Be Heard Group PLC

Annual report and accounts

BE HEARD

For the year ended 31 December 2019

Company No. 09223440

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“The Group’s response to the Covid-19 pandemic has been both decisive and quickly implemented. Consequently, we do expect to remain both profitable (adjusted EBITDA) and cash generative.”

David Morrison
Non-Executive Chairman

Directors, Secretary and Advisers

Directors:
David Morrison, Non-Executive Chairman
Simon Pyper, Chief Executive Officer
Ben Rudman, Chief Operating Officer
David Wilkinson, Senior Independent Non-Executive Director
David Poutney, Non-Executive Director

Company Secretary:
Philip Marsden

Registered Office:
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London W1D 4SN

Nominated Adviser:
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Brokers:
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Auditors:
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10 Queen Street Place
London EC4R 1AG

Solicitors:
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2 Temple Back E,
Bristol BS1 6EG

Bankers:
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1 Churchill Place
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Registrars:
Share Registrars Limited
The Courtyard
17 West Street
Farnham
Surrey GU9 7DR

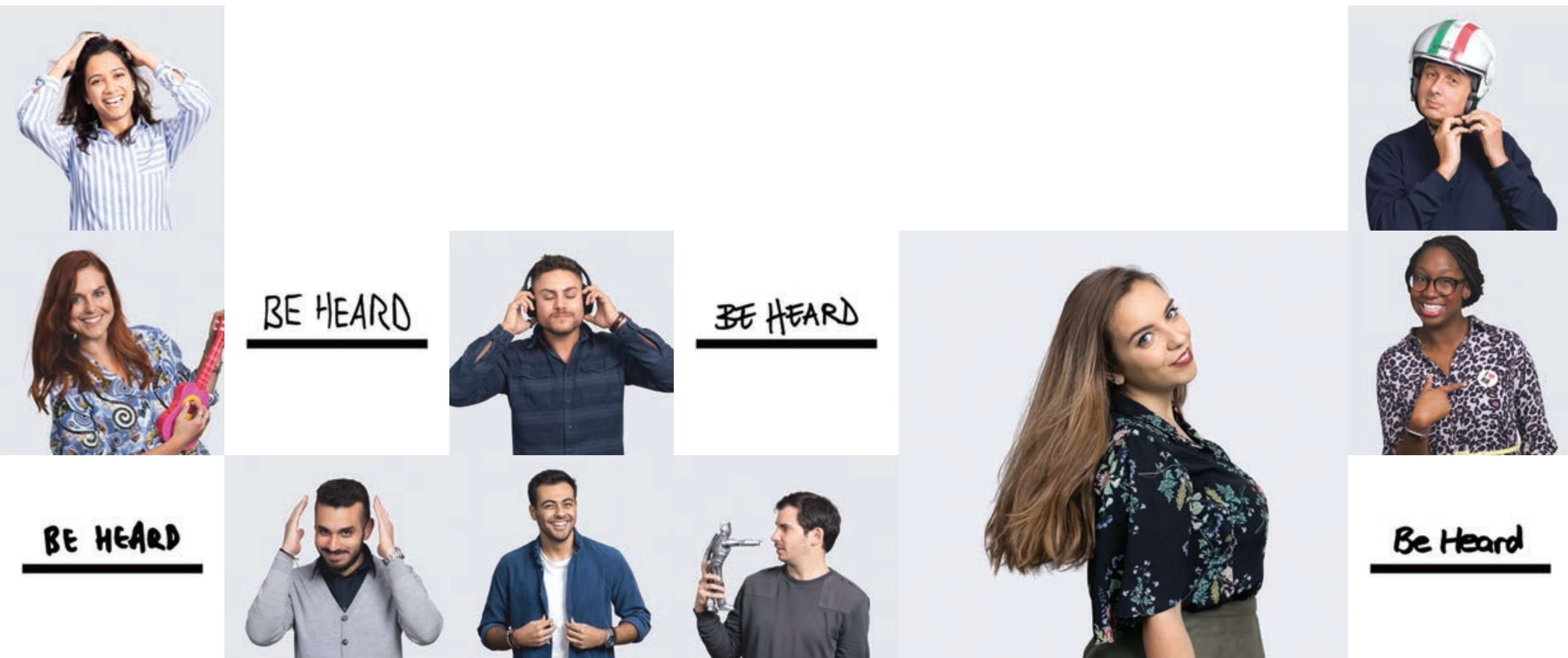
Country of Incorporation of Parent Company:
Great Britain

Legal Form:
Public Limited Company

Domicile:
Great Britain

"Our immediate priorities are to improve cash generation, reduce costs and to remain profitable."

Simon Pyper
Chief Executive Officer



Non-Executive Chairman's Statement

Against a background of testing market conditions many businesses in our industry found 2019 to be a challenging year, with little or no growth accompanied by margin and earnings erosion. Be Heard, whilst not immune to the vicissitudes of the market in which it operates, has, in comparison, fared reasonably well, and our improved results should be considered more than satisfactory.

The Group, despite a disappointing set of results from its creative business, has delivered improved results across a broad range of metrics, recording improved revenues, margins and earnings (adjusted EBITDA). Additionally, the Group has also seen noteworthy improvements in its working capital and cash generated by operations. We now have a more secure financial platform from which to develop.

The improvements in our results reflect the fact that the management team focused on doing a few things well in the last year. However, whilst much has been done to improve the Group's prospects, the business remains constrained by its capital structure and, in particular, the earnout and loan note obligations. These balance sheet constraints limit the Group's ability to invest in the partner companies that are delivering growth and bring into focus the strategic challenges facing the Board. Broadly, and putting to one side the impact of the Covid-19 pandemic, the choice is either to continue slowly to trade out of the current financial straitjacket or to consider other options that might deliver a more rapid and satisfactory outcome for all the stakeholders in the Group.

BOARD CHANGES

There have been no changes to the Board during the year.

OUR EMPLOYEES

Be Heard is totally dependent on its people and the turnaround in operating performance would not have been possible without their commitment. I would particularly like to thank the employees of the Group and in all the partner companies for their efforts, as well as both my executive and non-executive colleagues on the Board.

CURRENT TRADING AND OUTLOOK

The evolving Covid-19 pandemic is having, and will continue to have, a material and adverse impact on the demand and supply side of economies throughout the world. The effects of this economic shock will no doubt be profound, even if it should prove to be short-lived. With regards to the Group, we expect a reduction to our earnings for the current financial year as clients adopt a cautious approach and look to defer or curtail engagements, but the full impact is impossible to assess at present and we have been guardedly encouraged by both the extension of existing contracts and new business activity in certain areas.

In mitigation, the Group's response to the sudden economic and operational challenges brought about by the Covid-19 pandemic, has been both decisive and quickly implemented. Consequently, we do expect to remain both profitable (adjusted EBITDA) and cash generative.

David Morrison

David Morrison
Non-Executive Chairman
17 April 2020

BE HEARD

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Be Heard

“Our results for 2019 clearly demonstrate that we achieved the objectives which we set ourselves.”

Simon Pyper
Chief Executive Officer

Be Heard

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Be Heard

Chief Executive's Report

The prolonged political and economic uncertainty coupled with structural changes in how clients purchase, price and deploy marketing services undoubtedly made 2019 a challenging year. For many businesses within our sector, these structural changes, coupled with increased client focus on data-led insights, left many struggling to find their footing. For Be Heard, despite the decline in performance from our creative business, 2019 was in many respects a good year.

In 2018, we set ourselves one simple objective which was to return the business to profitability and financial stability. In 2019, we set ourselves the objective of improving on our 2018 results and developing the partner companies, whilst continuing to improve the financial health of the business as a whole. Our results for 2019 clearly demonstrate that we achieved the objectives which we set ourselves.

KEY PERFORMANCE INDICATORS 2019

The key performance indicators selected are used by the Executive Directors to monitor the Group's performance and progress.

	Revenue	Adjusted EBITDA	Adjusted EBITDA Margin	Net Debt/ Net Cash
2019	£29.8m	£4.7m	15.8%	£1.7m
2018	£29.5m	£3.0m	10.3%	£(0.8)m
% Growth or £m Change	+1.1%	+54.8%	+5.5%	£2.6m

We define Adjusted EBITDA (which is inclusive of IFRS16 adjustments), as EBITDA adjusted for costs associated with acquisitions, restructuring of the Group, share based payments and impairments. Note that the 2018 adjusted EBITDA figure does not include an adjustment for IFRS 16. Net debt is short and long-term borrowings (excluding earnouts and convertible loan note) less cash and cash equivalents.

The Group was founded with the intention of buying and building a "partnership" of marketing services companies fit for the digital age. The main components for such a Group are broadly in place and the emphasis is now on organising and managing the partner companies to maximise their potential. The Group has four constituent parts: Data Analytics from Freemavens, Technology led by MMT, Media led by agenda21, and Creative led by The Corner.

GROUP PERFORMANCE 2019

Note: Partner contribution is equal to Group adjusted EBITDA before central overheads of (£1.8) million (2018: (£2.2) million) and IFRS 16 benefit of £1.1 million (2018: Nil)

Freemavens:
Revenues – £4.3 million, 44% ahead of last year
Contribution – £1.7 million, 2018 £1.0 million

Analytics and insight business which makes use of customer, audience and market data to provide critical insights to blue chip clients. Freemavens is our only partner company which regularly engages with client-side senior executives. Growth has come from both increased engagements from its top clients and from notable new business wins.

MMT Digital:
Revenues – £15.2 million, 9% ahead of last year
Contribution – £2.8 million, 2018 £2.9 million

Delivering award-winning websites and software, MMT works with clients to transform their digital performance. The results for 2019 reflect MMT's focus on delivering quality solutions for clients to timetable and to budget. Growth has come from both existing clients and a number of client referrals. Contribution for 2019 reflects the impact of a higher contractor mix (technical delivery) and investment in key management roles.

agenda21:
Revenues – £4.5 million, (8%) below last year
Contribution – £0.5 million, 2018 £0.1 million

agenda21 is a media planning and buying business which optimises media and content across connected devices. The business suffered some client attrition towards the mid to end of 2018, adversely impacting the 2019 results. However, the new management team has done well to steady the business and return it to profitability.

The Corner:
Revenues – £5.7 million, (24%) below last year
Contribution – £0.4 million, 2018 £1.2 million

A brand and creative company which helps clients become more relevant to their audience through new thinking and new ideas. Despite the business securing nearly £1.4 million of revenues from new clients during 2019, The Corner has not as yet fully recovered from the loss of its largest client in 2018 and moreover the adverse impact of delayed or deferred engagements from existing clients. The business is now focused on growing its B2B and influencer proposition which should underpin expectations for 2020. During the year the staff and contracts of Kameleon Worldwide Limited were moved into The Corner, and the combination is now treated internally as one business, although they have not yet formally been merged.

Chief Executive's Report

New Clients
Revenues from new clients in 2019 was £3.8m with notable wins including Barclays, B.P, Carlsberg UK, Emirates, Onitsuka Tiger and the Chartered Institute of Taxation.

Impairment of Intangible Assets
The Group has taken a non-cash impairment charge to goodwill and other intangible assets of £7.8 million in relation to its investment in The Corner. The industrial logic supporting the acquisition of the Corner remains valid. It is also valid to conclude that the previous management team of Be Heard held expectations for returns which, even allowing for prevailing market conditions, have proved somewhat optimistic.

Earnout Liability 2019
As at 31 December 2019 the Group had £8.7m of earnout liabilities which are payable in cash. Earnouts are subordinated to bank debt (Barclays) with the total earnout payments restricted to £0.5 million per calendar year. As part of the subordination of the Group's earnout obligations, earnout holders waived their right to sue or make claims against the Group in relation to their earnout arrangements.

Cash Generation
Cash generated from operations improved by £5.4 million to £5.9 million (2018: £0.5 million)

Net Cash / Debt
Net Cash, which excludes the £3.8m of convertible loan notes, improved by £2.6 million to £1.7 million as at 31 December 2019 (2018: Net Debt of £0.8 million) reflecting the improvement in the Group's cash generation.

Cash generation improved by

£5.4m

STRATEGIC PRIORITIES
The challenge ahead, given the financial constraints of the Group and the less than consistent performance of the partner companies, is how best to deliver profitable growth over the medium to long-term. If we are to achieve growth without recourse to additional capital then the most appropriate approach is to: more fully leverage our proposition, to further improve our operational effectiveness, and where appropriate to enter into capital-light joint ventures with businesses operating within or adjacent to our competitive footprint.

Leveraging our Proposition
We are on many levels a successful business, winning a number of new client engagements and achieving revenue growth from several existing clients. Despite some notable successes, we, like many of our competitors, have seen a general reduction in the volume and value of new business, which, in part, reflects the impact on marketing budgets brought about by the continued economic and political uncertainty in the United Kingdom. Aligned with the softening of new business, we have also found that the pitch process has become more competitive, with prolonged client decision timeframes and, furthermore, with procurement playing an ever-greater part in the client's decision-making mix.

Moreover, in response to demand-side structural changes, many marketing services firms are re-engineering their business model. We have seen a number of our competitors moving to a "single provider model", whereby individual brands are no longer as relevant as the competencies and services being offered. Whilst other companies have invested further in the "holding company" model, where the individual agencies with minimal support from the parent deliver client solutions, we at Be Heard believe that a more flexible approach is needed, one which recognises that "one size" does not fit all and that the key to success is in providing clients with creative solutions to real commercial challenges. Our business model allows us to present ourselves as a single provider with deep expertise in a number of areas, or to act as an individual agency, or to provide multiple service combinations from two or more partner companies.

Leveraging Operational Effectiveness
Be Heard's four different partner companies had historically been run independently with separate operations and discrete processes. Over the past 18 months the Group has where appropriate, introduced a number of common processes and systems. The benefits from the simplification of our operations have as yet to be fully seen, nonetheless we believe that we have made good progress.

Ben Rudman, Group Chief Operating Officer, has continued to make good progress in:

- Implementing common processes particularly around resource planning;
- Standardising reporting processes and output; and
- Implementing cost reduction initiatives.

The Market

The market, led by the changing needs and priorities of clients, is undergoing structural change, whereby established relationships are often forgone in favour of “supplier agnostic” insight led solution providers, who can deliver demonstrable returns. In many respects, we are well placed to address these changes, but our lack of scale and our capital structure do act as limiting factors.

Covid-19

The economic shock brought about by the Covid-19 pandemic is having a profound impact on our business with clients becoming more cautious with regards to spend decisions, whilst operationally we are having to adapt to the challenges of distributed (home) working and moreover the disruption brought about by increased staff absences due to ill health. In simple terms we are taking a pragmatic approach to running our business, an approach which is focused on delivering outstanding outcomes for our clients and safeguarding the wellbeing of our employees.

Priorities

Our immediate priorities are to improve cash generation, reduce costs and to remain profitable.

Simon Pyper

Simon Pyper
Chief Executive Officer
17 April 2020

Principal Risks & Uncertainties

Be Heard is at its simplest a business which employs over 300 specialists from technology, media, data and creative which come together to help our clients unlock growth through collective creativity.

The Group recognises that in order to be successful, we are required to take risks. The Board and the broader Group understand, however, that risks need to be taken in a controlled environment where our approach is one of responsible risk taking in line with the principles, culture, tolerance and appetite as directed by the Board.

Be Heard's approach to the identification, evaluation and mitigation of risk and uncertainty is taken seriously. Our internal controls seek to minimise the impact of risks. As Be Heard has grown significantly in the past 18 months, the Board felt it an appropriate point to conduct a detailed review of its approach to risk management.

The Board sets the Group's risk appetite. In doing so, the Board considers our strategic objectives, approves the Group's principle risks and assesses against the long-term viability of the Group. The Board also considers the views of the Executive Management and Audit Committee as part of the systematic review of internal controls.

The Board

Audit Committee

Executive Management

Review and Confirmation
The Board's responsibility is to review and approve the Group's strategy and objectives and determine the Group's appetite for risk and then establish the Group's risk

Challenge and Review
Risks and mitigations reviewed by the Audit Committee and input into the risk management and internal control procedures.

Ongoing Review, control and implementation
There is ongoing review of the internal controls and risk is embedded into the decision-making process of the business.

