit from operations</b>	<b>(4,362)</b>	<b>(7,968)</b>	1,347
Finance expense	<b>(6,570)</b>	<b>(1,278)</b>	(5,553)
Finance income	<b>509</b>	<b>509</b>	1,658
<b>Loss before tax</b>	<b>(10,423)</b>	<b>(8,737)</b>	(2,548)
Tax expense	<b>(2,856)</b>	<b>(2,856)</b>	(2,303)
<b>Loss from continuing operations</b>	<b>(13,279)</b>	<b>(11,593)</b>	(4,851)
<b>Total comprehensive income</b>	<b>(13,279)</b>	<b>(11,593)</b>	(4,851)
	IFRS 16 FY19 £'000	FY19 £'000	FY18 £'000
<b>Profit from operations</b>	<b>(4,362)</b>	<b>(7,968)</b>	1,347
Depreciation	<b>17,723</b>	<b>5,009</b>	4,205
Profit on disposal	<b>(21)</b>	-	(2)
Amortisation	<b>19,753</b>	<b>19,753</b>	11,364
Deal fees	<b>2,237</b>	<b>2,237</b>	4,058
Private equity and listing fees	<b>236</b>	<b>236</b>	60
Currency movements	<b>638</b>	<b>638</b>	(2,704)
Other one-off costs	<b>211</b>	<b>211</b>	739
<b>Adjusted EBITDA</b>	<b>36,415</b>	<b>20,116</b>	19,067

# Ocean Outdoor Limited

## Appendix (unaudited)

### Ocean Netherlands

The results below present Ocean Netherlands (Interbest, Ngage and Beyond Outdoor) on an unaudited proforma basis, translated in GBP using constant currency.

	IFRS 16 FY19 £'000	FY19 £'000	FY18 £'000
<b>Billings</b>	<b>28,695</b>	<b>28,695</b>	26,372
<b>Revenue</b>	<b>26,616</b>	<b>26,616</b>	23,777
Cost of sales	(13,680)	(14,827)	(14,226)
<b>Gross profit</b>	<b>12,936</b>	<b>11,789</b>	9,551
Administrative and other expenses	(6,665)	(6,675)	(6,477)
<b>Profit from operations</b>	<b>6,271</b>	<b>5,114</b>	3,074
Finance expense	(2,127)	(177)	(242)
Finance income	12	12	-
<b>Profit before tax</b>	<b>4,156</b>	<b>4,949</b>	2,832
Tax expense	(1,107)	(1,107)	(923)
<b>Profit from continuing operations</b>	<b>3,049</b>	<b>3,842</b>	1,909
<b>Total comprehensive income</b>	<b>3,049</b>	<b>3,842</b>	1,909

	IFRS 16 FY19 £'000	FY19 £'000	FY18 £'000
<b>Profit from operations</b>	<b>6,271</b>	<b>5,114</b>	3,074
Depreciation	9,114	2,073	2,032
Profit on disposal	(10)	-	-
Other one-off costs	375	375	806
<b>Adjusted EBITDA</b>	<b>15,750</b>	<b>7,562</b>	5,912

## Ocean Outdoor Limited

### Appendix (unaudited)

#### Ocean Nordics

The results below present Ocean Nordics (Visual Art media sales and ACM) on an unaudited proforma basis, translated in GBP using constant currency.

	IFRS 16 FY19 £'000	FY19 £'000	FY18 £'000
<b>Billings</b>	<b>43,030</b>	<b>43,030</b>	38,509
<b>Revenue</b>	<b>43,030</b>	<b>43,030</b>	38,509
Cost of sales	(22,136)	(25,160)	(20,597)
<b>Gross profit</b>	<b>20,894</b>	<b>17,870</b>	17,912
Administrative and other expenses	(13,290)	(13,290)	(13,334)
<b>Profit from operations</b>	<b>7,604</b>	<b>4,580</b>	4,577
Finance expense	(1,525)	(229)	(249)
Finance income	-	-	-
<b>Profit before tax</b>	<b>6,079</b>	<b>4,351</b>	4,328
Tax expense	(898)	(898)	(960)
<b>Profit from continuing operations</b>	<b>5,181</b>	<b>3,453</b>	3,368
<b>Total comprehensive income</b>	<b>5,181</b>	<b>3,453</b>	3,368
	IFRS 16 FY19 £'000	FY19 £'000	FY18 £'000
<b>Profit from operations</b>	<b>7,604</b>	<b>4,580</b>	4,577
Depreciation	8,743	978	841
<b>Adjusted EBITDA</b>	<b>16,347</b>	<b>5,558</b>	5,418