During the year we have continued to develop controls in response to risk and ensure that we have consistent controls across the Group. Whilst we have made good progress, throughout the forthcoming year the Group will introduce a formal annual risk review, a more detailed assessment of risk appetite and risk tolerance, in addition to regular reviews with the Executive Management.

The Audit Committee will continue to monitor the adequacy and effectiveness of internal control and risk management systems and ensure that a robust assessment of the principal risks facing the Group has been undertaken.

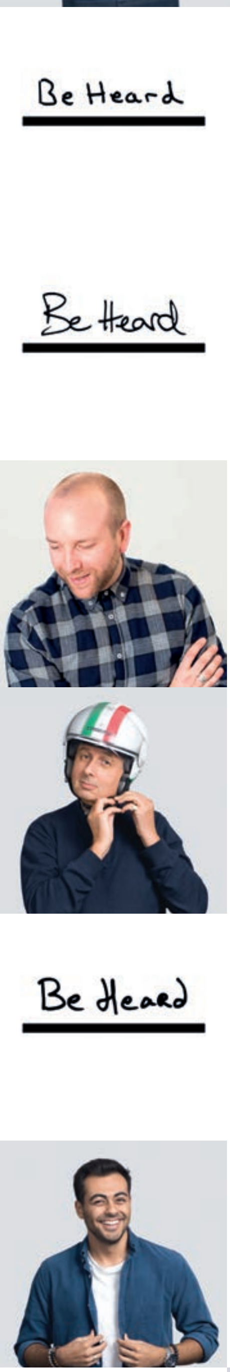
The Directors consider that the principal risks and uncertainties facing the Group are:

Covid-19
Covid-19, the ensuing pandemic and the consequential and adverse impact on the global economy was not something the Board had considered as part of its normal risk assessment. However, the Group's response to the sudden social, economic and operational challenges brought about by the Covid-19 pandemic has been decisive, quickly implemented and effective. The majority of our operations and services can be and now are executed remotely with the minimum of disruption to our employees and clients. The Group has assessed impacts upon future revenues and cashflows, and has planned and started to implement cost-cutting actions, including government-supported furloughs. Revenues are being assessed on a weekly rather than a monthly basis, and cost and cash controls have been enhanced.

Risk Description	Potential Impact	Mitigation
People and Succession The Group is a people-based business; failure to attract or retain key employees could seriously impede future growth.	• Failure to recruit or retain key staff could lead to reduced innovation and progress in the business.	• The Group seeks to be an employer of choice, one which offers a competitive remuneration package and the opportunity for employees to learn, grow and develop. • In 2019 the Group introduced a long-term incentive scheme with over 40 senior employee participants. • Enfranchising employees to contribute to the management and direction of the business. We have introduced a Sounding Board for senior employees to join, similar in remit and structure to the Executive Board.
Competition and Clients The Group operates in a highly competitive and evolving industry. Customer dependency.	• Loss of major client or clients thereby reducing revenue and earnings. • The Group has a number of key clients whose business if lost would be detrimental to the Group.	• To differentiate from competitors through talent and the unique combination and deployment of creative, tech and data-insight capabilities. • To continue to improve the capabilities and reputation of the Group's businesses. • To build additional key client relationships with new customers.

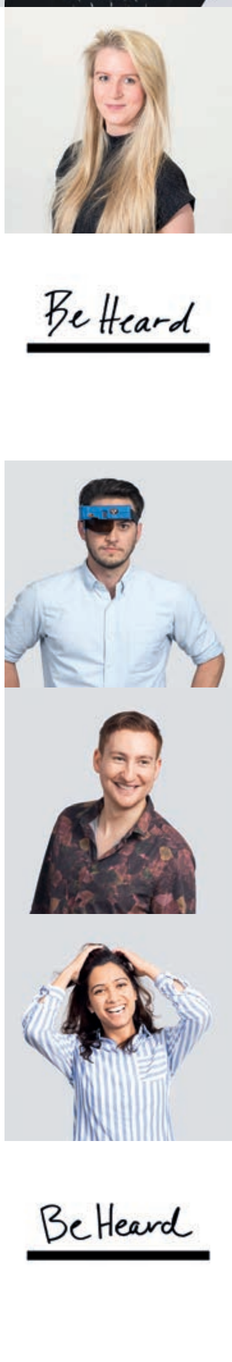
Economic and Global Political Change (Covid-19)	• Economic and political uncertainty such as brought about by Brexit and Covid-19, could lead to a reduction or delay in client spending on the services offered by the Group.	• Be Heard's business model seeks to ensure the Group maintains flexible and long-lasting relationships with major clients.
		• Increased flexibility in service delivery cost structure.
		    • Ability to deliver client solutions on site or off site with minimum disruption to clients.
		    • Utilisation of UK Government policy initiatives such as funding for staff furlough funding
		    • Reduction in executive salaries and elimination of discretionary spend.
		• Constant dialogue with clients to make sure we meet and exceed client expectations.

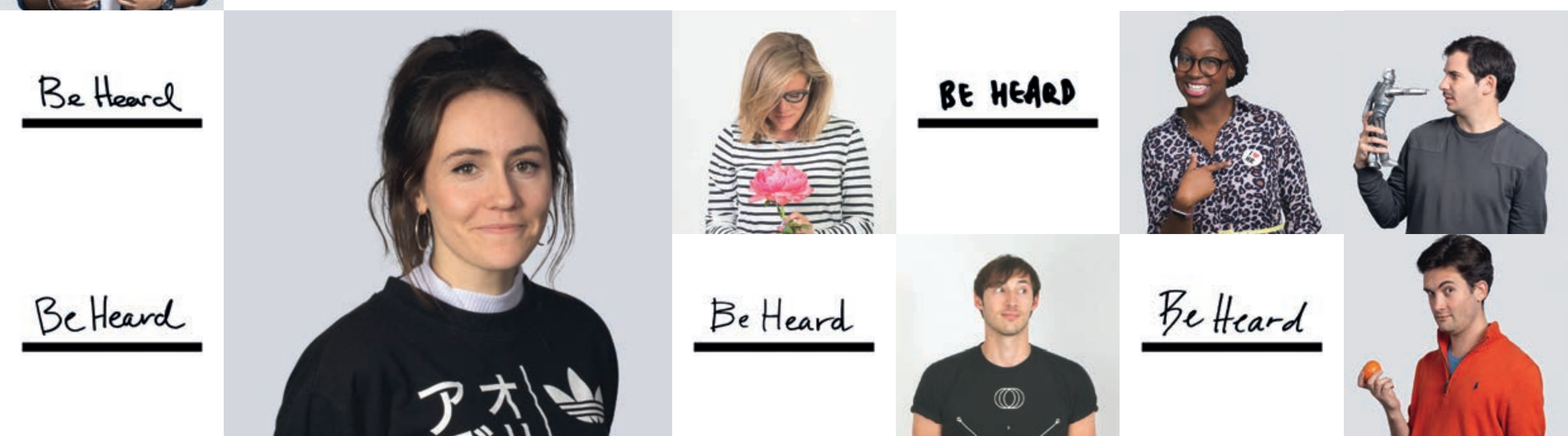
Financial The Group has significant acquisition related earn-out commitments. The Group is subject to credit risk through the default of a client or other counterparty.	• Timing of earn-out payments could be beyond the Group's resources in any one particular year. • The Group is paid in arrears for its services. Consequently, during periods of growth the Group has a negative working capital cycle placing more reliance on external financing (Bank Debt) for short term funding. • The Group commits to media and production purchases on behalf of some of its clients. If a client is unable to pay sums due, the Group is liable to pay such amounts to which it committed on behalf of those clients.	• Earn-out arrangements are sub-ordinated to Bank Debt (Barclays) and earnout payments are with agreement of the bank limited to modest and serviceable amounts. • The Group is becoming more cash generative and working capital management remains a key focus for the Board. • The Group has in place appropriate levels of credit insurance. • The Group reviews on a regular basis the level and frequency of production purchases and the credit worthiness of end user clients.
IT, Cyber and Systems Failure	• Significant operational disruption caused by a major disaster.	• Business continuity plans are in place across the Group to minimise business disruption. • The Group regularly reviews its cyber security and website security protocols.



“The majority of our operations and services can be and now are executed remotely with the minimum of disruption to our employees and clients.”

Simon Pyper
Chief Executive Officer





Section 172 Report

The Board acknowledges its responsibility under section 172(1) of the Companies Act 2006 and below sets out the key processes and considerations that demonstrate how the Directors promote the success of the Group. The below statement sets out the requirements of the Act, section 172(1), and notes how the Directors discharge their duties. As noted in the Corporate Governance Report, the Board meets monthly with papers circulated in advance to allow the Directors to fully understand the performance and position of the Group, alongside matters arising for decision. Each decision that is made by the Directors is supported by papers which analyse the possible outcomes so that an educated decision can be made based upon the likely impact on the Group, which best promotes the success of the Group and considers the impact on the wider stakeholder group. Factors (a) to (f) below, are all taken into account during the decision-making process.

(a) The likely consequences of any decision in the long term
Supporting each decision, the Board are given access to management papers which set out the potential outcome of decisions. The papers include diligence on the financial impact via forecasts, as well as non-financial factors and how the decision fits with the strategy of the Group. Where appropriate, the Board will delegate responsibility to a sub-committee of Directors for areas such as M&A, risk and corporate and social responsibility.

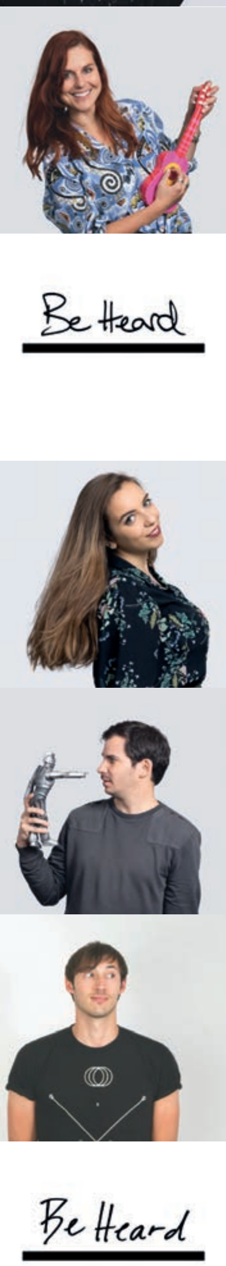
(b) The interests of the Group's employees
The Directors actively consider the interest of employees in all major decisions. People is a regular agenda item at Board meetings where attrition rates, reasons for leaving and employee satisfaction are discussed. The Group operates a number of Council meetings managed and operated by group employees. Feedback and ideas are shared with the Board, which considers them and takes actions as a result. The Group also operates an LTIP for around 40 of the Group's employees to encourage employee engagement in promoting the success of the Group and maximising shareholder return.

(c) The need to foster the Group's business relationships with suppliers, customers and others
The Directors have identified the key stakeholders (employees, customers and clients) of the Group and regularly review their interests, concerns and expectations to ensure adequate communication and engagement is ongoing with each group.

(d) The impact of the Group's operations on the community and environment
The Group takes its responsibility within the community and wider environment seriously and acknowledges that more can be done. Our Environmental, Social and Governance report sets out the key themes that are considered by the Board. Be Heard is a UK based business and our operations allow our staff to work either at home, or at the office and more frequently at client offices. Consequently, the Group has a relatively low carbon footprint, but acknowledges improvements can always be made. The Group is working to be carbon neutral within the next 18 to 24 months.

(e) The desirability of the Group maintaining a reputation for high standards of business conduct
The Directors and the Group are committed to high standards of business conduct and governance. The Group has fully adopted the UK Corporate Governance Code despite there being options for more reduced codes for companies on AIM. Additionally, where there is a need to seek advice on particular issues, the Board will seek advice from its lawyers and nominated advisors to ensure the consideration of business conduct, and its reputation is maintained.

(f) The need to act fairly between members of the Group.
The Directors regularly meet with investors and give equal access to all investors and potential investors. Through its advisors, the Directors seek and obtain feedback from meeting with the investors and incorporate feedback into its decision making processes.



“The Board feels that the Group’s strategic priorities give the appropriate focus to protect the business from risks, threats and uncertainties.”

Simon Pyper
Chief Executive Officer

Going Concern & Viability

GOING CONCERN

The Group meets its day-to-day working capital requirements through free cash flow and access to its banking facilities. Based on cash flow projections, the Group considers the existing financing facilities to be adequate to meet commitments through to December 2021.

The Directors have a reasonable expectation that there are, save for the ongoing impact of Covid-19, no further and material uncertainties that cast a significant doubt about the Group's ability to continue as a going concern. Accordingly, the Group has prepared the Annual Report and Accounts on a going concern basis.

LONG TERM VIABILITY

The Directors have formally assessed the viability of the Group to December 2021, taking account of the Group's current position, its cashflows and the potential impact of the principal risks as outlined on page 9 of this Annual Report.

The Group's prospects are assessed primarily through the annual budgeting process. Detailed plans are prepared by the Executive Management and are presented to the Board. Progress against plan is presented to the Board throughout the year, commenting on performance and any newly identified risks. The individual plans are then consolidated into an overall Group plan.

The Board feels that the Group's strategic priorities give the appropriate focus to protect the business from risks, threats and uncertainties as well as giving the agility to pursue commercial opportunities as they arise.

The Group has a committed facility of £4.0m with Barclays Bank plc. The Board have reviewed cash flows until December 2021 which demonstrate its ability to trade with headroom in its facilities and to meet ongoing repayments.

The Directors have also reviewed the forecast against the current financial covenants and over the same period there are no forecasted breaches of covenants.

Covid-19

The financial statements and Going Concern report are prepared during a period where there is much uncertainty as a result of the emergence and international spread of a coronavirus (Covid-19). The Group's response has been to implement its contingency planning arrangements for such circumstances to remotely deliver its services and business solutions. The Group will therefore be able to serve its clients following government Covid-19 restrictions that have been announced and the Group/s corresponding decision to implement the physical closure of UK offices. The ultimate impact of Covid-19 on the UK and world is yet to be seen. However, through appropriate consideration of risks as part of its normal risk management processes and mitigating actions both already taken and available to be taken, the Board consider it appropriate for the going concern basis to be adopted for these accounts.

Simon Pyper

Simon Pyper
Chief Executive Officer
17 April 2020

The Directors

Simon Pyper
Chief Executive Officer

Prior to joining Be Heard, Simon was on the Board of GlobalData plc, an AIM-listed data and business information company, where he served as CEO from 2007 to 2016 and CFO from 2016 to 2017. Under Simon's leadership GlobalData plc which listed on AIM in 2009 grew to a market capitalisation of more than £600m. Previously he was Group Finance Director of Datamonitor plc and Finance Director of Musgrave UK, before which he held a variety of senior finance and commercial roles at Arcadia Group. Simon is a qualified accountant and holds an MBA from Henley Management College.

Ben Rudman
Chief Operating Officer

Ben co-founded MMT Digital in 1999 straight out of university. Under his leadership, MMT Digital has grown from a small, originally Midlands-only based agency, to one with multiple offices and staff working alongside clients across the UK. Responsible for driving forward MMT Digital's vision of helping clients transform digital performance across their business, Ben has helped deliver significant growth both in revenue and EBITDA.

David Morrison
Non-Executive Chairman

David is currently Chairman of Maris Limited, a privately-owned industrial holding company active predominantly in East Africa, and a Non-Executive Director of Strategic Equity Capital plc. Having spent the majority of his career in venture capital, he has been an investor in and director of several private and public companies including Record plc, from which he retired as Senior Independent Director at the end of 2018, and PayPoint plc.

David Wilkinson
Senior Independent
Non-Executive Director

David is a qualified chartered accountant (FCA). As an audit partner at Ernst and Young LLP from 1991 to 2015 he held positions as the Head of UK Entrepreneurial Services, UK IPO Leader and Bristol Office assurance partner. Additionally, he was a member of the UK firm's Strategic Implementation Group. David is Non-Executive Chairman of CH Bailey Limited and Goal Group Limited.

David Poutney
Non-Executive Director

David was Head of Corporate Broking at Numis Securities Limited and Numis Corporation plc, where he was an Executive Director, until he stood down in February 2016. He started his career in commercial banking before becoming a number one ranked financials analyst at a number of leading firms including BZW, James Capel and UBS. In his 20 years as a corporate broker, David worked directly on the listings of over 30 companies and advised Be Heard at the time of its reverse into Mithril Capital plc in November 2015. He is Chief Executive of Dowgate Capital Limited.

Corporate Governance Report

INTRODUCTION

The Board has previously set out its responsibility for preparing the Annual Report and Accounts. The Board consider the Annual Report and the Accounts taken as a whole is fair balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Board is committed to the highest standards of corporate governance and has adopted all requirements of the UK Corporate Governance Code that are applicable to it as a 'smaller company' (defined in the UK Corporate Governance Code as being a company below the FTSE 350). The UK Corporate Governance Code is publicly available at:

www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code

Details of Be Heard's corporate governance practices are publicly available on its website:

https://beheardpartnership.com

Responsibility for governance matters lies with the Board, which is accountable to shareholders and wider stakeholders for the activities of the Group. The Board has set out its report on Corporate Governance.

BOARD LEADERSHIP AND COMPANY PURPOSE

The Group is led by the Board. The Chairman and Executive Directors meet regularly with investors to discuss the performance and governance of the Group and any feedback is communicated and distributed to the wider Board. The Chair of the Remuneration and Audit Committees makes himself available to discuss with investors annually at the AGM.

The Board assess the basis on which the company generates and preserves value over the long-term and have prepared a long-term viability statement on page 17. The Board considers the opportunities and threats to the business model and assessment is made of how the Group's strategy is aligned to addressing the Group's mission and protecting the sustainability of the business. The regular challenge and governance provided by the Board keeps the Executive Management and the entire organisation united in achieving the company goals.

The Group is a diverse business, but we aim to have a common tone across the organisation. We promote agility, innovation, hard work and ethical behaviours. We invest in our employees training and development with clear progression and career plans that allow our colleagues to flourish. We deliver consistent training, communication and policy across the Group and within different work groups. We recognise that it is advantageous to promote differing cultures within different functions of the organisation which all contribute to the overall culture of the business.

The Board takes decisions relating to the strategic direction of the Group, financing, liquidity and organisation, while operational matters are largely delegated to the management of the subsidiary companies.

The Company operates a "Sounding Board", which is an employee group working together to drive positive change for Be Heard. We encourage our employees to share their feedback and ideas on the issues that matter to them and their colleagues. This group is the platform to gather and discuss feedback, suggest ideas for improvement, and help to implement them. Our colleagues can also raise concerns in confidence and anonymously which is monitored by the Senior Independent Non-Executive Director. The Directors believe that the Sounding Board and whistleblowing forums give the Board sufficient insight of the view of the workforce and that representation on the Board is not currently required.

Corporate Governance Report

DIVISION OF RESPONSIBILITIES

The Board is made up of two full time Executive Directors and three part time Non-Executive Directors.

The Non-Executive Chairman is responsible for the running of the Board and together with the Board members, determining the strategy of the Group. The Chief Executive is responsible for the running of the Group's business.

Our Non-Executive team comprises David Morrison, Chairman, David Poutney and David Wilkinson. The Code requires that the Chairman should, on appointment, meet the independence criteria set out in the code. The Board believes the Chairman to be independent and in compliance with the code.

The Non-Executive Directors' shareholdings are detailed in the Directors' Interests table on page 21 of the report. The Board has determined that all the Non-Executive Directors are independent and that their shareholding in the Company does not affect their independence.

In 2019, the Board met 11 times during the year and there is a formal schedule of matters reserved for the consideration of the Board. The Board is responsible to the shareholders for the proper management of the Group. The Board sets and monitors the Group strategy, reviewing trading performance, ensuring adequate funding, examining development possibilities and formulating policy on key issues. The Board is also responsible for monitoring the risk and control environment and has set out its approach to risk on page 12.

The Non-Executive Directors have the opportunity to meet without the Executive Directors in order to discuss the performance of the Board, its committees and individual Directors.

The Company Secretary ensures that the Board and its committees are supplied with papers to enable them to consider matters in good time for meetings and to enable them to discharge their duties. Procedures are in place for the Directors in the furtherance of their duties to take independent professional advice, if necessary at the Company's expense.

COMPOSITION, SUCCESSION AND EVALUATION

The Board has established a Nomination Committee to lead the process for appointments and manage succession plans for its executives. The committee is comprised of two Executive Directors and three Non-Executive Directors, with the casting vote going to David Wilkinson, the Non-Executive Chair of the Nominations Committee. Where the Nominations Committee uses an external search agency to appoint a member of the Board, it is disclosed in the Annual Report.

All Directors are required to stand for re-election every year. The terms and conditions of appointment of the Non-Executive Directors are available for inspection at our registered office.

The Board conducts an annual evaluation process, which involves the performance appraisal of both the Executive and Non-Executive members of the Board.

Individual Directors are appraised by virtue of their role within the Board, whereby the Chairman appraises the Chief Executive and the Non-Executive Directors, the Chief Executive appraises the Chief Operating Officer, and the entire Board appraise the Chairman which is delivered by the Senior Non-Executive Director.

As a 'smaller company' (defined in the UK Corporate Governance Code as being a company below the FTSE 350) the Board have decided that the internal evaluation conducted in the year is sufficient and that external facilitation of the board performance review is not necessary in this financial period.

THE BOARD

The Group is led by the Board, which is made up of two Executive Directors and three Non-Executive Directors.

Executive Directors during the year:
Simon Pyper
Ben Rudman

Non-Executive Directors during the year:
David Morrison
David Wilkinson
David Poutney

DIRECTORS' INTERESTS

The interests of the Directors as at 31 December 2019 in the ordinary shares of the Company were as follows:

Simon Pyper	4,138,456
Ben Rudman	69,726,942
David Morrison	3,136,208
David Wilkinson	2,386,208
David Poutney	11,692,857

The Board has determined that all the Non-Executive Directors are independent and that their shareholding in the Company does not affect their independence.

AUDIT, RISK AND INTERNAL CONTROL

The Board has established Audit, Nomination and Remuneration Committees with mandates to deal with specific aspects of its business. The table below details the membership and attendance of individual Directors at Board and committee meetings held during the year ended 31 December 2019.

Board Meetings held during the year:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Simon Pyper	11	4	0	0
Ben Rudman	11	0	0	0
David Morrison	11	4	3	1
David Wilkinson	11	4	3	1
David Poutney	11	3	3	1

AUDIT COMMITTEE

The Audit Committee is comprised of the Chairman David Wilkinson, David Morrison and David Poutney. David Wilkinson is a Chartered Accountant with recent and relevant financial experience.

The Committee met four times in the year and met with the external auditors on two separate occasions. The Committee is responsible for:

- monitoring the integrity of the financial statements and any formal announcements relating to the Group's financial performance, and reviewing significant financial reporting judgements contained in them;
- providing advice on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- reviewing the Group's internal financial controls and internal control and risk management systems;
- considering annually whether there is a need for an internal audit function and reporting its view and findings to the Board;
- conducting the tender process and making recommendations to the Board, about the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity;
- reviewing the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements; and
- developing and implementing policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the board on any improvement or action required.

Corporate Governance Report

The Audit Committee considers the most significant issues relating to the financial statements, under its consideration to be:

- Going concern
- Revenue recognition
- Valuation of intangibles and associated carrying values
- Compliance with applicable accounting standards
- Covid-19 as part of Going Concern

The Audit Committee discharges its responsibilities through receiving reports from management and advisers, working closely with the auditors, carrying out and reviewing risk assessments and taking counsel where appropriate in areas when required to make a judgement.

The Board has overall responsibility for the Group's system of internal controls and for monitoring its effectiveness. Such a system is designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The internal controls are considered within the Risk and Uncertainties section of the Strategic Report on page 12.

The Directors review the effectiveness of the Group's system of internal controls. This review extends to all controls including financial, operational, compliance and risk management. Formal risk review is a regular Board agenda item.

The key controls in place have been reviewed by the Board and comprise the following:

- The preparation of comprehensive annual budgets and business plans integrating both financial and operational performance objectives, with an assessment of the associated business and financial risks. The overall Group budget and business plan is subject to approval by the Board.
- Monthly new business and revenue reports are produced and reviewed by management.
- Monthly management accounts are prepared and reviewed by the Board. This includes reporting against key performance indicators and exception reporting.
- An organisational structure with formally defined lines of responsibility. Authorisation limits have been set throughout the Group.

REMUNERATION COMMITTEE

The Remuneration Committee comprises the Chairman David Wilkinson, David Morrison and David Poutney. The Remuneration Committee is responsible for determining the service contract terms, remuneration and other benefits of the Executive Directors, details of which are set out on pages 21 and 26. The terms of reference of the Remuneration Committee are available for inspection on request.

GOING CONCERN

The Group meets its day-to-day working capital requirements through free cash flow. Based on cash flow projections, the Group considers the existing financing facilities to be adequate to meet short-term commitments.

The Directors have a reasonable expectation that there are no material uncertainties that cast significant doubt about the Group's ability to continue as a going concern. Accordingly, the Group has prepared the Annual Report and Accounts on a going concern basis.

LONG TERM VIABILITY

The Directors have set out a long-term viability statement on page 15 of the Strategic report.

SHAREHOLDER RELATIONSHIPS

The Company operates a corporate website at https://beheardpartnership.com where information is available to potential investors and shareholders.

The Board will use the Annual General Meeting to communicate with shareholders and seek their participation. The Notice of the Annual General Meeting will be circulated more than 21 working days prior to the meeting.

The Directors' interests are disclosed on page 21. There are no individual shareholders owning more than 10% of the company's issued share capital.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the Company's share capital and all its issued shares are fully paid.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Board Terms of Reference, copies of which are available on request.

The Company has authority to purchase its own shares, the authority is proposed each year as a resolution at the company's AGM for shareholders to vote on.

EMPLOYEE POLICIES

Be Heard is a people business, and is committed to the recruitment, retention and engagement of its employees. Motivating employees enables the Group to better provide its clients with innovative and high quality solutions.

The Group places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the factors affecting the performance of the Group. This is achieved through formal and informal meetings.

The Group benefits from the diversity and variety of its workforce and is fully committed to maintaining and encouraging diversity. It is the Group's policy to give full and fair consideration to the employment of disabled persons, the continuing employment of employees becoming disabled, and to the full development of the careers of disabled employees, having regard to their particular abilities.

The Group does not discriminate on the grounds of gender, race, disability, sexuality, religion, philosophical belief, political belief, trade union membership or age as guided by the Equality Act 2010.

At 31 December 2019, the Group employed the following number of employees of each gender:

Male	**200**
Female	**97**

HEALTH AND SAFETY

It is the policy of the Group to conduct all business activities in a responsible manner, free from recognised hazards and to respect the environment, health and safety of our employees, customers, suppliers, partners, neighbours and the community at large.

POLITICAL DONATIONS

The Group has not made any political donations during the year.

SUPPLIER PAYMENTS POLICY

It is the Group's policy to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods and services in accordance with agreed terms and conditions.

SUBSEQUENT EVENTS

The accounts are approved during a period where there is much uncertainty as a result of the emergence and international spread of a coronavirus (Covid-19). It is expected that the Group will be impacted by the spread of Covid-19, resulting in depressed revenue in the next financial year. However, the Group is in a good position to weather this due to its net asset position, positive cash balance and renewed Rolling Credit Facility. The Group will also take advantage of government schemes made available to companies to help delay certain cash outflows and reduce employee costs. Although revenue is likely to fall, it is not considered to reduce dramatically as much of the Group's services are provided online and can continue to be delivered remotely. The ultimate impact of Covid-19 on the UK, the world and the economy is yet to be seen. However, through appropriate consideration of risks as part of its normal risk management processes and mitigating actions both already taken and available to be taken, the directors consider it appropriate for the going concern basis to be adopted for these accounts.

The Financial Reporting Council has advised that the global pandemic Covid-19 is not an adjusting post-balance sheet event for 31 December 2019 financial statements and the financial statements have accordingly been prepared on this basis. Further comments on the potential impact of Covid-19 and the actions being taken by the Group to mitigate its effect can be found in the Strategic Report.

FINANCIAL INSTRUMENTS

Use of financial instruments and exposure to various financial risks has been discussed within the Strategic Report.

RESEARCH AND DEVELOPMENT

The Group engages in certain research and development work with respect to products and processes that enable it to deliver innovative and effective services to clients.

FUTURE DEVELOPMENTS

Future developments have been discussed within the Strategic Report.

Corporate & Social Responsibility

CORPORATE SOCIAL RESPONSIBILITY

Sustainability is key part of our strategy, and for us at Be Heard it is about safeguarding future growth not only for us as a Group but also for our employees, clients and shareholders.

When Be Heard was formed we recognised that how we engage with our people, clients, business partners, the wider community and environment is fundamental to the Group's success. The Group is committed to focus on creating and maintaining positive long-term relationships with our broad base of stakeholders.

SUSTAINABILITY THEMES

For us at Be Heard, our sustainability activities are focused around four key themes:

OUR PEOPLE

Our commitment to our people remains paramount as we recognise that the motivation, creativity and engagement of our people is critical to the Group's success. We aim to be an employer of choice and one where our people feel respected, rewarded and engaged. Our success and our future success depend on Be Heard being able to attract and retain the right talent and we operate a "Sounding Board" network, which is an employee group working together to drive positive change for the Group.

Areas of focus:

- Strong emphasis on social engagement and creativity
- Annual performance reviews and internal movement
- Diversity in culture, languages and experience
- Staff social and charity events, team building across the Group

OUR CLIENTS

Our creative solutions help our clients to "unlock profitable growth". Our creative output allows our clients to better understand, communicate and engage with their clients.

Areas of focus:

- Integrity of our approach
- Ethical standards
- Partnership
- Privacy and data protection

SOCIAL INVESTMENT

Social Investment allows Be Heard to contribute to the success of charities and organisations; we help to ensure that they can achieve their aims in a sustainable, long-term way.

Areas of focus:

- Social engagements to raise money for selected charities
- Placements, whereby our staff are encouraged to spend time with supported charities on pro-bono basis.

ENVIRONMENT

As a creative-led marketing services company our carbon footprint is considerably smaller than for many other companies of our size. Despite the structural benefits that we have as Group, we are committed to minimising the impact of our operations on the environment.

Areas of focus:

- Travel and accommodation policies encourage carbon offsetting and minimising the Group's carbon footprint.
- Focus on modern business practices such as video and virtual meetings to reduce the need to travel

Audit Committee Report

The Audit Committee plays an important role in the governance of the Group and I am pleased to present our report to you for 2019. As Chairman of the Audit Committee it was my responsibility to ensure that the Committee was rigorous and effective in its role of monitoring and reviewing:

- The integrity of the financial statements of the Group and any formal announcements relating to financial performance
- The effectiveness of the Group's internal controls and risk management framework
- The integrity of the Group's relationship with the external auditors and the effectiveness of the audit process

During the year the Audit Committee met on four occasions and I am satisfied that we were presented with papers of good quality and in a timely fashion. The Audit Committee consists of the Chairman David Wilkinson, David Morrison and David Poutney.

THE INTEGRITY OF FINANCIAL REPORTING

We reviewed the integrity of the financial statements and all formal announcements relating to financial performance during 2019. As part of the review, we engaged in discussion with the external auditors on how significant areas of judgement and significant risks were evaluated, reported and disclosed.

During 2019, we focused upon the following areas:

- The Group Going Concern and long-term viability of the Group, in discussion with the Board
- Assessing the impact of IFRS16 'Leases', which was effective 1 January 2019
- Fair value and impairment of goodwill relating to the Group's previous acquisitions
- Review of the appropriateness of the Adjusted EBITDA measure reported for 2019.

In accordance with the revised ISA 700, 'Forming an Opinion and Reporting on Financial Statements', our auditor has adopted the enhanced audit report for the 2019 Annual Report and Accounts.

THE EFFECTIVENESS OF INTERNAL CONTROLS AND RISK MANAGEMENT FRAMEWORK

The Committee has a clear process for identifying, evaluating and managing risk. Significant risks faced by the Group are documented in the Group's risk register and considered regularly. The external auditors include a review of the Group's risk register in their audit approach.

EXTERNAL AUDITOR

The Committee recommends the reappointment of Haysmacintyre LLP for 2020. We believe that their independence, their objectivity and the effectiveness of the external audit remains strong. This is safeguarded through their continuing challenge, their focused reporting and their discussions with both management and the Audit Committee in planning and concluding their work. In order to maintain the independence of the external auditors, the Board has determined that non-audit work will not be offered to the external auditors unless there are clear efficiencies and value-added benefits to the Group.

The Audit Committee has considered the need for a separate internal audit function but due to the size of the Group and procedures in place to monitor both trading performance and internal controls, it was concluded that the costs of a separate internal audit department would outweigh the benefits.

The Audit Committee annually reviews the remuneration received by the auditors for audit services and non-audit work. Their audit and non-audit fees are set, monitored and reviewed throughout the year (see note 3 of the financial statements). The non-audit fees in the year were not material in the context of the overall fee and the Committee deemed that no conflict existed between such audit and non-audit work.

TENURE OF AUDITOR

Haysmacintyre LLP have been the Auditor for the Group since 2015 with the first audited Annual Report signed 2016.

David Wilkinson

David Wilkinson
Chairman of the Audit Committee
17 April 2020

Remuneration Committee Report

UNAUDITED INFORMATION
I am pleased to present the Remuneration Committee's report to you for 2019. The Remuneration Committee consists of the Chairman David Wilkinson, David Morrison, and David Poutney.

Directors' remuneration policy
The Board is responsible for setting the Group's policy on Directors' remuneration and the Remuneration Committee decides on the remuneration package of each Executive Director.

The primary objectives of the Group's policy on executive remuneration are that it should be structured so as to attract and retain executives of a high calibre with the skills and experience necessary to develop the Company successfully and secondly, to reward them in a way which encourages the creation of value for the shareholders. The performance measurement of the Executive Directors and the determination of their annual remuneration package is undertaken by the Remuneration Committee. No Director is involved in setting their own remuneration.

The main elements of the Executive Directors' remuneration are:

- Basic annual salary - The salaries of the Executive Directors are reviewed annually and reflect the executives' experience, responsibility and the Group's market value,
- Bonus - Based upon performance,
- Other benefits - Other benefits include medical cover, and
- Share based payments - scheme was launched in 2019 for the Executive Directors and senior management.

Non-Executive Directors' remuneration
All Non-Executive Directors have letters of appointment with the Company and their remuneration is determined by the Board, having considered the level of fees in similar companies.

Directors' service agreements
It is the Group's policy that Directors should not have service agreements with notice periods capable of exceeding twelve months. The existing service agreements have neither fixed terms nor contractual termination payments but do have fixed notice periods. The details of the service agreements of the Directors as at 20 April 2020 are:

Executive Directors	
Simon Pyper	6 months' notice except in the event of an acquisition whereupon the notice period is 12 months
Ben Rudman	12 months' notice
Non-Executive Directors	
David Morrison	3 months' notice
David Wilkinson	3 months' notice
David Poutney	3 months' notice

Directors' emoluments

	Salary Fees £000's	Bonuses £000's	Benefits In kind £000's	Total Emoluments £000's	Pension Contribution £000's	Total £000's	Total 2018 £000's
Simon Pyper	200	145	1	346	14	360	99
Ben Rudman	110	-	2	112	1	113	113
David Morrison	85	-	-	85	-	85	64
David Wilkinson	30	-	-	30	-	30	23
David Poutney	30	-	-	30	-	30	23

Simon Pyper is due a bonus of £75k (which is not included in the above figures) on approval of the 2019 Annual Report by the Be Heard Group plc Board. The other benefits consist of health and life insurance cover.

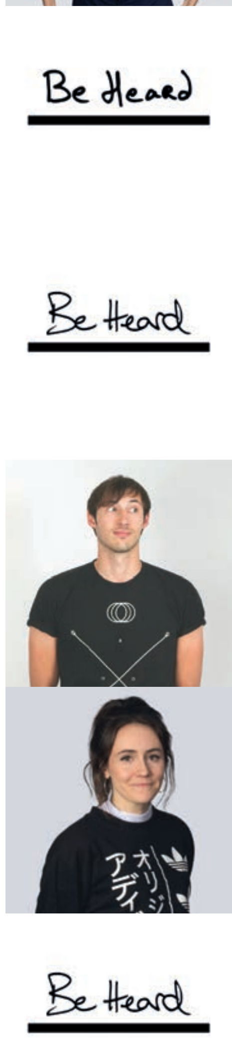
By order of the Board

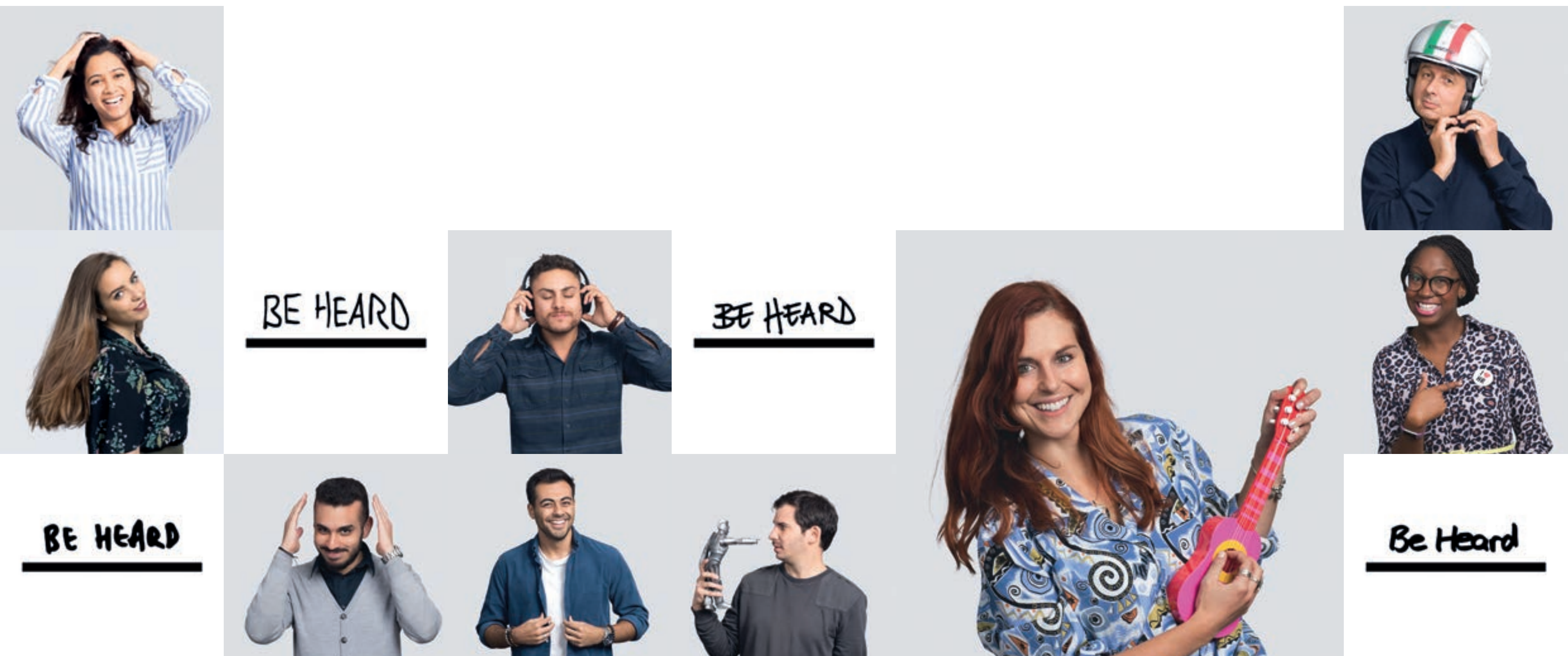
David Wilkinson

David Wilkinson
Chairman of the Remuneration Committee
17 April 2020

“Be Heard is totally dependent on its people and the turnaround in operating performance would not have been possible without their commitment.”

David Morrison
Non-Executive Chairman





Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

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

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

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Auditors
A resolution to reappoint Haysmacintyre LLP as auditors to the Company will be proposed at the Annual General Meeting.

Disclosure of information to auditors
The Directors confirm that: so far as each Director is aware, there is no relevant audit information of which the Group's auditors are unaware, and the Directors have taken all steps that they ought to have taken in order to make themselves aware of any relevant audit information and establish that the Group's auditors are aware of that information.

Annual General Meeting
Be Heard is not authorised under its articles to hold a virtual or hybrid AGM so the AGM will take place at 10.00am on 29 June 2020 at the offices of The Corner Communication (London) Limited, a Be Heard company, 1 Richmond Mews, London W1D 3DA.

The Board encourages shareholders to submit their proxies as early as possible. In the exceptional current circumstances, the Board considers the health of the Group's shareholders and its employees to be of paramount importance and asks shareholders not to attend the meeting in person.

On behalf of the Board

Simon Pyper

Simon Pyper
Chief Executive
17 April 2020

To the Shareholders of Be Heard Group plc

OPINION

We have audited the financial statements of Be Heard Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity, and the related notes. The financial reporting framework that has been applied in their preparation 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 and of the Parent Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

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 or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

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.

Key audit matter: Revenue recognition

Under International Standards on Auditing (UK) 240 'The Auditors' Responsibilities Relating to Fraud in an Audit of Financial Statements there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

Group revenue, as detailed in notes 2 and 26, comprises commissions on digital media placements, retainer fees, creative services and UX delivery. Revenue is recognised in line with the accounting policies in note 1.

We identified revenue recognition as a significant risk of material misstatement.

How the matter was addressed in the audit

Our audit work included, but was not restricted to:

- considering the stated accounting policies in respect of revenue recognition and whether these are consistent with IFRS 15;
- testing that the stated accounting policies had been applied accurately and consistently;
- testing a sample of sales transactions recorded either side of the balance sheet date for correct application of cut-off;
- substantively testing a sample of sales transactions ensuring that the significant risks and rewards had been passed to the customer on recognition of revenue; and
- completing high level analytical review of revenue recognised in the year.

The Group's accounting policy on revenue recognition is shown in note 1 to the financial statements.

Key observations

Our audit work did not identify any material errors in the occurrence of revenue recognised in the year or any material instances of revenue not being recognised in accordance with the stated accounting policy.

Key audit matter: Valuation of deferred consideration, separately identifiable intangible assets and goodwill
There is a risk that deferred consideration, as detailed in note 17, is understated. There is a further risk that on consolidation, the valuation of intangibles including goodwill, as detailed in note 11, are overstated.

How the matter was addressed in the audit
Our audit work included but was not restricted to:
- reviewing the SPAs and subsequent earn-out agreements, agreeing the deferred and contingent consideration to these and assessing the appropriateness of recognising contingent consideration with reference to current and forecast performance against the SPAs;
- reviewing the impairment reviews prepared by management and scrutinising the calculations and forecasts to gain comfort over future expected results;
- reviewing the subsidiaries' current performance as well as forecasts to ensure the valuation of the investment is appropriate; and
- recalculating impairment reviews of customer lists for each subsidiary with reference to customer turnover reports.

Key observations
Our audit work identified that deferred and contingent consideration is in line with the subsidiaries' SPAs and subsequent earn-out agreements. Our audit work also identified that the impairment of separately identifiable intangibles and goodwill was in line with trading expectations and agreed to forecasts and budgets.

Key audit matter: Valuation of investment in subsidiaries
There is a risk that investments in subsidiaries, as detailed in note 5 to the Company financial statements, are overstated. Recent trading performance indicate that there may be a requirement for investments in some subsidiaries to be impaired.

How the matter was addressed in the audit
Our audit work included but was not restricted to:
- reviewing the current trading performance and forecasts for each subsidiary against the value of the investments; and
- reviewing the impairment reviews prepared by management and scrutinising the calculations and forecasts to gain comfort over the calculated present value of future cashflows.

Key observations
Our audit work identified that the impairments of subsidiaries were calculated with reference to the calculated present value of future cashflows. Our audit work did not identify any material overstatements of investments in subsidiaries.

Key audit matter: Going concern
There is a risk that the Group will be unable to fund debt repayments which are due over the next 12 months, from working capital or alternative finance sources. There is a risk that the bank or convertible loan note holders may withdraw the Group's rolling credit facility, term loan or convertible loan should the Group breach their covenants. In addition, with the global uncertainty around COVID-19, there is a risk that forecast levels of trading over the coming months may be significantly impacted which could have a material impact on working capital over the next 12 months.

How the matter was addressed in the audit
Our audit work included but was not restricted to:
- reviewing the Group's cash flow forecasts and budgets for a minimum period of 12 months post signing the financial statements;
- scrutinising the reasonableness of assumptions applied to the cash flow forecasts;
- sensitising the Group's cash flow forecasts against various scenarios which could come to realisation as a result of COVID-19, including managements own assessment of the best estimate worst case scenario;
- reviewing the going concern paper prepared by management and discussing this with the Board;
- reviewing of post year-end management accounts on a Group basis; and
- reviewing post year-end extension of the loan facility with the bank.

Key observations
We identified conditions which may cast doubt on the going concern assumption, including the uncertainty around the impact of COVID-19. However, based on the audit evidence obtained, particularly in relation to the mitigating factors initiated and proposed by management, we conclude that no material uncertainty exists in relation to going concern. The financial statements have been prepared on a going concern basis and our audit report is unmodified in that respect.

To the Shareholders of Be Heard Group plc

OUR APPLICATION OF MATERIALITY

The scope and focus of our audit was influenced by our assessment and application of materiality. We define materiality as the magnitude of misstatement that could reasonably be expected to influence the readers and the economic decisions of the users of the financial statements. We use materiality to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Materiality for the Group Financial Statements as a whole was set at £470,000, calculated as approximately 10% of the Group's Adjusted EBITDA. We report to the Audit Committee any corrected or uncorrected misstatements arising exceeding £24,000. Performance materiality was set at £353,000, being 75% of materiality. Materiality for the Company was set at £470,000.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit scope included the audit of each of the subsidiaries for the year/period ended 31 December 2019, other than those which are dormant. Our audit work therefore covered 100% of Group revenue, Group loss and total Group assets and liabilities. The subsidiary audits were performed to subsidiary level materiality which was calculated for each subsidiary with reference to their respective turnover and was lower than or equal to Group materiality in each case.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, 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.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement set out on page 29, 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 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. This description forms part of our auditor's report.

USE OF OUR REPORT

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

Ian Cliffe
Senior Statutory Auditor
For and on behalf of Haysmacintyre, Statutory Auditors
10, Queen Street Place
London EC4R 1AG
17 April 2020

> "The challenge ahead, given the financial constraints of the Group and the less than consistent performance of the partner companies, is how best to deliver profitable growth over the medium to long-term."

Simon Pyper
Chief Executive Officer

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Billings	2	55,839	49,720
Cost of sales		(26,047)	(20,261)
NET REVENUE		29,792	29,459
Administrative expenses		(36,778)	(39,156)
LOSS FROM OPERATIONS	3	(6,986)	(9,697)
Operating profit before non-recurring and non-cash items (adjusted EBITDA)[1,2]		4,707	3,040
Non-recurring and non-cash items	4	(11,693)	(12,737)
LOSS FROM OPERATIONS	3	(6,986)	(9,697)
Finance costs	7	(949)	(602)
LOSS BEFORE TAXATION		(7,935)	(10,299)
Taxation	8	1,069	884
LOSS AFTER TAX		(6,866)	(9,415)
Loss and Total Comprehensive Expense attributable to:			
Non-controlling interest		415	413
Equity holders of the parent		(7,281)	(9,828)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		(6,866)	(9,415)
LOSS PER SHARE			
Basic	9	£ (0.01)	£ (0.01)
Diluted	9	£ (0.01)	£ (0.01)

All of the above losses after taxation arise from continuing operations.

There was no other comprehensive income for the year. Total comprehensive expense for the year ended 31 December 2019 is £6,866k (2018: £9,415k).

1 Adjusted EBITDA is after deducting depreciation, amortisation, impairments, acquisition costs, restructuring costs and share based payments.

2 Adjusted EBITDA in 2019 includes the impact of adopting IFRS 16 Accounting for Leases, deducting the rental charge on the relevant assets amounting to £1,193k. A comparable adjustment has not been made in 2018 in accordance with the modified retrospective basis of adoption.

The notes on pages 40 to 62 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Share Capital	Share Premium Reserve	Merger Relief Reserve	Retained Earnings	Attributable to Owners of Parent	Non-Controlling Interests	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2018	9,819	13,224	6,689	(5,533)	24,199	(98)	24,101
Total comprehensive expense for the year ended 31 December 2018	-	-	-	(9,828)	(9,828)	413	(9,415)
Issue of new shares	588	-	1,349	-	1,937	-	1,937
Issue costs deducted from equity	-	(16)	-	-	(16)	-	(16)
Share based payment expense	-	-	-	11	11	-	11
Balance at 1 January 2019	10,407	13,208	8,038	(15,350)	16,303	315	16,618
Total comprehensive expense for the year ended 31 December 2019	-	-	-	(7,281)	(7,281)	415	(6,866)
Issue of new shares	2,061	-	3,140	-	5,201	-	5,201
Share based payment expense	-	-	-	43	43	-	43
Dividends paid to Non-Controlling Interests	-	-	-	-	-	(319)	(319)
Balance at 31 December 2019	12,468	13,208	11,178	(22,588)	14,266	411	14,677

The notes on pages 40 to 62 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
ASSETS:					
NON-CURRENT ASSETS					
Property, plant and equipment	10		507		391
Investments in associates	14		320		-
Intangible assets	11		24,561		33,876
Right of Use Assets	15		4,306		-
TOTAL NON-CURRENT ASSETS			29,694		34,267
CURRENT ASSETS					
Trade and other receivables	16	9,293		12,540	
Cash and cash equivalents		3,130		2,167	
TOTAL CURRENT ASSETS			12,423		14,707
LIABILITIES:					
CURRENT LIABILITIES					
Trade and other payables	17	(15,828)		(19,071)	
Lease Liability	15	(944)		-	
Bank and other loans	18	(722)		(3,000)	
TOTAL CURRENT LIABILITIES		(17,494)		(22,071)	
NON-CURRENT LIABILITIES					
Other payables	17	(2,160)		(3,150)	
Lease Liability	15	(3,332)		-	
Bank and other loans	18	(4,435)		(3,520)	
Deferred tax liability	20	(19)		(395)	
Provision for liabilities	21	-		(3,220)	
TOTAL NON-CURRENT LIABILITIES		(9,946)		(10,285)	
TOTAL LIABILITIES			(27,440)		(32,356)
TOTAL NET ASSETS			14,677		16,618
CAPITAL AND RESERVES: ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT					
Share capital	22		12,468		10,407
Share premium reserve	23		13,208		13,208
Merger relief reserve	23		11,178		8,038
Retained earnings	23		(22,588)		(15,350)
Equity attributable to owners of parent company			14,266		16,303
Non-controlling interests	24		411		315
TOTAL EQUITY			14,677		16,618

The financial statements were approved by the Board of Directors and authorised for issue on 17 April 2020 and were signed on its behalf by:

Simon Pyper

Simon Pyper
Director

David Wilkinson

David Wilkinson
Director

The notes on pages 40 to 62 form part of these financial statements.

	2019		2018	
OPERATING ACTIVITIES	**£'000**	**£'000**	**£'000**	**£'000**
Loss before taxation		(7,935)		(10,299)
Adjustments for:				
Depreciation	1,303		182	
Amortisation	1,535		2,976	
Impairment of intangibles	667		1,159	
Impairment of goodwill	7,113		7,221	
Movement in deferred and contingent consideration	-		104	
Revaluation of loan note	(12)		(662)	
Share based payment expense	43		11	
Finance costs	949		602	
		11,598		11,593
Cash generated from operations before changes in working capital and provisions		3,663		1,294
Decrease/(increase) in trade and other receivables	2,120		(1,834)	
Increase in trade and other payables	110		997	
		2,230		(837)
Cash generated from operations		5,893		457
Net tax received		516		296
Cashflow from/(used in) operating activities		6,409		753
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(345)		(253)	
Consideration paid on acquisition of subsidiaries	(320)		-	
Deferred consideration paid	(1,165)		(3,063)	
Dividend payments to Non-Controlling Interests	(319)		-	
Cashflow used in investing activities		(2,149)		(3,316)
FINANCING ACTIVITIES				
Share issue expenses	-		(16)	
Bank loan drawn/(repaid)	(1,520)		2,000	
Finance costs	(583)		(361)	
Cash payments for principal portion of lease liability	(1,194)			
Cashflow from financing activities		(3,297)		1,623
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		963		(940)
Cash and cash equivalents at 1 January		2,167		3,107
Cash and cash equivalents at 31 December		3,130		2,167
Cash available on demand		3,130		2,167

The notes on pages 40 to 62 form part of these financial statements.

Consolidated Statement of Cashflows

For the year ended 31 December 2019 (continued)

Reconciliation of net cashflow to movement in net debt:	**2019**	**2018**
	£'000	**£'000**
Net increase/(decrease) in cash and cash equivalents	963	(940)
Revolving credit facility repaid	1,000	-
Term loan repaid/(drawn)	520	(2,000)
Interest accrued on convertible loan notes	(488)	(488)
Interest paid on convertible loan notes	319	320
Revaluation of share option component of convertible loan notes	12	662
Movement in net debt in the year	2,326	(2,446)
Net debt at 1 January	(4,353)	(1,907)
Net debt at 31 December	(2,027)	(4,353)

There were no significant non-cash transactions.

The notes on pages 40 to 62 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2019

1. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS

1.1 Nature of operations

Be Heard Group plc is incorporated in England and Wales. The Company is domiciled in the UK. The Company is a public limited company which is listed on the Alternative Investment Market ("AIM"). The address of its registered office is 53 Frith Street London W1D 4SN.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board as adopted by the European Union ("IFRSs") and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRSs. The consolidated financial statements have been prepared under the historical cost convention and on a going concern basis.

The financial statements are presented in pounds sterling (the functional currency) and rounded to the nearest thousand (£'000).

Principal activity of the Business
The principal activity of Be Heard Group plc and its subsidiaries is to provide a variety of marketing services to business clients in multiple sectors.

Going concern
The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group ("the Group") have adequate resources to continue in operational existence for the foreseeable future. In reaching this conclusion the Directors have considered the financial position of the Group, its cash, liquidity position and borrowing facilities together with its forecasts and projections for 12 months from the reporting date that take into account reasonably possible changes in trading performance. The going concern basis of accounting has therefore continued to be adopted in preparing the financial statements.

The Group has taken into account the uncertainty due to the economic impact of the Covid-19 coronavirus, and has made prudent forecasts, incorporating mitigating actions, based upon current knowledge. It has also secured an extension of 16 months to its working capital facility with Barclays Bank of £2m, taking the facility through to October 2021.

1.2 Accounting policies

Basis of consolidation
Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

Business combinations
The consolidated financial statements incorporate the results of business combinations using the acquisition method of accounting other than disclosed above. In the consolidated 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. Acquisition-related costs are expensed as occurred. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Non-controlling interests in acquired companies are measured at the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

Accounting for investments in associates
The Group follows IAS 28 Investments in Associates in its accounting treatment of investments in which it holds less than a majority stake. Accordingly, the Group consolidates the associate on the basis of cost plus a proportion of profits for the period.

The profit in the associate Digital Delivery Consulting Limited (trading as Three Points Digital) in the period since acquisition has been immaterial, and no profits or cashflows have been incorporated into these accounts to date.

Change to accounting policies
This report has been prepared based on the accounting policies detailed in the Group's financial statements for the year ended 31 December 2019 and is consistent with the policies applied in the previous year, except for the new standard now effective, IFRS 16.

Impact of the adoption of IFRS16: Leases
IFRS 16 is effective from 1 January 2019. The standard eliminates the classification of leases as either operating or finance leases and introduces a single accounting model. Lessees are required to recognise a right-of-use asset and related lease liability for their operating leases and show depreciation of leased assets and interest on lease liabilities separately in the income statement. IFRS 16 requires the Group to recognise substantially all of its operating leases on the balance sheet.

The Group adopted IFRS 16 effective 1 January 2019 on a modified retrospective basis. Accordingly, prior year financial information has not been restated and will continue to be reported under IAS 17: Leases. The right-of-use asset and lease liability have initially been measured at the present value of remaining lease payments, with the right-of-use asset being subject to certain adjustments.

When applying IFRS 16, the Group has applied the following practical expedients, on transition date:

- Reliance on the previous identification of a lease (as provided by IAS 17) for all contracts that existed on the date of initial application;
- Reliance on previous assessments on whether leases are onerous instead of performing an impairment review;
- Exclusion of initial direct costs from the measurement of the right-to-use asset at the date of initial application;
- The accounting for operating leases with a remaining term of less than 12 months as at 1 January 2019 as short-term leases; and
- The use of hindsight, such as determining the lease term if the contract contains options to extend or terminate the lease.

For the 12 months ended 31 December 2019, depreciation of the right-of-use asset and recognition of interest on the lease liability in the unaudited consolidated interim income statement replaced amounts recognised as rent expense under IAS 17. The implementation of IFRS 16 on 1 January 2019 resulted in a decrease to profit of £95k, comprised of an increase to depreciation of £1,074k, an interest charge of £215k and a reduction in lease charge of £1,194k.

i) Practical expedients applied

In applying IFRS16 for the first time, the Group has applied the following practical expedients permitted by the standard:
- Applying a single discount rate to a portfolio of leases with similar characteristics
- Relying on previous assessments as to whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of the initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Notes to the Financial Statements

For the year ended 31 December 2019

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS17 and interpretation *4 Determining whether an Arrangement contains a Lease.*

i) Measurement of lease liabilities

The following table reconciles the opening balance for the lease liabilities as at 1 January 2019 based upon the operating lease obligations as at 31 December 2018:

	£'000
Operating lease commitments at 31 December 2018	5,689
Short-term leases not included in lease liabilities	(50)
Extension options reasonably certain to be exercised	404
Leases starting after 1 January 2019 included in lease commitments	(1,100)
Upfront payments	(231)
Gross lease liabilities at 1 January 2019	**4,712**
Effect of discounting	(549)
Lease liabilities at 1 January 2019	**4,163**

Of which:

Current lease liabilities	516
Non-current lease liabilities	3,647
	4,163

ii) Measurement of Right of Use Assets

The associated Right of Use assets for property leases were measured on a modified retrospective basis. Other Right of Use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

iii) Adjustments recognised in the balance sheet on 1 Jan 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right of Use Assets – increase by £4,306k
- Prepayments decrease by £231k
- Right of Use liabilities – increase by £4,163k

The net impact on retained earnings as at 1 January 2019 was £nil.

Goodwill
Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair value of assets given, liabilities assumed, and equity instruments issued.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the statement of comprehensive income. Any gains on acquisition are recognised in the statement of comprehensive income on the date of acquisition.

Impairment tests on goodwill are undertaken at least annually or more frequently if events or changes in circumstance indicate a potential impairment.

Impairment of non-financial assets
Impairment tests on goodwill are undertaken annually on 31 December and on other non-financial assets whenever events or changes in circumstances indicate that their carrying value may not be reasonable. Where the carrying value of an asset 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 the administrative expenses line item in the consolidated statement of comprehensive income, except to the extent that they reverse gains previously recognised in the consolidated statement of recognised comprehensive income. Any impairment loss for goodwill is not reversed.

Intangible assets (other than goodwill)
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. Intangible assets principally related to brand names and customer lists which were valued by discounting estimated future net cashflows from the asset.

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. Cost includes all directly attributable costs of acquisition. The amortisation expense is included within the administration expense line in the consolidated statement of comprehensive income. Externally acquired intangible assets are amortised over their useful economic life of 3 years, as judged by management.

Intangible assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying value may not be recoverable.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is identified as the Group Board who are responsible for allocating resources and assessing the performance of the operating segments. The Group is organised into six operating segments based on individual entities within the Group.

Billings
Billings represent the total amounts receivable from clients, exclusive of VAT, in respect of services provided.

Net revenue
Net revenue is recognised when it is probable that future economic benefits will flow to the Group and the revenue can be reliably measured. Net revenue is measured at the fair value of the consideration received or receivable from customers, net of trade discounts, VAT, and other sales related taxes. Net revenue is recognised as follows:

- Net revenue from commissions on digital media placements is recognised on a straight-line basis over the digital campaign year. Where a campaign has run but not yet been billed by the balance sheet date, income is accrued. Where amounts are received in advance of the campaign running, income is deferred.

- Net revenue derived from retainer fees is recognised on a straight-line basis across the retainer year in accordance with the terms of the contractual arrangements.

- Net revenue from creative services is recognised using the percentage completion method, determined on the proportion of the service provided at the balance sheet date. When services have been delivered but not yet billed by the balance sheet date, income is accrued. Where amounts are received in advance of delivery, income is deferred based on the percentage of services not yet completed.

- Net revenue from user experience ("UX") delivery contracts is recognised on a time and materials basis. Services delivered but not billed at the balance sheet date are accrued.

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 to write off the carrying value of items over their expected useful economic lives. It is applied at the following rates:

- Land and buildings leasehold - 33% per annum on a straight-line basis
- Fittings and equipment - 33% per annum on a straight-line basis
- Computers - 33% per annum on a straight-line basis

Deferred taxation
Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet 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 nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable the difference will not reverse in the foreseeable future.

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

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

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities, and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Pensions
The pension schemes operated by the Group are defined contribution schemes. The pension cost charge represents the contributions payable by the Group.

Foreign currency
Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which it operates are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are retranslated at the rates ruling at the date of the statement of financial position. Exchange differences arising are recognised in the statement of comprehensive income.

Research and development costs
Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be available for use or sold;
- adequate technical, financial and other resources are available to complete the development;
- there is an intention to complete and sell or use the product;
- there is an ability for the Group to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over three years. The amortisation expense is included within the administrative expenses line in the statement of comprehensive income. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the statement of comprehensive income as incurred.

Financial assets
The Group classifies its assets into one of the following categories, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise through the provision of goods and services to customers (trade receivables). They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The effect of discounting on these financial instruments is not considered to be material.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all the amounts due under the terms receivable, 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, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Where possible, credit insurance is sought against the credit risk associated with trade receivables.

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 include the following:

- Trade payables and other short term monetary liabilities, which are recognised at amortised cost.
- Loan notes are recognised at amortised cost (other than convertible loan notes which are detailed below)

Contingent liabilities
The Group recognises contingent liabilities according to the Board's judgement of the likelihood that they will be realised. All recognised contingent liabilities relate to consideration due to vendors of acquired companies, dependent upon future performance of those businesses.

Convertible loan note
Convertible loan notes are considered to be a hybrid financial instrument comprising a financial liability (loan) and an embedded derivative (share option). At the date of issue, both elements were included in the balance sheet as liabilities held at fair value. The fair value of the loan element was estimated using the prevailing market interest rate for a similar non-convertible debt. This amount is recorded as a liability on an amortised cost basis until extinguished upon conversion at the instrument's maturity date. The fair value of the option element was estimated using the Black Scholes option pricing model with subsequent changes in fair value being recognised in the income statement.

On conversion of the loan note to equity, the fair value of the equity will be calculated based on a pre-agreed share price. The difference between the fair value of the equity issued and the carrying value of the loan note immediately prior to conversion will be recognised within finance costs in the income statement.

The fair value of the share option element is revalued annually by reference to the current share price and is estimated using Black Scholes, and any movement is recognised in the income statement.

Investments
Investments in subsidiaries are held at cost less impairment. Impairment reviews are held biannually. The cost of investments is calculated at the present value of future cashflows, using reasonable measures of growth and discount factor appropriate to the business. Where this calculation is materially below the carrying value of the investment, an impairment is made.

Share based payment
Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive income over the vesting year. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting year is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive income over the remaining vesting year.

Critical judgements and estimates
There are areas in which Group management has exercised its judgement in the application of the Group's accounting policies and making estimates about the future. These include:

- Amortisation rates – the Group applies a reasonable industry standard to amortise acquired intangibles over a 3-year period.
- Impairment of goodwill – the Group assesses the discounted future cashflows of acquired companies using reasonable measures of discount factors and growth rates, in line with industry standards.
- Impairment of investments – the Company values investments using reasonable measures of future cashflows
- Valuation of intangible assets on acquisition – the Group values the separate identifiable components of intangible assets acquired on acquisition, including customer relationships and brands. The Directors use a range of commonly recognised techniques to determine the values, and revise these judgements periodically.
- Bad debt provision – debts outstanding over 90 days will usually be provided against, unless there is evidence of imminent recovery.
- Revenue recognition – the Directors consider that they act as principal in transactions where the Group assumes the credit risk. Where this is via an agency arrangement and the Group nevertheless assumes the credit risk for all billings, it therefore recognises gross billings as revenue.
- Contingent consideration in respect of acquisitions – contingent consideration depends upon uncertain future events. At the time of purchasing a business, the Directors use financial projections as the basis for estimating contingent consideration. Subsequently, their estimates are revised with the benefit of information gained from post-acquisition trading.
- Contract balances – the Group recognises revenues on contracts that straddle the period end by reference to time expended and to milestones defined in the contracts, as a proportion of the total time estimated to complete the contract. It recognises the contract balances arising from this policy as contract assets and liabilities.
- Going Concern – the Group's assessment of going concern requires projections of revenues, which is a combination of confirmed contracts and estimated future contracts based upon the experienced judgement of Directors and management.

Standards and amendments and interpretations to published standards not yet effective
There are no new standards, amendments and interpretations to existing standards that have been published which have not been adopted.

2. BILLINGS

	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 £'000
Billings arises from:		
Provision of services	55,839	49,720

Billings by geographical location and by operating segment is given in note 26.

3. LOSS FROM OPERATIONS

	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 £'000
This has been arrived at after charging/(crediting):		
Staff costs (see note 5)	16,199	17,358
M&A transaction costs	270	50
Depreciation of property, plant and equipment	229	182
Depreciation of right to use asset	1,074	-
Amortisation of other intangible assets	1,535	2,976
Impairment of intangible assets	667	1,159
Impairment of goodwill	7,113	7,221
Movement in deferred and contingent consideration	-	104
Audit fees	33	30
Audit of accounts of subsidiaries of the company pursuant to legislation	61	64
Non-audit fees: taxation advisory services	12	12
Operating lease rentals (note 15)	50	992
Foreign exchange differences	12	(42)
Convertible loan note revaluation	(12)	(662)

Details of transactions with related parties of the Directors are given in note 27.

4. NON-RECURRING AND NON CASH ITEMS

	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 £'000
Depreciation of right to use asset	1,074	-
Depreciation	229	183
Amortisation	1,535	2,976
Impairment of intangibles	667	1,159
Impairment of goodwill	7,113	7,221
Movement in deferred and contingent consideration	-	104
Revaluation of convertible loan note	(12)	(662)
M&A transaction Costs	270	50
Termination payments	774	1,398
Legacy adjustments	-	297
Share based payments	43	11
	11,693	12,737

5. STAFF COSTS

Staff costs for all employees during the year, including the Executive Directors, were as follows:

	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 £'000
Wages and salaries	14,289	15,467
Social security costs	1,626	1,708
Other pension costs	284	183
	16,199	17,358

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

	Number	Number
Selling	34	34
Production	229	237
Management and administration	72	52
	335	323

6. DIRECTORS' EMOLUMENTS, INTERESTS AND SERVICES CONTRACTS

The value of all elements of remuneration received by each Director in the year was as follows:

2019	Salary fees £'000	Bonus £'000	Benefits in kind £'000	Total emoluments £'000	Pension Contributions £'000	Total £'000
Simon Pyper	200	145	1	346	14	360
Ben Rudman	110	-	2	112	1	113
David Wilkinson	30	-	-	30	-	30
David Poutney	30	-	-	30	-	30
David Morrison	85	-	-	85	-	85
Total	455	145	3	603	15	618

2018	Salary fees £'000	Termination Payments £'000	Benefits in kind £'000	Total emoluments £'000	Pension Contributions £'000	Total £'000
Simon Pyper	93	-	1	94	5	99
Ben Rudman	110	-	2	112	1	113
Peter Scott	187	497	6	690	-	690
Robin Price	94	322	1	417	-	417
Ian Maude	46	-	1	47	1	48
David Wilkinson	23	-	-	23	-	23
Rakhi Goss-Custard	19	-	-	19	-	19
David Poutney	23	-	-	23	-	23
David Morrison	64	-	-	64	-	64
Total	659	819	11	1,489	7	1,496

The Executive Directors have service contracts with the Company which are terminable by the Company, or the relevant Director, on six or twelve months' notice.

The Directors of the Company on 17 April 2020 and at the statement of financial position date, and their interest in the issued ordinary share capital of the Company as at that date of 31 December 2019 were as follows:

	17 April 2020 No	31 December 2019 No	31 December 2018 No
Simon Pyper	4,138,456	4,138,456	3,740,688
Ben Rudman	69,726,942	69,726,942	45,694,351
David Wilkinson	3,136,208	3,136,208	1,886,208
David Poutney	12,692,857	12,692,857	12,692,857
David Morrison	3,142,857	3,142,857	3,142,857

7. FINANCE COSTS

	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 £'000
Loan note interest	488	488
Right of use lease liability interest	215	-
Other interest	246	114
Total finance costs	949	602

Interest on the 8% convertible loan has been charged at the rate of 11.9%, being the estimated interest that would have been applied on a pure loan in the absence of the convertible element. This has increased the interest charge in the year by £168k (2018: £168k).

8. TAX EXPENSE

	2019 £'000	2018 £'000
Current tax credit		
UK corporation tax on profits or losses for the current year	(519)	(296)
UK corporation tax on profits or losses for the prior year	(174)	111
Deferred tax credit	(376)	(699)
Total tax credit	(1,069)	(884)

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

	2019 £'000	2018 £'000
Loss before tax	(7,935)	(10,299)
Expected tax charge based on the effective standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(1,508)	(1,956)
Effect of:		
Expenses not deductible for tax purposes	1,531	1,365
Additional deduction for R&D expenditure	(1,013)	(851)
Surrender of tax losses for R&D tax credit refund	161	73
Other adjustment	(2)	5
Adjustment in respect of prior periods	(174)	111
Deferred tax not recognised	(64)	369
Tax credit for the year	(1,069)	(884)

9. EARNINGS PER SHARE

	2019 £'000	2018 £'000
The earnings per share is based on the following:		
Earnings after tax	(7,281)	(9,828)
Weighted average number of shares	1,124,480,531	1,023,370,948
Fully paid up share capital	1,246,826,584	1,040,778,370
Diluted number of shares	1,415,091,584	1,040,778,370
Earnings per share	£ (0.01)	£ (0.01)
Diluted earnings per share	£ (0.01)	£ (0.01)

Earnings per ordinary share has been calculated using the weighted average number of shares in issue during the year. The weighted average number of equity shares in issue was 1,124,480,531 (2018: 1,023,370,948).

The diluted number of shares includes those reserved for the share option scheme (2019: 168m; 2018: nil).

10. PROPERTY, PLANT AND EQUIPMENT

	Fixtures & Fittings £'000	Plant & Machinery £'000	Leasehold improvements £'000	Total £'000
Cost				
At 31 December 2018	47	952	-	999
Additions	24	184	137	345
Disposals	-	(57)	-	(57)
At 31 December 2019	71	1,079	137	1,287
Depreciation				
At 31 December 2018	28	580	-	608
Charge for the year	11	198	20	229
Disposals	-	(57)	-	(57)
At 31 December 2019	39	721	20	780
Net Book Value				
At 31 December 2019	32	358	117	507
At 31 December 2018	19	372	-	391

11. INTANGIBLE ASSETS

	Development Costs £'000	Goodwill on Consolidation £'000	Customer Relationships £'000	Brand Value £'000	Total £'000
Cost					
At 31 December 2018	544	44,099	8,935	4,382	57,960
31 December 2019	544	44,099	8,935	4,382	57,960
Amortisation/Impairment					
At 31 December 2018	514	12,490	8,297	2,783	24,084
Charge for the year	15	-	520	1,000	1,535
Impairment	-	7,113	81	586	7,780
31 December 2019	529	19,603	8,898	4,369	33,399
Net Book Value					
At 31 December 2019	15	24,496	37	13	24,561
At 31 December 2018	30	31,609	638	1,599	33,876

Development costs relate to Amplify and Content Compass; data analytics tools developed in-house by Agenda21.

Amortisation of £1,535k and impairment of £7,780k are included in administrative expenses in the year.

The Group tests intangible assets biannually for impairment or more frequently if there are indications of impairment. A discounted cashflow analysis is computed to compare the discounted future cashflows to the net carrying value of goodwill and other intangible assets for each operating segment as appropriate.

All Development Costs, Customer Relationships and Brand Values will be fully written down by the end of 2020.

12. GOODWILL AND IMPAIRMENT

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

	Goodwill carrying amount	
	2019 £'000	2018 £'000
Details of the carrying amount of goodwill allocated to cash generating units (CGUs) is as follows:		
Agenda 21 Digital Limited	4,966	4,966
MMT Limited	15,058	15,058
Freemavens Limited	752	752
The Corner Communications (London) Limited	3,720	10,833
	24,496	31,609

The operations of The Corner Communications (London) Ltd and Kameleon Worldwide Ltd were merged in the year, and the recoverable amount of these companies has been assessed in combination. The 2018 carrying amounts have been combined for comparison.

The value of CGU's held for more than a year is assessed according to the projected performance of the business. This is done by using appropriate short-term forecasts, and reasonable growth rates and discount factors to determine the net present value of the investment. In all cases, the present value has been determined by growth in the next 4 years, and a perpetuity from the 5th year.

Agenda 21 Digital Limited

The recoverable amount of Agenda 21 Digital Limited has been determined from a review of the current and anticipated performance of this unit. In preparing the projection, a discount rate of 10% has been used based on the weighted average cost of capital and a future growth rate of 5% has been assumed beyond the first three years, for which the projection is based on the budget produced by Agenda21. It has been assumed investment in capital equipment will equate to depreciation over this year. The discount rate was based on the Company's cost of capital as estimated by management.

The recoverable amount exceeds the carrying amount by £389k. If the growth rates were reduced to 3% then the recoverable amount would exceed the carrying amount by £52k.

MMT Limited

The recoverable amount of MMT Limited has been determined from a review of the current and anticipated performance of this unit. In preparing the projection, a discount rate of 10% has been used based on the weighted average cost of capital and a future growth rate of 5% has been assumed beyond the first three years, for which the projection is based on the budget produced by MMT. It has been assumed investment in capital equipment will equate to depreciation over this year. The discount rate was based on the Company's cost of capital as estimated by management.

The recoverable amount exceeds the carrying amount by £26,805k. If the growth rates were reduced to 3% then the recoverable amount would exceed the carrying amount by £24,263k.

Freemavens Limited

The recoverable amount of Freemavens Limited has been determined from a review of the current and anticipated performance of this unit. In preparing the projection, a discount rate of 10% has been used based on the weighted average cost of capital and a future growth rate of 10% has been assumed beyond the first three years, for which the projection is based on the budget produced by Freemavens. The future growth rate has then been applied until the tenth year. It has been assumed investment in capital equipment will equate to depreciation over this year. The discount rate was based on the Company's cost of capital as estimated by management.

The recoverable amount exceeds the carrying amount by £15,716k. If the growth rates were reduced to 3% then the recoverable amount would exceed the carrying amount by £12,641k.

The Corner Communications (London) Limited and Kameleon Worldwide Limited

The operations of The Corner Communications (London) Limited and Kameleon Worldwide Limited (The Corner) were merged during the year. The assessment of the recoverable amounts of these CGUs have been assessed in combination since the two businesses merged and are now internally reported as one CGU.

Goodwill in The Corner was impaired by £1,088k in June 2019 and a further £6,025k in December 2019 due to the loss of key clients.

The recoverable amount of The Corner has been determined from a review of the current and anticipated performance of this unit. In preparing the projection, a discount rate of 10% has been used based on the weighted average cost of capital and a future growth rate of 3% has been assumed beyond the first three years, for which the projection is based on the budget produced by The Corner. The future growth rate has then been applied until the tenth year. It has been assumed investment in capital equipment will equate to depreciation over this year. The discount rate was based on the Company's cost of capital as estimated by management.

13. SUBSIDIARIES

The subsidiaries of Be Heard Group plc, which have been included in these consolidated financial statements are as follows:

Subsidiary undertakings	Country of incorporation	Registered Office	Proportion of voting rights and ordinary share capital held	Nature of business
Agenda 21 Digital Holding Limited	United Kingdom	53 Frith Street London W1D 4SN	100%	Dormant holding company
Agenda 21 Digital Limited*	United Kingdom	53 Frith Street London W1D 4SN	100%	Digital media and analytics agency
MMT Limited	United Kingdom	1a Uppingham Gate, Uppingham, Rutland, LE15 9NY	100%	Digital marketing company
Kameleon Worldwide Limited	United Kingdom	53 Frith Street London W1D 4SN	100%	Digital marketing agency
Freemavens Limited	United Kingdom	53 Frith Street London W1D 4SN	75%	Analytics consultancy
The Corner Communications (London) Limited	United Kingdom	1 Richmond Mews London W1D 3DA	100%	Advertising agency

In all cases the country of operation and of incorporation is England.

*indirectly held by Agenda 21 Digital Holding Limited

There are no restrictions on the ability to use or access assets and secure liabilities across the Group.

14. INVESTMENT IN ASSOCIATE

On 26 April 2019 Be Heard Group plc subscribed for 1,175 ordinary shares in Digital Delivery Consulting Limited (trading as Three Points Digital (3PD) and bought an additional 1,060 existing shares, representing a total of 20% of the enlarged nominal value of the shares, for a consideration of £320,000.

3PD is a digital transformation consultancy providing lead generation and new business opportunities for the Group.

The registered office is 32 Byron Hill Road, Harrow On The Hill, HA2 0HY. Its year end reporting date is 31 May.

Be Heard Group plc does not have significant influence over the company.

15. LEASES

	31 December 2019 £'000	1 January 2019 £'000
The balance sheet shows the following amounts related to leases:		
Right-of-Use Asset – Buildings	4,306	4,394
Lease Liability		
Current	944	516
Due in more than one year	3,332	3,878
	4,276	4,394

Additions to the Right-of-Use assets in the year were £1,100k

The Statement of Comprehensive Income shows the following amounts related to leases:

Depreciation of right-of-use assets	1,074	-
Interest expense	215	-
Expenses relating to short-term leases	50	-

The total cash outflow for leases in 2019 was £1,194k.

- The Group leases various offices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, property leases were accounted for as operating leases. From 1 January 2019, leases are recognised as a right of use asset and a corresponding liability at the date at which the asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments, including any lease incentives receivable;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions

16. TRADE AND OTHER RECEIVABLES

	2019 £'000	2018 £'000
CURRENT		
Trade payables	6,837	10,260
Corporation tax recoverable	515	424
Other payables	203	379
Prepayments	638	657
Contract assets	995	715
	9,188	12,435

NON-CURRENT		
Other receivables	105	105
	9,293	12,540

17. TRADE AND OTHER PAYABLES

	2019 £'000	2018 £'000
CURRENT		
Trade payables	3,249	2,951
Other taxes and social security	1,666	2,400
Other payables	6,527	8,900
Accruals	2,941	3,846
Contract liabilities	1,445	974
	15,828	19,071

Other payables due in less than one year include £6,500k of deferred consideration (2018: £8,657k)

NON-CURRENT		
Other payables	2,160	3,150
	2,160	3,150

Other payables due in greater than one year include £2,160k of deferred consideration (2018: £3,150k).

Deferred consideration reconciliation	**Current £'000**	**Non-current £'000**
Balance at 31 December 2018	8,657	3,150
Moved from contingent	3,220	-
Moved to current	990	(990)
Paid in year	(6,367)	-
Balance at 31 December 2019	6,500	2,160

18. BANK AND OTHER LOANS

CURRENT

Revolving Credit Facility
The Group entered into an agreement with Barclays Bank on 29 June 2017 in respect of a £3,000k Revolving Credit Facility maturing on 29 June 2020. The facility is unsecured, and interest is payable at 4.75% plus LIBOR. The facility must be reduced to a £nil balance for 10 consecutive working days once every 12 months. As part of a renegotiation of terms, the Facility was reduced to £2,000k on 9 May 2019. As at 31 December 2019, the Company had drawn £nil of the facility (2018: £1,000k). On 2 April 2020, the facility was extended to 15 October 2021.

Term loan
The Group entered into an agreement with Barclays Bank on 15 May 2018 in respect of a £2,000k Term Loan, repayable over 3 years. The loan was drawn on 15 October 2018. The facility is unsecured, and interest is payable at 4.0% plus LIBOR. As at 31 December 2019, £1,480k of the Term Loan was still outstanding (2018: £2,000k).

Subordination
On 27 June 2019 the Group subordinated its deferred consideration debts to the loans and facilities received from Barclays Bank.

	2019		2018	
	< 1 year	> 1 year	< 1 year	> 1 year
Term loan	722	758	2,000	-
Revolving credit facility	-	-	1,000	-
	722	758	3,000	-

NON-CURRENT

Convertible Loan Notes
Convertible loan notes were issued on 28 November 2017. The notes are convertible by the holder into ordinary shares of the Company at any time between the date of issue of the notes and their redemption date. The notes are convertible at 3.5 pence per share.

If the notes are not converted, they may be redeemed at par at the option of the issuer on the fourth, fifth or sixth anniversary of issue. Interest, payable quarterly in arrears of 8% per annum, is payable in years 1-4 and interest of 10% per annum payable in years 5-6.

	Liability component Total	Share option component	
	£'000	£'000	£'000
At 1 January 2019	3,508	12	3,520
Interest charged	488	-	488
Interest payable	(319)	-	(319)
Fair value movement	-	(12)	(12)
At 31 December 2019	3,677	-	3,677

The interest charge for the year is calculated by applying an effective rate of interest of 11.9% to the liability component for the period since the loan notes were issued, being the interest rate that would have been applied if there were no share option element (see note 7).

The Fair Value movement is as a result of the reduction in the share price of the Group in the year, which makes it less likely that loan note holders will exercise the right to convert their bonds to equity.

19. FINANCIAL INSTRUMENTS

The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance.

The Group's financial instruments comprise cash and cash equivalents and various items such as trade payables and receivables that arise directly from its operations. The Group is exposed through its operations to the following risks:

- Credit risk
- Foreign currency risk
- Liquidity 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. Further quantitative information in respect of these risks is presented throughout these financial statements.

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

Credit risk
The Group is exposed to credit risk primarily on its trade receivables, which are spread over a range of customers, a factor that helps to dilute the concentration of the risk.

The Group's credit risk management processes are managed centrally but implemented locally, within each business unit.

It is Group policy to assess the credit risk of each new customer before entering into binding contracts. Credit insurance is purchased where available; for riskier clients without sufficient trading history to be covered, payment in advance is required.

The credit control teams monitor debt with reference to the due date, as defined by the contracts entered into. These contracts are negotiated with reference to the size, location, payment history and financial health of the client, and with respect to the nature and timing of the related purchased service, if relevant.

Once a debt is overdue, it is monitored closely, with communications with the client taken together with internal assessments of the company's risk, or areas of dispute or fault. Escalation of the issue to management usually occurs when the debt is over 30 days beyond terms.

Once all avenues of recovery have been pursued, including legal advice and professional recovery services, the debt is deemed irrecoverable and the amount is written out of the ledger.

The maximum exposure to credit risk is represented by the carrying value in the statement of financial position as shown in note 16 and in the statement of financial position. The amount of the exposure shown in note 16 is stated net of provisions for doubtful debts.

The credit risk on liquid funds is low as the funds are held at banks with high credit ratings assigned by international credit rating agencies.

Foreign currency risk
Foreign exchange transaction risk arises when individual Group operations enter into transactions denominated in a currency other than their functional currency. The general policy for the Group is to sell to customers in the same currency that goods are purchased in reducing the transactional risk. Where possible, the Group uses receipts in foreign currencies to meet liabilities in the same currencies across the Group. Currency buying is centralised to optimise rate efficiency.

Liquidity risk
If any part of the Group identifies a shortfall in its future cash position the Group has sufficient facilities that it can direct funds to the location where they are required. If this situation is forecast to continue into the future remedial action is taken.

Credit risk
The carrying amount of financial assets represents the maximum credit exposure. The Group maintains its cash reserves at reputable banks. The maximum exposure to credit risk at the reporting date was:

	2019	2018
	£'000	£'000
Financial assets		
Trade and other receivables	9,293	12,540
Cash and cash equivalents	3,130	2,167
	12,423	14,707

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2019	2018
	£'000	£'000
UK	5,812	9,754
Non-UK	1,025	506
	6,837	10,260

The Group policy is to make a provision against those debts that are overdue, unless there are grounds for believing that all or some of the debts will be collected.

Trade receivables ageing by geographical segment

Geographical area	**Total**	**Current**	**30 days past due**	**60 days past due**	**90 days past due**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
2019					
UK	5,812	3,502	1,934	154	222
Non-UK	1,025	649	212	-	164
Total	6,837	4,151	2,146	154	386
2018					
UK	9,754	8,640	969	71	74
Non-UK	506	506	-	-	-
Total	10,260	9,146	969	71	74

The Group reviews the aged debt profile and recoverability of its trade receivables and where necessary makes provision for non-payment or recovery. As at 31 December 2019 the Group's bad debt provision was considered to be adequate and immaterial for disclosure purposes.

	2019	2018
	£'000	£'000
Current financial liabilities		
Trade and other payables	15,828	19,071
Revolving credit facility	-	1,000
Lease liability	944	-
Term loan	722	2,000
	17,494	22,071

Financial liabilities are measured at amortised cost.

Non-current financial liabilities		
Convertible loan note – loan element (see note 18)	3,677	3,508
Convertible loan note – share option element (see note 18)	-	12
Term loan	758	-
Lease liability	3,332	-
Other payables	2,160	3,150
	9,927	6,670

The following are maturities of financial liabilities, including estimated contracted interest payments.

	Carrying Amount	Contractual cash flow	6 months or less	6 – 12 months	1 or more Years
	£'000	£'000	£'000	£'000	£'000
2019					
Trade and other payables	17,988	17,988	15,828	-	2,160
Term loan	1,480	1,480	357	365	758
Lease liability	4,276	5,629	568	568	4,493
Convertible loan notes	3,677	3,677	-	-	3,677
	27,421	28,774	16,753	933	11,088
2018					
Trade and other payables	19,071	19,071	19,071	-	-
Revolving credit facility	1,000	1,000	1,000	-	-
Term loan	2,000	2,000	2,000	-	-
Convertible loan notes	3,520	3,520	-	-	3,520
Other payables	3,150	3,150	-	-	3,150
	28,741	28,741	22,071	-	6,670

Foreign currency risk
The Group's main foreign currency risk is the short-term risk associated with accounts receivable and payable denominated in currencies that are not the subsidiaries functional currency. The risk arises on the difference in the exchange rate between the time invoices are raised/received and the time invoices are settled/paid. For sales denominated in foreign currencies the Group will try to ensure that the purchases associated with the sale will be in the same currency.

All monetary assets and liabilities of the Group were denominated in sterling with the exception of the following items which were denominated in Euros and US dollars, and which are included in the financial statements at the sterling value based on the exchange rate ruling at the statement of financial position date.

The following table shows the net assets exposed to exchange rate risk that the Group has at 31 December 2019:

	Euro	**US dollars**	**Total**
2019	**£'000**	**£'000**	**£'000**
Trade receivables	100	651	751
Cash and cash equivalents	9	14	23
Trade payables	-	-	-
	109	665	774

	Euro	**US dollars**	**Total**
2018	**£'000**	**£'000**	**£'000**
Trade receivables	100	67	167
Cash and cash equivalents	4	9	13
Trade payables	-	3	3
	104	79	183

The Group is exposed to currency risk because it undertakes trading transactions in US dollars and Euros. The Directors do not generally consider it necessary to enter into derivative financial instruments to manage the exchange risk arising from its operations.

Details of those outstanding at the statement of financial position date are given in this note.

The effect of a strengthening of 10% in the rate of exchange in the currencies against sterling at the statement of financial position date would have resulted in an estimated net increase in pre-tax profit for the year and an increase in net assets of approximately £77k and the effect of a weakening of 10% in the rate of exchange in the currencies against sterling at the statement of financial position date would have resulted in an estimated net decrease in pre-tax profit for the year and a decrease in net assets of approximately £77k.

There were no forward purchase agreements in place at 31 December 2019 (2018: none).

Capital under management
The Group considers its capital to comprise its ordinary share capital, share premium account and accumulated retained earnings.

In managing its capital, the Group's primary objective is to maximise returns for its equity shareholders. The Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain sufficient funding to enable the Group to meet its working capital and strategic investment need. In making decisions to adjust its capital structure to achieve these aims the Group considers not only its short-term position but also its long term operational and strategic objectives.

The Group defines gearing as borrowings less cash over equity. The Group's gearing ratio at 31 December 2019 is shown below:

	2019	2018
	£'000	£'000
Revolving credit facility	-	1,000
Term loan	1,480	2,000
Convertible loan notes	3,677	3,520
Less: cash and cash equivalents	(3,130)	(2,167)
	2,027	4,353
Share capital	12,468	10,407
Share premium reserve	13,208	13,208
Merger relief reserve	11,178	8,038
Retained earnings	(22,588)	(15,350)
	14,266	16,303
Gearing ratio	0.14	0.27

20. DEFERRED TAX

	2019	2018
	£'000	£'000
Accelerated capital allowances, capitalised development costs and goodwill on acquisition of subsidiaries:		
Deferred tax arising on acquisition of subsidiaries	9	380
Origination and reversal of timing differences	10	15
At 31 December 2019	19	395
Credit:		
Origination and reversal of timing differences	(376)	(698)
	(376)	(698)

A reduction to the UK corporation tax rate to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This would reduce the Group's future current tax charge accordingly and hence the deferred tax liabilities on 31 December 2018 were calculated on these rates. On 11 March 2020, the budget announced that the reduction to UK corporation tax would not be taking place and as such, the deferred tax liabilities on 31 December 2019 have been calculated based on the current rate of corporation tax in the UK (19%) which is expected to remain for the foreseeable future.

	2019	2018
	£'000	£'000
As at 1 January 2019	395	1,093
Charged to the Income Statement	(376)	(698)
As at 31 December 2019	19	395

21. PROVISION FOR LIABILITIES

Provisions represent amounts payable to former shareholders of subsidiary companies, contingent upon certain results being achieved over the relevant periods. These amounts are broken down as follows:

	2019 £'000	2018 £'000
As at 1 January	3,220	13,212
Acquisitions	-	-
Reclassification to deferred consideration	(3,220)	(9,655)
Write back of contingent consideration	-	(337)
As at 31 December	-	3,220

22. SHARE CAPITAL

	2019		2018	
	No	£'000	No	£'000
Allotted, issued and fully paid				
Ordinary shares of 1p each	1,246,826,584	12,468	1,040,778,370	10,408

Shares issued in the year:

Date	Description	No shares	Price/ share (pence)	Gross share value £'000	Cash received £'000
5 July 2019	Agenda 21 earnout payment	25,542,817	2.54	649	-
5 July 2019	Agenda 21 earnout payment	3,872,308	1.00	39	-
5 July 2019	MMT earnout payment	63,755,878	3.55	2,263	-
5 July 2019	Kameleon earnout payment	52,500,000	1.00	525	-
5 July 2019	The Corner earnout payment	60,377,211	2.86	1,725	-
	Total	206,048,214		5,201	-

23. RESERVES

Full details of movements in reserves are set out in the consolidated statement of changes in equity on page 36.

The following describes the nature and purpose of each reserve within owners' equity.

Reserve	Description and Purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement.
Non-controlling interests	Cumulative net gains and losses attributable to non-controlling interested.
Merger relief reserve	Amounts in excess of nominal value of share capital issued as consideration for acquisition of more than 90% ownership.

24. NON-CONTROLLING INTERESTS

On 9 February 2017, the Group purchased 75% of the Ordinary Share Capital of Freemavens Limited. This gave rise to a non-controlling interest in the assets of the Group.

	2019	2018
	£'000	£'000
Non-controlling interest brought forward	315	(98)
Interest in the profits/losses of subsidiary in the period	415	413
Dividends paid in year	(319)	-
Non-controlling interest carried forward	411	315

25. SHARE BASED PAYMENTS

During the period, the Group established a share based payment scheme as a long term incentive plan.

The Scheme was established on 30 April 2019 and on 13 May 2019 options were granted over 168,265,000 ordinary shares in Be Heard Group plc to 40 senior employees of the Group. At the Balance Sheet date, due to departures and reallocations, the amount of allocated share options was 141,732,500

The conditional terms of the scheme are based upon profit and share price targets. 60% of the shares are conditional upon achieving profit targets and 40% are conditional upon achieving share price targets.

There are three targets for each condition, being:

EBITDA target	% vesting	Share price target	% vesting
£4,000k	20%	2.0p	20%
£5,000k	40%	3.0p	40%
£6,000k	40%	4.0p	40%

The period of the scheme is 10 years from the date of initial grant.

The options have been valued under a combination of the Black Scholes and Monte Carlo methods, due to the dual nature of the vesting conditions.

The total option value over the 10 year period of the scheme is £740,304 (0.005p per option) The charge for the year is £43k (2018: £11k for a previous scheme, now lapsed).

26. SEGMENT INFORMATION

The Group's primary reporting format for segment information is business segments which reflect the management reporting structure in the Group.

2019	Be Heard Group	Design, Build & UX	Media Planning Buying	Content Management	Analytics Consultancy	Full Service Agency	Inter-segment adjustments	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Billings								
External	-	16,158	24,058	2,429	3,715	9,479	-	55,839
Intercompany	-	201	783	21	792	768	(2,565)	-
	-	16,359	24,841	2,450	4,507	10,247	(2,565)	55,839
Timing of revenue recognition								
Services transferred at a point in time	-	16,136	24,841	2,450	4,507	10,247	(2,565)	55,616
Services transferred over a period of time	-	223	-	-	-	-	-	223
	-	16,359	24,841	2,450	4,507	10,247	(2,565)	55,839
Profit/(loss) before tax	(9,185)	1,659	127	130	1,446	118	(2,230)	(7,935)
Tax (recovery)/expense	-	808	20	(135)	-	-	376	1,069
Balance sheet								
Assets	37,310	13,536	5,183	535	1,349	4,181	(19,977)	42,117
Liabilities	(31,641)	(2,493)	(4,451)	(299)	(538)	(2,071)	14,053	(27,440)
Net assets/(liabilities)	5,669	11,043	732	236	811	2,110	(5,924)	14,677
Other								
Capital expenditure								
- Tangible fixed assets	171	22	81	15	12	45	-	345
- Intangible fixed assets	-	-	-	-	-	-	-	-
Depreciation, amortisation and other non-cash expenses	37	24	79	18	16	55	-	229
Impairment of goodwill	-	-	-	-	-	-	(7,113)	(7,113)
Impairment of intangible assets							(667)	(667)
Interest paid	716	-	-	-	-	-	234	950

2018	Be Heard Group £'000	Design, Build & UX £'000	Media Planning & Buying £'000	Content Management £'000	Analytics Consultancy £'000	Full Service Agency £'000	Inter-segment adjustments £'000	Total £'000
Billings								
External	10	10,649	23,687	3,554	2,567	9,253	-	49,720
Intercompany	600	3,706	243	376	465	86	(5,476)	-
	610	14,355	23,930	3,930	3,032	9,339	(5,476)	49,720
Timing of revenue recognition								
Services transferred at a point in time	610	14,240	23,930	3,930	3,032	9,339	(5,476)	49,605
Services transferred over a period of time	-	115	-	-	-	-	-	115
	610	14,355	23,930	3,930	3,032	9,339	(5,476)	49,720
Profit/(loss) before tax	(2,279)	2,544	(421)	(112)	877	805	(13,712)	(12,298)
Tax	-	-	-	148	(8)	-	645	785
Balance sheet								
Assets	41,136	10,924	9,650	1,240	1,803	4,501	(20,280)	48,974
Liabilities	(35,127)	(1,527)	(5,111)	(1,147)	(1,162)	(2,510)	14,228	(32,356)
Net assets/(liabilities)	6,009	9,397	4,539	93	641	1,991	(6,052)	16,618
Other								
Capital expenditure								
- Tangible fixed assets	10	107	8	20	27	80	-	252
- Intangible fixed assets	-	-	-	-	-	-	-	-
Depreciation, amortisation and other non-cash expenses	11	26	65	12	11	57	13,446	13,628
Impairment of intangibles including goodwill	-	-	-	-	-	-	(7,221)	(7,221)
Interest paid	332	-	-	-	1	-	-	333

One client provided more than 10% of the billings of the Group (2018: one client). Its billings were £7,733k (2018: £5,195k). This client is included within Design, Build & UX and Media Planning & Buying.

	External billings by location of customer	
	2019	2018
	£'000	£'000
United Kingdom	51,605	41,423
Rest of Europe	4,062	4,518
Asia	-	41
USA	172	2,694
Rest of World	-	1,044
	55,839	49,720

All the above relate to continuing operations.

27. RELATED PARTY TRANSACTIONS

During the year, the Group paid brokers fees of £30k (2018: £20k) to Dowgate Capital Stockbrokers Limited. David Poutney, a Director of the Company, is Chairman of Dowgate Capital Stockbrokers Limited. At the year end, £nil (2018: £nil) was due to Dowgate Capital Stockbrokers Limited.

The key management team are considered to be the Board of Directors. Their remuneration is disclosed in detail within note 6. Key management were remunerated £618k in the year (2018: £1,496k).

28. ULTIMATE CONTROLLING PARTY

The Directors do not consider there to be an ultimate controlling party by virtue of the fact that no one holds a majority shareholding in the Group.

Company Statement of Financial Position

At 31 December 2019

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
NON-CURRENT ASSETS					
Fixed assets	4	154		20	
Investments	5	30,584		37,377	
Right of Use Asset	9	3,353		-	
			34,091		37,397
CURRENT ASSETS					
Trade and other	6	1,220		4,413	
Cash and cash equivalents		544		147	
CURRENT LIABILITIES					
Trade and other payables	7	(19,513)		(22,236)	
Bank and other loans	8	(722)		(3,000)	
Lease Liability	9	(644)		-	
NET CURRENT LIABILITIES			(19,115)		(20,676)
NON-CURRENT					
Other payables	7	(2,160)		(3,150)	
Provision for liabilities	10	-		(3,220)	
Bank and other loans	8	(4,435)		(3,520)	
Lease Liability	9	(2,713)			
			(9,308)		(9,890)
TOTAL NET ASSETS			5,668		6,831
CAPITAL AND RESERVES					
Share capital	11		12,468		10,407
Share premium reserve			13,208		13,208
Merger relief reserve			11,178		8,038
Retained earnings			(31,186)		(24,822)
TOTAL EQUITY			5,668		6,831

The Company made a loss in the year of £6,407k (2018: £18,882k).

The financial statements were approved by the Board of Directors and authorised for issue on 17 April 2020 and were signed on its behalf by:

Simon Pyper

Simon Pyper
Director

David Wilkinson

David Wilkinson
Director

The notes on pages 73 to 81 form part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2019

	Share Capital Account £'000	Share Premium Account £'000	Merger Relief Reserve £'000	Retained Earnings £'000	Total Reserves £'000
As at 1 January 2018	9,819	13,224	6,689	(5,951)	23,781
Issue of shares	588	-	1,349	-	1,937
Issue costs deducted from equity	-	(16)	-	-	(16)
Loss for the year	-	-	-	(18,882)	(18,882)
Share-based payment	-	-	-	11	11
As at 31 December 2018	10,407	13,208	8,038	(24,822)	6,831
Issue of shares	2,061	-	3,140	-	5,201
Loss for the year	-	-	-	(6,407)	(6,407)
Share-based payment	-	-	-	43	43
At 31 December 2019	12,468	13,208	11,178	(31,186)	5,668

The notes on pages 73 to 81 form part of these financial statements.

Company Statement of Cashflows

For the year ended 31 December 2019

	2019		2018	
	£'000	£'000	£'000	£'000
OPERATING ACTIVITIES				
Loss before taxation		(6,407)		(18,883)
Adjustments for:				
Depreciation	800		11	
Share based payment expense	43		11	
Loan note revaluation	(12)		(662)	
Impairment of investments	7,113		16,985	
Writeback of contingent consideration	-		104	
Finance expense	881		601	
Investment income	(2,780)		-	
		6,045		17,050
Loss from operations before changes in working capital and provisions		(362)		(1,833)
Increase in trade and other receivables	(28)		(960)	
Decrease in trade and other payables	(63)		(211)	
Transfer from Group companies	2,687		3,759	
		2,596		2,588
Cashflow from operating activities		2,234		755
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(171)		(10)	
Consideration paid on acquisition of Subsidiaries	(320)		-	
Deferred consideration paid	(1,165)		(2,948)	
Dividends received from subsidiaries	2,780			
Cash flow from/(used in) investing activities		1,124		(2,958)
		3,358		(2,203)
FINANCING ACTIVITIES				
Share issue expenses	-		(16)	
Bank loan (repaid)/drawn	(1,520)		2,000	
Cash payments for principal portion of lease liability	(857)		-	
Finance costs	(584)		(361)	
Cash flow from financing activities		(2,961)		1,623
DECREASE IN CASH AND CASH EQUIVALENTS		397		(580)
Cash and cash equivalents at 1 January 2019		147		727
Cash and cash equivalents at 31 December 2019		544		147
Cash available on demand		544		147

The notes on pages 73 to 81 form part of these financial statements.

Company Statement of Cashflows

For the year ended 31 December 2019

Reconciliation of net cashflow to movement in net debt:	2019	2018
	£'000	£'000
Net increase/(decrease) in cash and cash equivalents	397	(580)
Revolving credit facility repaid	1,000	-
Term loan repaid/(drawn)	520	(2,000)
Interest accrued on convertible loan notes	(488)	(488)
Interest paid on convertible loan notes	319	320
Revaluation of share option component of convertible loan notes	12	662
Movement in net debt in the year	1,760	(2,086)
Net debt at 1 January	(6,373)	(4,287)
Net debt at 31 December	(4,613)	(6,373)

There were no significant non-cash transactions.

The notes on pages 73 to 81 form part of these financial statements.

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation
The financial statements have been prepared in accordance with applicable IFRS accounting standards and under the historical cost convention. The accounts have been prepared on the going concern basis.

Profit and loss account
Under section 408(4) of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The loss for the year ended 31 December 2019 is disclosed on the Company statement of financial position.

Foreign currencies
Transactions entered into by the Company in a currency other than the currency of the primary economic environment in which it operates are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are retranslated at the rates ruling at the date of the statement of financial position. Exchange differences arising are recognised in the statement of comprehensive income.

Investments in subsidiaries
Investments in subsidiaries are stated at cost less amounts provided for impairment.

Share based payment
Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account over the vesting year. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting year is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of options granted. As long as all other vesting conditions are satisfied, a change is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for factors to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the profit and loss account over the remaining vesting year.

Impact of the adoption of IFRS16: Leases
IFRS 16 is effective from 1 January 2019. The standard eliminates the classification of leases as either operating or finance leases and introduces a single accounting model. Lessees are required to recognise a right-of-use asset and related lease liability for their operating leases and show depreciation of leased assets and interest on lease liabilities separately in the income statement. IFRS 16 requires the Group to recognise substantially all of its operating leases on the balance sheet.

The Company adopted IFRS 16 effective 1 January 2019 on a modified retrospective basis. Accordingly, prior year financial information has not been restated and will continue to be reported under IAS 17: Leases. The right-of-use asset and lease liability have initially been measured at the present value of remaining lease payments, with the right-of-use asset being subject to certain adjustments.

When applying IFRS 16, the Company has applied the following practical expedients, on transition date:

- Reliance on the previous identification of a lease (as provided by IAS 17) for all contracts that existed on the date of initial application;
- Reliance on previous assessments on whether leases are onerous instead of performing an impairment review;
- Exclusion of initial direct costs from the measurement of the right-to-use asset at the date of initial application;
- The accounting for operating leases with a remaining term of less than 12 months as at 1 January 2019 as short-term leases; and
- The use of hindsight, such as determining the lease term if the contract contains options to extend or terminate the lease.

Notes to the Company Financial Statements

For the year ended 31 December 2019

For the 12 months ended 31 December 2019, depreciation of the right-of-use asset and recognition of interest on the lease liability in the unaudited consolidated interim income statement replaced amounts recognised as rent expense under IAS 17. The implementation of IFRS 16 on 1 January 2019 resulted in a decrease to profit of £62k, comprised of an increase to depreciation of £763k, an interest charge of £163k and a reduction in lease charge of £864k.

i) Practical expedients applied

In applying IFRS16 for the first time, the Company has applied the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with similar characteristics
- Relying on previous assessments as to whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of the initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS17 and interpretation 4 Determining whether an Arrangement contains a Lease.

ii) Measurement of lease liabilities

The following table reconciles the opening balance for the lease liabilities as at 1 January 2019 based upon the operating lease obligations as at 31 December 2018:

	£'000
Operating lease commitments at 31 December 2018	4,627
Leases starting after 1 January 2019 included in lease commitments	(1,100)
Upfront payments	(147)
Gross lease liabilities at 1 January 2019	**3,380**
Effect of discounting	(396)
Lease liabilities at 1 January 2019	**2,984**
Of which:	
Current lease liabilities	314
Non-current lease liabilities	2,670
	2,984

iii) Measurement of Right of Use Assets

The associated Right of Use assets for property leases were measured on a modified retrospective basis. Other Right of Use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

iv) Adjustments recognised in the balance sheet on 1 Jan 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right of Use Assets – increase by £3,131k.
- Reduction in prepayments of £147k
- Right of Use liabilities – increase by £2,984k.

The net impact on retained earnings as at 1 January 2019 was £nil.

2. STAFF COSTS

	2019	**2018**
	£'000	**£'000**
Wages and salaries	759	1,927
Social security costs	85	188
Other costs	26	15
	870	2,130

No other remuneration was paid by the Company. Details of Directors' emoluments are given in note 6 to the Group financial statements.

The average number of employees during the year, including the three Executive Directors, was as follows:

	Number	**Number**
Management and administration	10	12

3. SHARE BASED PAYMENT

During the period, the Group established a share based payment scheme as a long term incentive plan. See note 25 of the Group accounts for details of the scheme.

4. FIXED ASSETS

	Fixtures & Fittings	Plant & Machinery	Leasehold Improvements	Total
	£'000	£'000	£'000	£'000
Cost				
At 31 December 2018	26	19	-	45
Additions	9	25	137	171
At 31 December 2019	35	44	137	216
Depreciation				
At 31 December 2018	13	12	-	25
Charge for the year	8	9	20	37
At 31 December 2019	21	21	20	62
Net Book Value				
At 31 December 2019	14	23	117	154
At 31 December 2018	13	7	-	20

5. INVESTMENTS - Company

	£'000
Cost as at 1 January 2019	62,579
Addition: Investment in Digital Delivery Consulting Limited	320
Cost as at 31 December 2019	62,899
Impairment as at 1 January 2019	25,202
Impairment charge in the year: The Corner Communications (London) Ltd	7,113
Impairment as at 31 December 2019	32,315
NBV as at 1 January 2019	37,377
NBV as at 31 December 2019	30,584

The subsidiaries of Be Heard Group plc are as follows:

Subsidiary undertakings	Country of incorporation	Registered Office	Proportion of voting rights and ordinary share capital held	Nature of business
Agenda 21 Digital Holding Limited	United Kingdom	53 Frith Street London W1D 4SN	100%	Holding company
Agenda 21 Digital Limited*	United Kingdom	53 Frith Street London W1D 4SN	100%	Digital media and analytics agency
MMT Limited	United Kingdom	1a Uppingham Gate, Uppingham, Rutland, LE15 9NY	100%	Digital marketing company
Kameleon Worldwide Limited	United Kingdom	53 Frith Street London W1D 4SN	100%	Digital marketing company
Freemavens Limited	United Kingdom	53 Frith Street London W1D 4SN	75%	Analytics agency
The Corner Communications (London) Limited	United Kingdom	1 Richmond Mews London W1D 3DA	100%	Advertising agency

In all cases the country of operation and of incorporation is England.

*indirectly held by Agenda21 Digital Holdings Limited.

Associate

On 26 April 2019 Be Heard Group plc subscribed for 1,175 ordinary shares in Digital Delivery Consulting Limited trading as Three Points Digital (3PD) and bought an additional 1,060 existing shares, representing a total of 20% of the enlarged nominal value of the shares, for a consideration of £320,000.

3PD is a digital transformation consultancy providing lead generation and new business opportunities for the Group.

The registered office is 32 Byron Hill Road, Harrow On The Hill, HA2 0HY. Its year end reporting date is 31 May.

Be Heard Group plc does not have significant influence over the company.

Impairments

The valuation of investments held by the company is reviewed biannually. Valuations are based upon the future cashflows of the businesses in conjunction with the fair value of assets and intangibles. At 31 December 2019 impairments were made to The Corner Communications (London) Limited as listed above.

6. TRADE AND OTHER RECEIVABLES

	2019 £'000	2018 £'000
CURRENT		
Trade debtors	433	2,663
Amounts owed by Group undertakings	3	1,158
Other taxes and social security	489	301
Prepayments	152	283
Other debtors	143	8
	1,220	4,413

7. TRADE AND OTHER PAYABLES

	2019 £'000	2018 £'000
CURRENT		
Trade payables	455	145
Amounts owed to Group undertakings	12,145	12,815
Other taxes and social security costs	51	48
Other payables	6,500	8,662
Accruals	362	566
	19,513	22,236

Other payables include £6,500k of deferred consideration (2018: £8,657k).

NON-CURRENT	2019 £'000	2018 £'000
Other payables	2,160	3,150

Other payables due in greater than one year include £2,160k of deferred consideration (2017: £3,150k).

Deferred consideration reconciliation	**Current £'000**	**Non-current £'000**
Balance at 31 December 2018	8,657	3,150
Moved from contingent	3,220	-
Moved to current	990	(990)
Paid in year	(6,367)	-
Balance at 31 December 2019	6,500	2,160

8. BANK AND OTHER LOANS

Refer to Group accounts note 18.

9. LEASES

	31 December 2019 £'000	1 January 2019 £'000
The balance sheet shows the following amounts related to leases:		
Right-of-Use Asset – Buildings	3,353	3,131
Lease Liability		
Current	644	314
Due in more than one year	2,713	2,670
	3,357	2,984

Additions to the Right-of-Use assets in the year were £1,100k

The statement of Profit or Loss shows the following amounts related to leases:

Depreciation of right-of-use assets	763	-
Interest expense	163	-

The total cash outflow for leases in 2019 was £857k.

The Group leases various offices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, property leases were accounted for as operating leases. From 1 January 2019, leases are recognised as a right of use asset and a corresponding liability at the date at which the asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments, including any lease incentives receivable;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions

10. PROVISIONS FOR LIABILITIES

Provisions represented amounts payable to former shareholders of MMT Limited, contingent upon certain results being achieved over the relevant periods. These amounts are broken down as follows:

	2019	2018
	£'000	£'000
As at 1 January	3,220	13,212
Acquisitions	-	-
Reclassification to deferred consideration	(3,220)	(9,655)
Write back of contingent consideration	-	(337)
As at 31 December	-	3,220

11. SHARE CAPITAL

	2019		2018	
	No	£'000	No	£'000
Allotted, issued and fully paid				
Ordinary shares of 1p each	1,246,826,584	12,468	1,040,778,370	10,408

Shares issued in the year:

Date	Description	No shares	Price/ share (pence)	Gross share value £'000	Cash received £'000
5 July 2019	Agenda 21 earnout payment	25,542,817	2.54	649	-
5 July 2019	Agenda 21 earnout payment	3,872,308	1.00	39	-
5 July 2019	MMT earnout payment	63,755,878	3.55	2,263	-
5 July 2019	Kameleon earnout payment	52,500,000	1.00	525	-
5 July 2019	The Corner earnout payment	60,377,211	2.86	1,725	-
	Total	206,048,214		5,201	-

12. ADDITIONAL INFORMATION

For all other information please refer to the notes to the Group accounts.



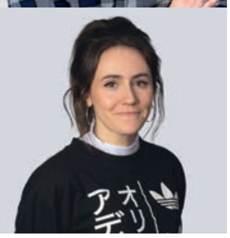




“The Group, despite a disappointing set of results from its creative business, has delivered improved results across a broad range of metrics.”

David Morrison
Non-Executive Chairman

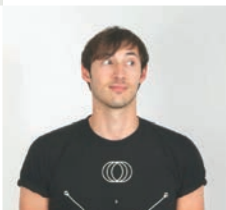










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